

Proactive Release

11 September 2023

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs

Title	Reference
<i>Cabinet Minute of Decision – Additional Funding for Niue Infrastructure Project: Aviation Infrastructure Renewal in Niue</i>	CAB-23-MIN-0331
<i>Cabinet External Relations and Security Committee – Minute of Decision – Additional Funding for Niue Infrastructure Project: Aviation Infrastructure Renewal in Niue</i>	ERS-23-MIN-0042
<i>Additional Funding for Niue Infrastructure Project: Aviation Infrastructure Renewal in Niue</i>	

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to OIA redaction codes:

- 6(a): to avoid prejudicing the security or defence of New Zealand or the international relations of the New Zealand Government;
- 7(b)(i): to avoid prejudicing relations of the Government of New Zealand; and
- 7(b)(iii): to avoid prejudicing relations of the self-governing State of Niue.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet External Relations and Security Committee: Period Ended 28 July 2023

On 31 July 2023, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 28 July 2023:

ERS-23-MIN-0042 **Additional Funding for Niue Infrastructure Project:
Aviation Infrastructure Renewal in Niue** CONFIRMED
Portfolio: Foreign Affairs

Rachel Hayward
Secretary of the Cabinet

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Cabinet External Relations and Security Committee

Minute of Decision

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Additional Funding for Niue Infrastructure Project: Aviation Infrastructure Renewal in Niue

Portfolio Foreign Affairs

On 25 July 2023, the Cabinet External Relations and Security Committee (ERS):

- 1 **noted** that on 10 March 2020, ERS approved up to NZD 29 million as New Zealand's contribution towards aviation infrastructure renewal at Niue's Hanan International Airport [ERS-20-MIN-0003];
- 2 **noted** that the total activity cost of this aviation infrastructure renewal project in March 2020 was NZD 32 million, ^{s7(b)(i), s7(b)(iii)}
- 3 **noted** that the activity is not on track to deliver an upgrade to the aeronautical ground lighting systems at Hanan International Airport within the current funding approval;
- 4 **noted** that an immediate solution to Niue's stevedoring infrastructure is required to maintain project progress;
- 5 **noted** that:
 - 5.1 ^{s7(b)(i), s7(b)(iii)}
 - 5.2 ^{s7(b)(i), s7(b)(iii)}
- 6 **noted** that funding is now available within the International Development Cooperation programme to meet the additional cost of installing the aeronautical ground lighting systems supported by a stevedoring operation from Aotearoa New Zealand, ^{s7(b)(i), s7(b)(iii)}
- 7 **approved** an additional NZD 12.6 million for aviation infrastructure renewal in Niue, bringing Aotearoa New Zealand's total contribution to the project to NZD 41.6 million;

8 **noted** that approving this request will have no impact on the Crown's operating balance, and that this activity uses existing funding reprioritised from the International Development Cooperation Non departmental appropriation within Vote Foreign Affairs.

Janine Harvey
Committee Secretary

Present:

Hon Nanaia Mahuta (Chair)
Hon Ginny Andersen

Officials present from:

Office of the Prime Minister
Officials Committee for ERS

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~~[In Confidence]~~

Office of the Minister of Foreign Affairs

Cabinet External Relations and Security Committee

Additional Funding for Niue Infrastructure Project: Aviation Infrastructure Renewal in Niue

Proposal

- 1 This paper seeks Cabinet's approval to increase financial authority by NZD 12.6 million to complete an infrastructure project at Niue's Hanan International Airport.
- 2 Approving this request will have no impact on the Crown's operating balance as the additional funding is available within the existing International Development Cooperation Non departmental appropriation within Vote Foreign Affairs.

