

The Treasury

Budget 2018 Information Release

Release Document August 2018

<https://treasury.govt.nz/publications/information-release/budget-2018-information-release>

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[2]	to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government	6(b)(i)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	not in scope	
[41]	that the making available of the information requested would be contrary to the provisions of a specified enactment	18(c)(i)
[42]	information is already publicly available or will be publicly available soon	18(d)

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



Reference: T2017/2954

DH-10-0-9

Date: 19 December 2017

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: Breakdown of costs for APEC21

On 7 December, you received an Aide Memoire [T2017/2798] which provided an overview of Treasury's role in the business case process, both generally, and with respect to the APEC21 business case. We understand that in response, you indicated that you would like to see a 'full breakdown of the costs.'

We have provided you and your office with the Business Case prepared by the Ministry of Foreign Affairs and Trade (MFAT). To aide in answering your question, this note provides:

- a summary table outlining the costs of the key areas of investment; and
- an extract from the business case summarizing the underlying information and assumptions used to calculate costs.¹

As noted in our previous advice, we are now focused on scrutinizing the bid to ensure we are able to provide robust advice throughout the budget process. We are working closely with the APEC21 team at MFAT to build a thorough understanding of various cost components.

General context

Some of the cost drivers of hosting APEC21 are:

- The APEC Secretariat Hosting Guidelines (p88) are very prescriptive. The APEC host is required to meet all costs of planning and running APEC throughout the year including venues, logistics, IT requirements, security, providing resources for international media, liaison staff for delegations, and costs of hosting heads of state.
- Approximately 60% of all APEC21 resources will be subject to a procurement process (for example tendering or use of all-of-government contracts). The remaining costs relate to resourcing (including salaries, travel and accommodation).

¹ Adapted from Table 11 (p45) and Appendix 6 (p129) in the APEC21 Business Case.

Table: Summary of areas of investment for APEC21

	Areas of Investment	New Funding	Baseline	%
Over \$20m	I. Venues, hospitality & venue technology	\$26.2m		16.5%
	II. Programme planning, delivery	\$21.1m		13.3%
Between \$10 and \$20m	III. [38]			
	IV.			
	V. Operations, Event Delivery	\$11.8m		7.4%
	VI. Liaison Officers ★	\$10.8m	\$7.1m	11.3%
	VII. Office space	\$10.4m		6.5%
Under \$10m	VIII. [38]			
	IX. [38]			
	X.			
	XI. Compliance & Assurance	\$4.3m		2.7%
	XII. Travel	\$3.2m		2.0%
	XIII. Chair Office & associated support	\$2.9m	\$4.5m	4.7%
	XIV. [33], [1]			
	XV. Other	\$1.1m		0.7%
	Sub Total	\$147.5m		100%
	Contingency (25%) ★ [33], [38]	\$36.7m		
	Grand Total	\$199.8m²	\$11.6m	

Items with ★ are discussed in more detail below.

Specific background and comment on some individual cost items

[38]

Liaison Officers: Our current focus is on resourcing, including the decision to use MFAT staff (some of whom are based offshore) as liaison officers, and the cost implications stemming from MFAT standard policies and procedures³ (including business class travel). We are working with MFAT to understand why the cost of Liaison Officers is so high and also to investigate other cheaper options.

² Rounding means numbers may not exactly match

³ This is a stated assumption in the financial case (p67). Note the Financial case was prepared on the basis of MFAT's preferred option (#3), while the bid is for the 'bare minimum' option (#1).

Guest of Government – [4]

Contingency (25%): An Independent Quality Assurance (IQA) review and sensitivity analysis of the preferred option cost model has been conducted by [26] concluded that the costs were prepared in a logical manner, given the event is four years away and the number of uncertainties on a number of significant costs. A Quantitative Risk Analysis (QRA) is being undertaken which will determine the most appropriate contingency for a project of this nature.

[38]

The Annex below provides some further breakdown of the line items in the Table above as well as the underlying information and assumptions used to calculate costs.

