

Reference: 20190566



7 October 2019

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 12 August 2019. You requested the following:

“all information relating to the request to MBIE on or around the 15th of June 2018 relating to the crown's financial exposure of poorly repaired 'rubble' foundations.

This includes all information asked for and obtained from MBIE, all information provided to and from the FEC.”

On 28 August 2019, we extended this request by an additional 20 days.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	15 June 2018	FW: URGENT Response to FEC questions re rubble foundations	Release in part
2.	15 June 2018	FW: Canterbury residential repairs - concerns about unreinforced concrete foundations	Release in part
3.	15 June 2018	FW: Response to FEC question re rubble foundations	Release in part
4.	15 June 2018	FW: Canterbury residential repairs - concerns about unreinforced concrete foundations	Release in part
5.	15 June 2018	FW: 3970521_Draft answers to supplementary FEC questions re Rubble Foundations	Release in part
6.	15 June 2018	Draft Answers To Supplementary FEC Questions	Release in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

1 The Terrace
PO Box 3724
Wellington 6140
New Zealand
tel. +64-4-472-2733

<https://treasury.govt.nz>

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

I understand that you have already received the attachment referred to in item 4: *FW: Canterbury residential repairs - concerns about unreinforced concrete foundations*. If you require another copy, please contact the Ministry of Business, Innovation and Employment.

Information being released

The following information is also covered by your request and is publicly available on the Parliamentary Website:

Item	Date	Document Description	Website Address
7.	5 July 2018	2018/19 Estimates: Vote Finance	https://www.parliament.nz/resource/en-NZ/52SCFE_EVI_78251_1929/329bc153de7655a5bcb66e541f5c15ba494b3441

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Shelley Hollingsworth
Manager, Commercial Performance

20190566

Table Of Contents

1.	<u>FW: URGENT Response to FEC questions re rubble foundations</u>	1
2.	<u>FW: Canterbury residential repairs - concerns about unreinforced concrete foundations</u>	4
3.	<u>FW: Response to FEC question re rubble foundations</u>	6
4.	<u>FW: Canterbury residential repairs - concerns about unreinforced concrete foundations</u>	8
5.	<u>FW: 3970521 Draft answers to supplementary FEC questions re Rubble Foundations (2)</u>	10
6.	<u>3970521 Draft answers to supplementary FEC questions re Rubble Foundations (2)</u>	11

Out of scope

From: James Hartley <James.Hartley@mbie.govt.nz>
Sent: Friday, 15 June 2018 1:03 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: RE: URGENT Response to FEC questions re rubble foundations [IN-CONFIDENCE]

I'm having a bit of trouble tracking people down – the key people are on an away day today – I'll keep trying but they may not come back to you until late in the day ...

James Hartley
General Manager
Commerce, Consumers and Communications
Ministry of Business, Innovation & Employment

james.hartley@mbie.govt.nz | s9(2)(k)
15 Stout Street, Wellington 6011 | PO Box 1473 Wellington 6140



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI



From: Lars Piepke [TSY] [<mailto:Lars.Piepke@treasury.govt.nz>]
Sent: Friday, 15 June 2018 11:57 a.m.
To: James Hartley <James.Hartley@mbie.govt.nz>
Subject: RE: URGENT Response to FEC questions re rubble foundations [IN-CONFIDENCE]

[IN-CONFIDENCE]

Yep I understand re the question.

I am thinking though that a short paragraph just stating MBIE's view of the issue re "rubble foundations" and the Building Code would be a useful bit of information.

Any help would be greatly appreciated due to our deadline today.

Cheers
Lars

From: James Hartley <James.Hartley@mbie.govt.nz>
Sent: Friday, 15 June 2018 11:53 AM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Subject: RE: URGENT Response to FEC questions re rubble foundations [IN-CONFIDENCE]

I doubt we will be able to have a view on the exact questions asked re Crown/FEC/SR financial risk but I'll do some digging

James Hartley
General Manager
Commerce, Consumers and Communications
Ministry of Business, Innovation & Employment

james.hartley@mbie.govt.nz | s9(2)(k)
15 Stout Street, Wellington 6011 | PO Box 1473 Wellington 6140



From: Lars Piepke [TSY] [<mailto:Lars.Piepke@treasury.govt.nz>]
Sent: Friday, 15 June 2018 11:50 a.m.
To: James Hartley <James.Hartley@mbie.govt.nz>
Subject: FW: URGENT Response to FEC questions re rubble foundations [IN-CONFIDENCE]

[IN-CONFIDENCE]

Hi again,

Just a thought – a sentence or short paragraph summarising MBIE's view of this matter would be useful for us to insert in our response.