Relation to government priorities

- 3 Aotearoa New Zealand has constitutional obligations to Niue as part of the Realm of New Zealand. The *Pacific Realm Policy Framework* [ERS-18-MIN-0023] seeks to ensure Tokelauans, Niueans and Cook Islanders enjoy safer and more prosperous lives as part of the Realm of New Zealand.
- 4 Aotearoa New Zealand has an enduring interest in a peaceful, stable, prosperous and resilient Pacific, in which New Zealand operates as a reliable and genuine partner collaborating in shared stewardships of Te Moana nui a Kiwa. Supporting the resilient development of our Pacific partners is the Government's *Pacific Resilience Approach* [CAB 21 MIN 0401].

Executive Summary

- 5 External economic pressures are significantly impacting supplier pricing for construction projects across the International Development Cooperation (IDC) programme's infrastructure portfolio. This paper proposes increasing the financial authority of an infrastructure project in Niue to address escalating inflation and price volatility in the construction sector. This proposal, if agreed by Cabinet, would be funded through reprioritisation within the International Development Cooperation programme. It would not affect the Crown's operating balance.
- 6 Approval of an additional NZD 12.6 million is sought to complete an upgrade of the aeronautical lighting systems to meet international standards at Hanan International Airport in Niue following significant cost escalations. It would ensure aircraft can depart and land at night and in poor visibility in Niue, and that Hanan International Airport remains compliant with New Zealand and International Civil Aviation requirements. Upgraded lighting systems will give Air New Zealand, NZDF and other aircraft more operational options and improve the viability and safety of the airfield as an emergency landing site. While Hanan International Airport has been licensed for night operations previously, it is currently only licenced for day operations. The

aeronautical ground lighting component of the *Aviation Infrastructure Renewal* project was not progressed in 2021 to ensure the more critical and pressing priority – runway paving – could be completed within existing funding approvals.

- 7 The additional funding would also address immediate health and safety concerns with Niue’s maritime infrastructure, which is required to support the airport project. This is additional to the NZD 29 million approved by Cabinet for aviation infrastructure renewal at Hanan International Airport in March 2020 [CAB-20-MIN-0093], taking the total Aotearoa New Zealand contribution to NZD 41.6 million.

8 s7(b)(i), s7(b)(iii)

This brings New Zealand’s contribution to *Aviation Infrastructure Renewal* to NZD 41.6 million.

- 9 Risk of not delivering this projects includes:
- 9.1 Risks to safety and lives and livelihoods of Niueans (New Zealand citizens);
 - 9.2 Reputational risks for Aotearoa New Zealand of failing to deliver on Cabinet’s commitments and constitutional obligations;
 - 9.3 Reputational risks for Aotearoa New Zealand as a preferred and reliable partner of the Pacific Region;
 - 9.4 s6(a)

Background - Construction Costs in the Pacific

- 10 Inflation is driving much higher costs for our assistance to the Pacific region, particularly for projects that rely on imported materials and labour. This is due to significantly reduced shipping capacity in the Pacific region (leading to a 50-80 percent increase in shipping costs), supply constraints and COVID-19 related border disruptions.
- 11 The Ministry of Foreign Affairs and Trade (MFAT) is employing cost-reduction approaches to mitigate against and manage significant cost escalations of infrastructure investments in the Pacific region. These include:
- 11.1 Reducing project scope (and objectives where required);
 - 11.2 Reworking project timelines;
 - 11.3 Increasing funding through co-financiers (such as multilateral banks and likeminded partners where possible) but noting that few alternative financing options exist for Niue due to its constitutional status in connection with Aotearoa New Zealand; and

- 11.4 Engaging construction contractors early on during the design stage to assist designers with cost estimating.
- 12 Despite cost-mitigation measures, significant cost pressures remain and construction costs are increasing faster than inflation.
- 13 The cost of delivering infrastructure projects in Niue has always been high, given its isolation from global markets, lack of scale, limited shipping and airline services, and reliance on imported materials, fuel and labour.

