2016/17 Annual review of the New Zealand Antarctic Institute

Report of the Foreign Affairs, Defence and Trade Committee

March 2018

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New Zealand Antarctic Institute

Recommendation

The Foreign Affairs, Defence and Trade Committee has conducted the annual review of the New Zealand Antarctic Institute for 2016/17, and recommends that the House take note of its report.

Introduction to the work of Antarctica New Zealand

Antarctica New Zealand is the trading name of the New Zealand Antarctic Institute, a Crown entity established under the New Zealand Antarctic Institute Act 1996.

Antarctica New Zealand is responsible for carrying out New Zealand’s activities in Antarctica and the Southern Ocean. This includes managing Scott Base, New Zealand’s Antarctic research station which supports science in the Ross Sea region. The institute is based in Christchurch.

Financial overview and audit results

Antarctica New Zealand receives almost all of its funding through Vote Foreign Affairs and Trade. In 2016/17 the institute’s total income was $21.4 million, a $4.9 million increase on the previous year. This included $3 million as a one-off increase in funding from the Ministry of Foreign Affairs and Trade (MFAT) for flights between New Zealand and Antarctica.

The institute’s total expenses fell by $43,000 to $17.6 million, largely because of savings in flight and aviation fuel costs as weather conditions prevented deep field research from going ahead.

As discussed below, the additional funding was not used in 2016/17. As a result, the institute recorded a net surplus of $3.9 million.

Office of the Auditor-General: results of the annual audit

The Auditor-General rated Antarctica New Zealand’s management control environment, and its financial information systems and controls as “very good”, making no recommendations for improvement.

Antarctica New Zealand’s performance information and associated systems and controls were assessed as “good”. The Auditor-General recommended that the organisation continue to improve the “logic flow” between outputs, impacts, and outcomes; and its performance measures for service quality.

Financial support to cover any shortfalls in flights

We note that the organisation received $3 million from MFAT to cover any shortfalls in New Zealand’s provision of passenger intercontinental flights.¹ We heard that the $3 million has not been used because the New Zealand Air Force has met Antarctica New Zealand’s air

¹ Note 22 to the financial statements, Antarctica New Zealand Annual Report 2016/17, page 49.
travel needs. The amount remains in Antarctica New Zealand’s bank account as a contingent fund that could be used to procure services from a third party if needed. Antarctica New Zealand said it does not expect MFAT to provide this financial support on an annual basis, but it would be welcomed. We are pleased to see Antarctica New Zealand receiving additional funding to support the scientific research that is being carried out in increasingly remote locations.

Although the New Zealand Air Force provides an air link between Christchurch and Scott Base, Antarctica New Zealand can also lease other aircraft, which it has done in the past. We heard that quid pro quo arrangements with Antarctica New Zealand’s partners, particularly the United States of America, are an important part of Antarctica New Zealand’s joint logistics considerations.

Upgrade of Scott Base
In January 2017 Antarctica New Zealand celebrated the 60th anniversary of the construction of Scott Base and the beginning of New Zealand’s Antarctic science programme.

During the year the institute completed a three-year refurbishment of the science facilities at the Hillary Field Centre at Scott Base. It also supported the Antarctic Heritage Trust in restoring Hillary’s original hut at Scott Base. However, we heard that increasing research activity in Antarctica, including deep field science research, is putting pressure on the facilities at Scott Base. Antarctica New Zealand has therefore been working to develop a business case with options for upgrading the facilities at Scott Base, which are now nearing the end of their life.

Funding for the upgrade
Funding of $6.1 million has been approved to develop a fully scoped business case for upgrading Scott Base, including detailed design plans.

In 2016/17, $120,000 was spent on developing the indicative business case for the redevelopment of Scott Base. Treasury’s independent Gateway Review of the business case cost a further $80,000. Antarctica New Zealand spent a further $245,000 developing the detailed business case, and we heard it has so far spent more than $390,000 in the 2017/18 financial year. This work has focused on design and risk management for the procurement and execution of the upgrade. We understand that Antarctica New Zealand will provide the Government with design options in late 2018. This should allow Ministers to make an informed decision, having regard to the risks.

The fully scoped business case will allow a Budget 2018 bid to be made for the Scott Base upgrade. We heard that the current estimate for the upgrade is between $100 million and $150 million.

We discussed the difficulty of estimating the costs of a project like the Scott Base upgrade. Antarctica New Zealand said it has been working through the business case process for the last two years. It considers that before a formal decision is made it will need a much higher level of confidence about the costs involved in the project so budget blowouts can be avoided.
Learning from other countries' experiences
Antarctica New Zealand said it is also learning from other countries' recent experiences building facilities in Antarctica, including the United Kingdom, China, and Russia. We heard that the upgrade of Scott Base should provide facilities that will meet New Zealand’s needs for the next 40 to 80 years. Scott Base exists to support the scientific research that takes place in the region, and the facilities need to accommodate the changing demands and expectations of that work.

The possibility of developing a shared facility
We heard that in the indicative business case developed with the Treasury, Antarctica New Zealand considered the possibility of developing a facility that could be shared with another country. This has been done before; for example, France and Italy share a base. However, the approach was not favoured, particularly considering that New Zealand has had its own presence in Antarctica for 60 years.

We look forward to following progress on the redevelopment of Scott Base.
Appendix

Committee procedure
We met on 14 December 2017 and 1 March 2018 to consider the annual review of the New Zealand Antarctic Institute. We heard evidence from the New Zealand Antarctic Institute and received advice from the Office of the Auditor-General.

Committee members
Simon O’Connor (Chairperson)
Hon Gerry Brownlee
Golriz Ghahraman
Hon Willie Jackson
Hon Todd McClay
Hon Mark Mitchell
Louisa Wall
Dr Duncan Webb

Advice and evidence received
We received the following documents as advice and evidence for this annual review. They are available on the Parliament website, www.parliament.nz.

Office of the Auditor-General, Briefing on Antarctica New Zealand, dated 14 December 2017.


Antarctica New Zealand, Responses to committee questions, received 29 January 2018.

Antarctica New Zealand, Responses to post-hearing questions, received 23 February 2018.