Cheers
Lars

From: Lars Piepke [TSY]
Sent: Friday, 15 June 2018 11:48 AM
To: James Hartley <James.Hartley@mbie.govt.nz>
Subject: URGENT Response to FEC questions re rubble foundations

[IN-CONFIDENCE]

Hi James

Per our recent chat please find the FEC question that Treasury needs to respond to by COP today.

131. The Committee notes the issues caused by rubble foundations used in Christchurch houses, the uncertainty they pose regarding the damage and costs from recent earthquakes, and the continuing risk they pose in future earthquakes.

- How significant is the potential, additional financial cost to EQC and Southern Response (and ultimately to the Crown) caused by (known and possibly yet undiscovered) damage to rubble foundations during the Christchurch earthquakes?
- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Thanks for your help with this.

Cheers
Lars

Lars Piepke | Senior Analyst, Strategy and Policy | Commercial Operations | The Treasury
s9(2)(k) | Lars.Piepke@treasury.govt.nz

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

Out of scope

From: David McGuigan <Dave.McGuigan@mbie.govt.nz>
Sent: Friday, 15 June 2018 1:05 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: Leah Chamberlin-Gunn <Leah.Chamberlin-Gunn@mbie.govt.nz>; Dave Robson <Dave.Robson@mbie.govt.nz>
Subject: FW: Canterbury residential repairs - concerns about unreinforced concrete foundations [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Lars

In confidence – I will get my colleague, Leah, to forward you the latest updated comms messages in support of the release of the clarification.

Dave M
s9(2)(k)

From: Sophia Tocker
Sent: Thursday, 31 May 2018 4:57 p.m.
To: Sophie Slater; nicola.purvis@parliament.govt.nz
Cc: David McGuigan; Dave Robson; Anna Butler; Chris Bunny; Brad Ward; Briefings; Jessica Walker; Nadine Johns; Sandra Mansor; BSP Eng - Comms Staff
Subject: Canterbury residential repairs - concerns about unreinforced concrete foundations [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Sophie and Nicola,

Please find attached Briefing 3591 17-18 Canterbury residential repairs - concerns about unreinforced concrete foundations. This Briefing will come over to the Minister Salesa's office in the bag tomorrow.

Kind regards,

Sophia Tocker

PA to Dave Robson, Manager Building Performance and Engineering

Building System Performance | Building, Resources & Markets
Ministry of Business, Innovation & Employment (MBIE)

sophia.tocker@mbie.govt.nz | s9(2)(k)
15 Stout Street, PO Box 1473, Wellington 6140

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

RELEASED UNDER
OFFICIAL INFORMATION ACT

Out of scope

From: Brad Ward <Bradley.Ward@mbie.govt.nz>
Sent: Friday, 15 June 2018 2:04 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: David McGuigan <Dave.McGuigan@mbie.govt.nz>; Anna Butler <Anna.Butler@mbie.govt.nz>
Subject: Re: Response to FEC question re rubble foundations [IN-CONFIDENCE]

Thanks but check this with Dave and Anna. It's not me area of expertise. Thanks

Sent from my iPhone
Brad Ward, Interim Head of KiwiBuild
Ministry of Business, Innovation and Employment
Level 5 | [15 Stout Street](#) | [PO Box 5488](#) | [Wellington 6145](#) | Wellington 6011 | Tel: [+64 4 474 2184](#)
Mob: [021 349 676](#) | Email: brad.ward@mbie.govt.nz | Web: www.mbie.govt.nz

On 15/06/2018, at 1:54 PM, Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz> wrote:

[IN-CONFIDENCE]

Hi Brad,

Thanks for your help today.

Please find attached our draft response to the FEC question re rubble foundations.

I have used some of the key MBIE messages from the MBIE Briefing to Minister Salesa and Minister Woods re this matter. David McGuigan provided me with the MBIE report.

Can you please forward this to the relevant person at MBIE so that they can review the MBIE bit we have used.

As mentioned I need to send this to our Secretary before 4pm today.

Cheers
Lars

Lars Piepke | Senior Analyst, Strategy and Policy | Commercial Operations | **The Treasury**

s9(2)(k)

Lars.Piepke@treasury.govt.nz

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

<3970521_Draft answers to supplementary FEC questions re Rubble Foundations.DOCX>

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Out of scope



From: Leah Chamberlin-Gunn <Leah.Chamberlin-Gunn@mbie.govt.nz>
Sent: Friday, 15 June 2018 2:48 PM
To: David McGuigan <Dave.McGuigan@mbie.govt.nz>; Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: Dave Robson <Dave.Robson@mbie.govt.nz>
Subject: RE: Canterbury residential repairs - concerns about unreinforced concrete foundations [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Lars,

Here are our reactive only media lines. We will be releasing the clarification on Monday before midday

- The guidance MBIE has issued is to clarify the application of the existing Residential guidance.
- The Guidance for the repair of damaged foundations has always applied to a wide range of foundation types for residential houses - of all ages.
- There have been no changes to the Building Code performance requirements as a result of the Canterbury earthquakes.
- All building work whether or not it requires a building consent or not, must meet the requirements of the Building Code.