Background - Aviation Infrastructure Renewal in Niue

- 14 Hanan International Airport is Niue's only airport and the only practical passenger gateway into Niue. There is presently one Air New Zealand flight per week from Auckland.
- 15 In March 2020, Cabinet approved NZD 29 million for aviation infrastructure renewal at Niue's Hanan International Airport [CAB-20-MIN-0093]. Infrastructure renewal included repaving runway surfaces and replacing existing aeronautical ground lighting systems to comply with Aotearoa New Zealand and international standards.¹ The renewal was necessary as the runway surface was releasing increasing amounts of foreign object debris, which could lead to catastrophic aircraft engine damage. It posed major obstacles to connectivity, tourism, and access to tertiary health and education services in New Zealand.
- 16 The total activity cost of *Aviation Infrastructure Renewal* in March 2020 was NZD 32.0 million, s7(b)(i), s7(b)(iii)

Aeronautical ground lighting not progressed in 2021 to maintain budget

- 17 The aeronautical ground lighting component of the project was initially identified as a provisional item, with its progression requiring further permissions. To manage the cost of delivering the runway upgrade within the available funding envelope, the lighting upgrade was not progressed in 2021 to ensure the runway paving could be completed.
- 18 To achieve this, officials paused the installation of aeronautical ground lighting, as it was the largest provisional item in the contract which could be deferred to help manage overall project costs.
- 19 An increase in financial authority for *Aviation Infrastructure Renewal* was not sought for the lighting component of the project in 2021 due to unknown and ongoing cost implications of COVID-19 on the overall project. However, the upgrade of runway paving at Hanan International Airport is on track, subject to the additional stevedoring infrastructure, and due to be completed by the end of 2023.

There is now the option to complete the lighting upgrade with funding reprioritised from within the International Development Cooperation programme

¹ New Zealand Civil Aviation Authority, International Civil Aviation Organization, and Federal Aviation Administration standards.

- 20 Reprioritisation across the International Development Cooperation programme means there is now funding available to meet the cost of installing the lighting at Hanan International Airport and complete the originally-approved scope of works. The installation of the lighting has been re-costed by MFAT's construction contractor at NZD 6 million (including 21 percent contingency).
- 21 Completing the installation of the lighting at Hanan International Airport will mitigate health and safety risks for aircraft landing in Niue, as well as ensure compliance with international aeronautical ground lighting standards. The existing lighting system was installed in 1996. The system has passed its 20 year life span and now needs replacing, as aspects of the existing lighting system no longer comply with New Zealand Civil Aviation Administration and International Civil Aviation Organization standards. As such, the airport is no longer rated for night time landings except for emergency medical flights.
- 22 Without upgrading the lighting system, aircraft will be prevented from arriving and departing Niue at night and in poor visibility, increasing the risk of an air traffic accident. Extending the airport's operations to include night landing will open up more operational options for Air New Zealand and military flights, and improve viability and safety of the airfield as a landing site for other aircraft (such as maritime surveillance missions).
- 23 s6(a), s7(b)(i), s7(b)(iii)
- 24 s6(a)

There are also immediate and pressing concerns with the state of Niue's stevedoring operations

- 25 The *Aviation Infrastructure Renewal* project has been supporting repairs to Niue's tug boat, barge and crane to ensure Niue's port can safely offload equipment and materials and to prevent costly delays for this project.
- 26 Repairs to the barge, and a lesser extent the crane, have not been successful. Significant further work will be required to repair the barge to meet Aotearoa New Zealand health and safety standards.
- 27 To maintain project progress, a stevedoring operation from Aotearoa New Zealand has been brought to Niue to safely offload essential equipment and materials required for the runway paving project. In the absence of this Aotearoa New Zealand solution and funding, there is high risk the project will need to be paused and de-scoped. This has the potential to result in only partial completion of the *Aviation Infrastructure Renewal* project.
- 28 MFAT's construction contractor (Downers) has relocated a suitable barge and mounted crane in Aotearoa New Zealand to support the offloading operations.

29 An additional NZD 9.6 million will fund the installation of aeronautical ground lighting at Niue's Hanan International Airport and support the provision of additional, temporary, critical stevedoring infrastructure required for the project.

s7(b)(i), s7(b)(iii)

30 s7(b)(i), s7(b)(iii)

31 s7(b)(i), s7(b)(iii)

32 s7(b)(i), s7(b)(iii)

33 s7(b)(i), s7(b)(iii)

34 s7(b)(i), s7(b)(iii)

35 In total, an increase in financial authority to NZD 41.6 million (an additional NZD 12.6 million) is now sought for *Aviation Infrastructure Renewal in Niue*. This increase in financial authority will have no impact on the Crown's operating balance – additional funding is available within the International Development Cooperation programme's existing Strategic Infrastructure Development Programme budget.

Financial Implications

36 Approving this request will have no impact on the Crown's operating balance. This activity uses existing funding from the IDC Non departmental appropriation within Vote Foreign Affairs.

37 This is possible because a number of Activities that we have committed to have been rephased/rescheduled into next triennium (2024-2027) which allows us to meet existing commitments we have made to partners and, in turn, frees up funding in the current triennium.

s7(b)(i), s7(b)(iii)

Legislative Implications

38 This paper has no legislative implications.

Impact Analysis

Regulatory Impact Statement

39 N/A

Climate Implications of Policy Assessment

40 This proposal does not require a Climate Implications of Policy Assessment.

Population Implications

41 N/A

Human Rights

42 The proposal in this paper is consistent with the New Zealand Bill of Rights Act 1990 and Human Rights Act 1993.

Consultation

43 The Department of Prime Minister and Cabinet and the Treasury has been consulted in the preparation of this paper.

Communications

44 No specific media release is intended, but New Zealand's contributions on individual programme aspects will be profiled over the duration of the projects.

Proactive Release

45 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, including any redactions as appropriate under the Official Information Act 1982

Recommendations

46 The Minister of Foreign Affairs recommends that the Committee:

46.1 **Note** that in March 2020, Cabinet approved NZD 29 million as New Zealand's contribution towards aviation infrastructure renewal at Niue's Hanan International Airport.

46.2 **Note** the total activity cost of *Aviation Infrastructure Renewal* in March 2020 was NZD 32 million, s7(b)(i), s7(b)(iii)

- 46.3 **Note** the activity is not on track to deliver an upgrade to the aeronautical ground lighting systems at Hanan International Airport, at the current funding approval.
- 46.4 **Note** an immediate solution to Niue's stevedoring infrastructure is required to maintain project progress.
- 46.5 s7(b)(i), s7(b)(iii)
- 46.6 **Note** funding is now available in the International Development Cooperation programme to meet the additional cost of installing the aeronautical ground lighting systems supported by a stevedoring operation from Aotearoa New Zealand, s7(b)(i), s7(b)(iii)
- 46.7 **Approve** an additional NZD 12.6 million for aviation infrastructure renewal in Niue, bringing Aotearoa New Zealand's total contribution to the project to NZD 41.6 million
- 46.8 **Note** approving this request will have no impact on the Crown's operating balance. This Activity uses existing funding reprioritised from the International Development Cooperation Non departmental appropriation within Vote Foreign Affairs.

Authorised for lodgement

Hon Nanaia Mahuta

Minister for Foreign Affairs

Appendices

Annex 1:

Breakdown of Niue pricing

Budget		Comment
Approved budget	\$29.0m	
Additional Funding Sought		
Aeronautical Ground Lighting	\$6.0m	Includes 21% contingency This money is available within existing IDC budgets.
Stevedoring operations	\$3.6m	Includes 30% contingency This money is available within existing IDC budgets.
s7(b)(i), s7(b)(iii)		
Total proposed New Zealand contribution to Activity	\$41.6m	
Total proposed Activity Budget	\$41.6m	

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