Laura Browne, Analyst, International, [39]
Dasha Leonova, Manager, International, [39]

Annex

Cost	Description of investment elements	Key assumptions
<p>I. APEC Venues, hospitality & venue technology</p> <p>The APEC Secretariat Hosting Guidelines prescribe the layout of the venue, hospitality requirements and the technology (business centre, media centre) that need to be implemented in all venues, as well as the support requirements for delegates, the SOM Chair and APEC Secretariat.</p>		
<p>[38]</p>	<p>APEC21 – Leaders’ Week venues and hospitality</p> <p>As above, with the exception of the following:</p> <ul style="list-style-type: none"> • Primary venue • Contingency venue – a major event such as APEC requires a contingency venue to be established as part of planning • A leaders retreat venue (which will take place away from the primary venue) • Additional WIFI capability will be required for the primary venue (once the primary venue is known) to accommodate multiple devices and media to send large media files. <p>Lessons learned from world leader summits show venues are key to a successful meeting.</p>	<p>All costs obtained directly through [38] and the costs provided are indicative and subject to change.</p>
<p>[38]</p>	<p>APEC21 – Venues and Hospitality (excluding Leaders’ Week and optional meetings)</p> <p>APEC Secretariat Hosting Guidelines prescribe the venue, hospitality, catering, technology and official dinner requirements for all meetings and events that must be held during the host year.</p> <p>Have assumed the same costs nationwide, as the location of all meetings is yet to be determined.</p> <p>Number of delegates is based on data from the APEC Secretariat. Costs will be refined following the Chilean and Malaysia years; the number of meeting attendees will impact costs.</p> <p>Venue hire includes provision for two additional days to establish the required business centre, and fit out requirements (if any)</p>	<p>All costs obtained through [38] and are based on 2017 prices.</p>
<p>[38]</p>	<p>APEC21 – Technology Requirements (excluding the Website and Online Registration and Accreditation system)</p> <p>APEC Secretariat Hosting Guidelines prescribe the technology that New Zealand must provide at all venues for all of the major meetings. All venues are required to have a ‘business centre’ for the purposes of the SOM Chair and the APEC Secretariat, including WIFI, desktop, LAN, and printing capability.</p> <p>This area includes the provision for two-way radio technology and radio car kits, both standard requirements for large scale events.</p>	<p>It is assumed that all meetings can be conducted in one single venue. If meetings are held across multiple venues there will be a need to establish a ‘business centre’ in each venue.</p> <p>Costs based on [2], [26] and MFAT Information Management Division estimates.</p>
<p>II. Resourcing - Programme planning, delivery and closure</p> <p>Programme and project planning, event planning; procurement planning; contract development and management; whole of government coordination over four years; programme leadership and governance; stakeholder engagement and programme closure. Critical for success of APEC21.</p>		
<p>\$21.1m</p>	<p>APEC21 Programme Resourcing APEC21 Operations, Logistics & Security Planning</p> <p>APEC 2021 is a programme to plan for and then deliver a series of major events. A small team is retained to ensure project closure and evaluation is undertaken. Successful programmes and major events must engage people with the right capability, at the right time and for a fixed period of time. The Ministry has limited capability in this area and it must procure the specialist skills and expertise needed. High levels of contracted and fixed term resource are required, but ongoing capability is <u>not</u>.</p>	<p>Assumed a mix of permanent, contract and fixed term resources is required over the next 4 years to ensure resources with the right capability is working on preparing and running the event.</p> <p>For planning purposes, FTE numbers won’t change whether 12, 15 or 17 meetings are planned for.</p> <p>For planning purposes assumed a 2% annual remuneration adjustment across all resources.</p>
<p>[38]</p>		

Cost	Description of investment elements	Key assumptions
[38]		
V. Resourcing - Operations, Event Delivery and Protocol Major events and programme/project specialists in all aspects of logistics (transport, venues, accommodation, event management, protocol, communication and media) will be required to ensure APEC21 is delivered as planned.		
\$11.8m	APEC21 Operations Group & Protocol Staff (Delivery Year) APEC21 Operations Group (Delivery Year) staff are required for event management, media and communications management, venues and accommodation, transport, airports, security, city operations (Auckland and others), events, training and support.	Assumed a dedicated operations team will be established from mid-2020, with additional resource located in Auckland from early 2021. A significant spike in resources will be in place from early-mid 2021. The delivery resources required will become more certain over time. Assumed relevant levels of resources are required to ensure appropriate protocol is provided for world leaders.
VI. Liaison Resourcing (including travel, accommodation & training) APEC Secretariat Hosting Guidelines require NZ to provide liaison officers for senior officials and Ministers while they are in NZ. Up to 52 liaison officers (senior officials meetings) and 283 liaison officers (Leaders Week) are required for each cluster of events. Liaison officers: <ul style="list-style-type: none"> • are critical in pursuing meeting objectives and building positive perceptions and strong relationships with senior staff from other economies • need to be able to exercise good judgement in facilitating contact, problem-solving and when to escalate issues for broader resolution • need to be able to engage credibly with senior officials and ministers • need to understand the meeting schedule, venues, and surrounding locations • need to understand NZ's policy objectives, both for the APEC meeting and in relation to NZ's relationships with the economy they are supporting • are the main channel of communication with delegations on all logistical and protocol arrangements in some cases provide language support 		
\$7.2m	APEC21 Liaison Staff – salaries Liaison staff members are a critical link between the APEC operations team and the economy delegations. Matching those with appropriate diplomatic skills, including language is particularly important for cultivating successful relationships. The APEC secretariat prescribes through the guidelines the numbers of liaison staff that are necessary for ensuring the economy runs a successful APEC. New Zealand health and safety requirements have been a factor in determining numbers.	Salary costs for liaison staff (approx. 1000 liaison staff will be required throughout the year) will be met by MFAT contribution.
\$10.6m	APEC21 Liaison Staff – travel The number of liaison staff required across the year for all meetings is approx. 1000. In order to obtain the right skills and share the reprioritisation from other activities burden, liaison officers will be sourced from MFAT staff on and offshore. Liaison staff will be required before each meeting for the purposes of in-situ training and familiarisation.	Note: During detailed planning we will ascertain if some liaison staff can be sourced from across NZ Inc. agencies. Travel costs are based on current MFAT travel and per diem policies.
\$0.3m	APEC21 Liaison Staff – Training	Assumed liaison staff will require formal training for the purposes of APEC in NZ.

Cost	Description of investment elements	Key assumptions
VII. APEC21 Programme - Office space APEC21 is a major programme above and beyond the core business of the Ministry. Co-location with other agencies, particularly NZ Police will be critical to ensure success of the programme. A 24/7 APEC21 command centre will be in place in Auckland for Leaders Week by 2021.		
\$10.4m	APEC21 Office Space – Auckland and Wellington, Auckland Command Centre – NZ INC APEC21 Command Centre Office space in Wellington and Auckland will be required for staff to prepare for the event. Office space and facilities are required for a minimum four years until project closure in mid-2022. NZ Police will integrate into the APEC21 Programme from mid-2018 to ensure planning and interdependencies are managed from the start.	<u>Wellington</u> Assume planning for APEC21 will take place in Wellington to ensure close proximity and engagement with Ministers and because the event is nationwide. Assume the staffing numbers will require additional space in Wellington. <u>Auckland</u> Assume a planning team will be co-located in Auckland from early 2021, with a preference of a co-location with NZ Police (if feasible)
VIII. APEC Guest of Government - Accommodation, Transport, advance visits, spouses programme & delegation gifts and material The APEC Secretariat Hosting Guidelines prescribe the costs that NZ must meet during the hosting of APEC. This includes world leader standard accommodation and hospitality, vehicles, spouses programme, delegation material and gifts. For security reasons, armoured vehicles are required.		
[38]	APEC21 Guests of Government – Accommodation costs APEC Secretariat Hosting Guidelines prescribe the accommodation entitlements for leaders and Ministers, APEC Secretariat and APEC Observers, other invited guests who are attending Leaders' Week or Ministerial Meetings. APEC Economies and Delegates are awarded New Zealand Guest of Government status when attending APEC Ministerial Meetings and the APEC Summit. It is assumed New Zealand will also invite other extended guests from WTO, World Bank, IMF and other potential future economies, and these additional guests have been incorporated for budgeting purposes. Under the Crimes (IPP, UN and AP and H) Act 1980 New Zealand Police must provide protection as a preventative measure to internationally protected persons. [4]	Assumed the same accommodation rate nationwide for ministerial meetings and leaders week. GOG are entitled to accommodation and hospitality which is inclusive in the accommodation rate.
[38]	APEC21 Guests of Government – Transport APEC Secretariat Hosting Guidelines prescribe transport entitlements for leaders and Ministers, APEC Secretariat and APEC Observers, other invited guests who are attending Leaders' Week or Ministerial Meetings. Various APEC Delegates are awarded New Zealand Guest of Government status when attending APEC Ministerial Meetings and the APEC Summit. As part of the guidelines APEC hosts invite other guests from WTO, World Bank, IMF and other potential future economies (have included 6 additional for budgeting purposes). Inviting these guests is considered normal APEC operations. Transport must be provided for all.	DIA provided current costs for similar leasing of Ministerial vehicles.
[38]	APEC21 – Transport Requirements APEC 2021 operations group will require transport to do their jobs. During Leaders' Week all vehicles must be accredited in the system – which will enable vehicles to access into the exclusion zone. The APEC 2021 operations group, liaison staff and key security personnel will need to move between the airport, venues and hotels. APEC Secretariat Hosting Guidelines suggest transport is provided for delegates to travel between airports hotels and the primary venues.	DIA and Auckland transport have provided costs.
\$0.07m	APEC21 – Advance Visits APEC Secretariat Hosting Guidelines require New Zealand to provide for at least two advance visits in 2021. Advance visits enable economies to do a reconnaissance on venues, hotels, accommodation and other logistical requirements that their world leader will be subject to.	A mini-conference; the provision costs for a venue, hospitality and transport.
\$0.1m	APEC21 – Spouses Programme APEC Secretariat Hosting Guidelines require New Zealand to invite spouses that accompany a leader or Minister to APEC and provide a spouses programme.	Obtained costs from the market, estimated by MFAT, based on similar experience.
\$0.7m	APEC21 – Economy gifts and Delegation material APEC Secretariat Hosting Guidelines prescribe the delegation collateral and host economy gifts for leaders and Ministers. It is customary that all hosts provide a 'shirt' that is customary of the host economy for the "APEC family photo".	A range of costs obtained from the market.

Cost	Description of investment elements	Key assumptions
[38], [4]		
[38]		
[38]	<p>APEC21 – Communication and Branding</p> <p>APEC Secretariat Hosting Guidelines require New Zealand to develop appropriate branding for the host year. APEC Secretariat Hosting Guidelines prohibit the use of country flags.</p> <p>Planning assumption is that Ministers will want to use the New Zealand “FernMark” branding and that NZ Story will provide the brand development at minimum cost.</p> <p>APEC Secretariat Hosting Guidelines 2017 require New Zealand to produce branded material and signage for throughout the year. This includes a digital stream and the production of an APEC NZ video.</p> <p>Communication and Branding cost estimate is to be tested against the Chilean host year in 2019</p>	<p>Assume FernMark will be utilised in the NZ APEC logo; costs obtained by NZ Story</p> <p>Cost validated by the APEC secretariat, which have a dedicated communications team.</p>
[38]	[38]	Costs benchmarked on [2], [26] and sense checked with the APEC secretariat; costs will be able to be tested against the Chilean host year in 2019.
<p>XI. Business Case preparation programme assurance, IQA, Gateway</p> <p>Programme overheads for a large-scale and complex programme include developing subsequent business cases and budget bids, compliance with Government requirements for programme assurance, independent quality reviews, risk analysis and participation in the Gateway review process.</p>		
[38]	<p>APEC21, Leveraging, Legacy and Sponsorship Planning</p> <p>APEC Hosting Guidelines encourage sponsorship and provide guidance to host economies on areas best suited to sponsorship. The Ministry has limited resources and capability to plan leverage activity or to seek sponsorship.</p> <p>Hosting APEC creates opportunities for leverage and legacy activity. Those opportunities need to be explored and a programme developed. A small staffing cost provision is made for this.</p>	<p>Costs included for 2018/19 & 2020/21 only for planning and the development of the leveraging business case.</p> <p>Costs for contracting sponsorship expertise.</p>
[38]	<p>Project Assurance, Advisors, IQA & Gateway</p> <p>APEC 2021 is a large, complex programme, and at stake is New Zealand’s international reputation to successfully host world leaders. Independent review will provide assurance over the effectiveness of the programme.</p>	<p>Assumed costs included for external consultants, independent reviews, governance, business case development, health checks, risk and assurance advisors, gateway reviews, probity and major events experts is prudent for the size and scale of APEC21.</p>
<p>XII. APEC21 - travel (international and domestic)</p> <p>Domestic travel for four years for all APEC21 staff to prepare logistical arrangements for meetings, engagement with stakeholders and business. International travel for key staff to attend APEC meetings in Chile (2019) and Malaysia (2020) to maximise NZ’s ability to draw on previous host experiences.</p>		
\$1.6m	<p>APEC21 Travel and Accommodation – Domestic (excluding Liaison staff)</p> <p>From 2018 to 2020 travel throughout NZ is required to prepare for the Host year for staff to identify suitable venues, accommodation, logistic and security requirements in the relevant locations.</p> <p>From December 2020 domestic travel will be required for APEC Operations and Logistics staff and the SOM Office staff.</p> <p>During Leaders’ Week in Auckland, a number of logistical, operations and policy staff will be required to be based in Auckland over an extended period of time (up to 6 weeks) to support the successful hosting of APEC.</p>	<p>Assumed domestic flights based on MFAT travel management provider rates</p>
\$1.5m	<p>APEC21 Travel and Accommodation – International (excluding liaison staff)</p> <p>As per the service delivery options, the APEC team will require capability to deliver APEC in NZ in 2021. Experiencing the hosting by others and engaging with them will be essential to maximise staff understanding and preparedness. Travel is also expected to the APEC Secretariat in Singapore.</p>	<p>Assumed international flights based on MFAT travel management provider rates</p>

Cost	Description of investment elements	Key assumptions
XIII. Senior Official Meeting (SOM) office, G20 support, staffing to the APEC Secretariat. As prescribed by the APEC Secretariat Hosting Guidelines, NZ is required to establish a separate SOM office to steer and facilitate APEC outcomes on behalf of APEC economies and place a Host Economy Representative in the APEC Secretariat. As prescribed by the G20, NZ represents APEC at G20 meetings in 2021 (which also provides an opportunity to pursue outcomes from G20 that are consistent with NZ's objectives).		
\$7.4m	APEC21 SOM Office; NZ Delegation; G20 Support; APEC Secretariat – Host Economy Rep New Zealand will establish an APEC Senior Official Meeting (SOM) office from July 2020 with sufficient staff to host and chair APEC. The focus is on facilitating APEC outcomes (for example, agreed statements) on behalf of APEC economies. From July 2020 – December 2021, New Zealand will embed an additional resource into the APEC Secretariat based in Singapore (this is a requirement for all host economies). Typically the APEC host is invited to participate in G20 events including the G20 Summit (location not yet determined). G20 is an economic forum of world leaders and participation is a means to pursue New Zealand's trade and economic interests, as well as being the link between APEC and the G20.	Requirements meet the requirements outlined in the APEC Secretariat Guidelines.
[33], [1]		
[38]	[33], [1]	[33], [1]
XV. Other - cultural showcasing, uniforms, ABAC/CEO Summit/Voices of the Future planning, event readiness Usual APEC practice is for New Zealand to maximise the hosting of APEC by showcasing our culture; ensuring our APEC21 staff are identifiable; plan and prepare for ABAC.		
[38]	APEC21 – Other – Cultural showcasing and performance It is usual for APEC hosts will use the event as an opportunity to showcase local culture. In New Zealand's case, that will include (but not necessarily be limited to) bi-culturalism. Iwi will be involved in APEC planning and delivery.	Costings obtained through MFAT Māori Policy Unit and cross-checked against recent VIP hosting experiences.
[38]	APEC21 – Staff Identification Not prescribed by the APEC Secretariat Hosting Guidelines, APEC liaison and operational staff may be provided with an APEC NZ branded "uniform" throughout the host year, particularly during Leaders' Week. This enables staff to be readily identified by delegates, and includes costs for scarf/tie/lapel etc.	Costings obtained through the market.
[38]	APEC21 – Ancillary events funding Ancillary events include the APEC Business Advisory Council (ABAC) meeting, the CEO Summit and the Voices of the Future youth summit. These are all major conferences arranged by organising bodies appointed by the host economy, in collaboration with the APEC 2021 Programme. Funding included in Bid 1 for planning to determine the requirements and how NZ will deliver the business related events in conjunction with APEC.	Costs obtained through existing ABAC costs.
[38]	APEC21 – Event Readiness / "Go-live" testing It is international best practice for all major events to test the readiness of the event through a range of desktop exercises, risk workshops and "live run" event exercises. Readiness testing will incur costs for the use of venues, hotels and facilities, staff resources and vehicles. Depending on the scope of exercises support may be required from Auckland Council, Auckland Transport and Auckland Airport. The number and scope of the exercises (desktop versus actual exercise) will be dependent on assessments of the readiness and risk that will be made in late 2020 and early 2021. Exercises are usually conducted at night. Costs covered by existing resources.	Costs assumed for out of hours use of hotels, venues, transport and airport.