Any questions, please feel free to get in touch

Thanks,

Leah Chamberlin-Gunn

SENIOR ENGAGEMENT & COMMUNICATIONS ADVISOR

Building, Resources & Markets Group
Ministry of Business, Innovation & Employment

Leah.Chamberlin-Gunn@mbie.govt.nz | s9(2)(k)

15 Stout St, PO Box 1473, Wellington 6140

From: David McGuigan
Sent: Friday, 15 June 2018 1:05 p.m.
To: lars.piepke@treasury.govt.nz
Cc: Leah Chamberlin-Gunn; Dave Robson
Subject: FW: Canterbury residential repairs - concerns about unreinforced concrete foundations [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Lars

In confidence – I will get my colleague, Leah, to forward you the latest updated comms messages in support of the release of the clarification.

Dave M
s9(2)(k)

From: Sophia Tocker
Sent: Thursday, 31 May 2018 4:57 p.m.
To: Sophie Slater; nicola.purvis@parliament.govt.nz
Cc: David McGuigan; Dave Robson; Anna Butler; Chris Bunny; Brad Ward; Briefings; Jessica Walker; Nadine Johns; Sandra Mansor; BSP Eng - Comms Staff
Subject: Canterbury residential repairs - concerns about unreinforced concrete foundations [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Sophie and Nicola,

Please find attached Briefing 3591 17-18 Canterbury residential repairs - concerns about unreinforced concrete foundations. This Briefing will come over to the Minister Salesa's office in the bag tomorrow.

Kind regards,

Sophia Tocker

PA to Dave Robson, Manager Building Performance and Engineering

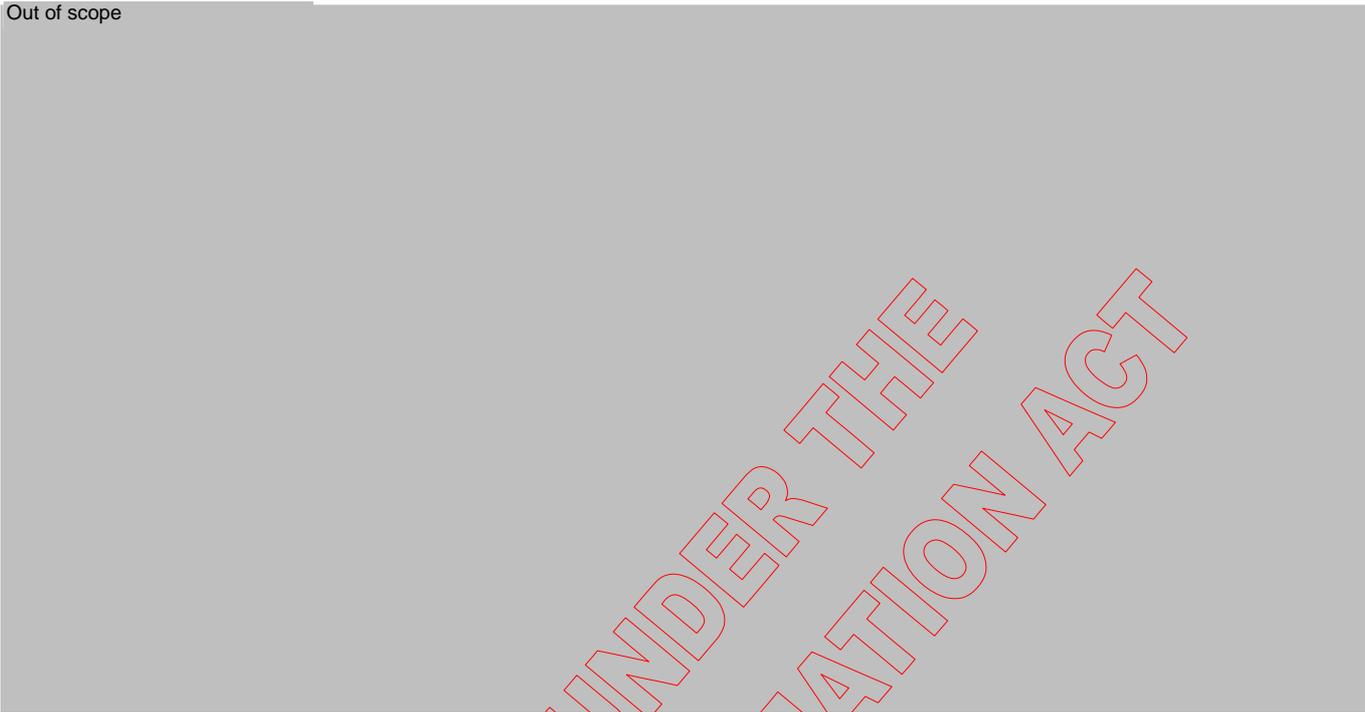
Building System Performance | Building, Resources & Markets
Ministry of Business, Innovation & Employment (MBIE)

sophia.tocker@mbie.govt.nz | s9(2)(k)
15 Stout Street, PO Box 1473, Wellington 6140

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

Out of scope



From: David McGuigan <Dave.McGuigan@mbie.govt.nz>
Sent: Friday, 15 June 2018 3:02 PM
To: Lars Piepke [TSY] <Lars.Piepke@treasury.govt.nz>
Cc: Anna Butler <Anna.Butler@mbie.govt.nz>; Brad Ward <Bradley.Ward@mbie.govt.nz>; Dave Robson <Dave.Robson@mbie.govt.nz>
Subject: 3970521_Draft answers to supplementary FEC questions re Rubble Foundations (2) [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi Lars
Some edits to your document.
Cheers
Dave
s9(2)(k)

www.govt.nz - your guide to finding and using New Zealand government services

Any opinions expressed in this message are not necessarily those of the Ministry of Business, Innovation and Employment. This message and any files transmitted with it are confidential and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

IN-CONFIDENCE**DRAFT ANSWERS TO SUPPLEMENTARY FEC QUESTIONS**

131. The Committee notes the issues caused by rubble foundations used in Christchurch houses, the uncertainty they pose regarding the damage and costs from recent earthquakes, and the continuing risk they pose in future earthquakes.

- How significant is the potential, additional financial cost to EQC and Southern Response (and ultimately to the Crown) caused by (known and possibly yet undiscovered) damage to rubble foundations during the Christchurch earthquakes?

Draft answer: There are a wide variety of perimeter foundations to houses in Canterbury. Southern Response advises that generally damage to poor quality foundations manifests itself as visible damage. EQC advises that repair solutions to reinstate the original function of the foundations can be developed for poorer quality foundation walls. This needs to be considered on a case by case basis and requires careful judgment by appropriately qualified and experienced professionals.

Southern Response advises that it is unaware of a body of evidence that indicates there is hidden damage within poorer quality foundations that would manifest itself as additional financial costs. Thus Southern Response advises that the known cost of damage to poor quality foundations based on the knowledge gained from repairs the company has completed are already accounted for in its actuarial estimates. However, at this stage it is not possible to identify the total potential cost to remediate all "rubble foundations" that have been damaged by the Canterbury earthquake sequence from a Crown-wide perspective (i.e. EQC and Southern Response combined).

- Given that rubble foundations appear flawed, susceptible to repeated damage, and present a continuing risk to housing superstructure in future earthquakes to what extent, if any, has the Government adjusted its estimates of financial risk, and the desired level of future coverage, in response to this issue?

Draft answer: We understand from the Ministry of Business, Innovation and Employment (MBIE) that the prevalence of unreinforced concrete perimeter foundations ("rubble foundations") is not known in Christchurch and from Southern Response that the vast majority of the "flawed" poor quality foundations it is aware of have performed better than expected given the magnitude and number of earthquake events. Southern Response notes that even modern foundations built to today's standards are likely to sustain some level of damage in future earthquakes. Therefore the assumption that a 'flawed' foundation should be replaced to ensure it does not sustain damage in future earthquakes may be fundamentally incorrect.

Southern Response has advised that every damaged foundation that it has repaired (rather than replaced) has been repaired to the insurance policy standard. The company expects that in future earthquakes, repaired foundations will perform similarly to the way they did in the Canterbury earthquake sequence. Any foundation that has been replaced will perform better than the previous foundation it replaced, but even a new foundation is likely to sustain some damage (depending on the size of the event). As a result of foundation replacement and rebuilds, the housing stock as a whole in Canterbury would be expected to perform better across the whole than it did during the Canterbury earthquake sequence.

IN-CONFIDENCE

MBIE has advised that there have been no changes in the Building Code performance requirements as a result of the Canterbury earthquakes and that MBIE's Guidance "Repairing and rebuilding houses affected by the Canterbury earthquakes" has always applied to a wide range of foundation types for houses of all ages. MBIE also stressed that the Guidance does not negate the need to meet the performance requirements of the Building Code, that repair solutions will be case-specific, that engineering judgement in developing a repair solution should be made by appropriately qualified and experienced professionals and all repair work, whether or not it requires a building consent, must meet the requirements of the Building Code.

EQC has indicated that it does not make any specific actuarial valuation adjustments for so called "rubble foundations" and has not specifically adjusted its estimate of financial risk for this issue.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT