

ASSOCIATE MINISTER OF DEFENCE

New Zealand Defence Force: Horizontal Infrastructure Programme Business Case

December 2025

This paper seeks approval of NZDF's Horizontal Infrastructure Programme Business Case.

The pack comprises the following documents:

- November 2025 Cabinet Expenditure and Regulatory Review Committee Minute of Decision: *New Zealand Defence Force: Horizontal Infrastructure Programme Business Case* [EXP-25-MIN-0115]; and
- The associated Cabinet Paper: *New Zealand Defence Force Horizontal Infrastructure, Programme Business Case*.

This pack has been released on the New Zealand Defence Force website, available at: www.nzdf.mil.nz/nzdf/search-our-libraries/documents/?document-type=Official+information&sort=relevance.

Information has been withheld in accordance with:

- section 9(2)(f)(iv) of the OIA: *to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials; and*
- section 9(2)(j) of the OIA: *to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, negotiations.*

In addition, Annex A to the paper (*Programme Business Case for Defence Estate Horizontal Infrastructure*) has been withheld in full in accordance with sections 9(2)(f)(iv) and 9(2)(j) of the OIA. The public interest is met with a summary of the key information that formed the basis of Cabinet's decision to invest this funding being provided by the Cabinet paper.



Cabinet Expenditure and Regulatory Review Committee

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.

New Zealand Defence Force: Horizontal Infrastructure Programme Business Case

Portfolio Associate Defence

On 18 November 2025, the Cabinet Expenditure and Regulatory Review Committee:

- 1 **noted** that horizontal infrastructure in the New Zealand Defence Force Estate (principally three waters, power, information communication technology, and roading) is in a significantly deteriorated condition, at risk of failure, increasingly unable to meet increasing regulatory requirements, and is impacting on the delivery of military outputs;
- 2 **noted** that investment in horizontal infrastructure is part of the Defence Estate Portfolio Plan 2025 [EXP-25-MIN-0068] and supports the implementation of the Defence Capability Plan 2025;
- 3 **noted** that the Infrastructure Commission has endorsed the Horizontal Infrastructure Programme as a national infrastructure priority at Stage 1, indicating this is a priority problem or opportunity for New Zealand;
- 4 **noted** that a Defence Estate Portfolio Plan 2025 Assurance of Action Plan Gateway review received an Amber/Green level of confidence in May 2025;
- 5 **approved** the preferred way forward of a risk-based approach to managing horizontal infrastructure across the New Zealand Defence Force Estate, as set out in the Horizontal Infrastructure Programme Business Case (attached under EXP-25-SUB-0115);
- 6 **noted** that approval of the Programme Business Case does not represent a pre-commitment to funding, and that funding decisions will be sought separately;
- 7 **noted** that the capital investment required to deliver the Horizontal Infrastructure Programme is estimated at s.9(2)(f)(iv) (unescalated) over a timeframe of 25 years at s.9(2)(j) per annum, 31 years at s.9(2)(j) per annum, or 52 years at s.9(2)(j) per annum;
- 8 **noted** that current New Zealand Defence Force accumulated depreciation reserves are insufficient to deliver the programme within a reasonable timeframe;
- 9 **noted** that the preferred way forward indicates that annual funding of approximately s.9(2)(j) (a combination of depreciation reserves and capital injection) will be required, but that this uplift is not being sought at this time;

- 10 **noted** that detailed programme costs will be confirmed through future business cases to support s. 9(2)(f)(iv) subsequent Budget initiatives;
- 11 **noted** that in the interim, s.9(2)(j) capital per annum from depreciation reserves funding (out of a total of s.9(2)(j) ringfenced for infrastructure regeneration) will continue to fund priority horizontal infrastructure projects;
- 12 **noted** that business cases will be submitted where critical horizontal infrastructure projects cannot be funded internally, pending additional Budget decisions;
- 13 **noted** that steady-state operating costs are estimated at s.9(2)(j) per annum, and funding for these will be sought through future business cases;
- 14 **noted** that future investments will need to clearly justify the need for investment, articulate capital and operating costs of project phases where relevant, and demonstrate support of Defence Capability Plan delivery.

Sam Moffett
Committee Secretary

Present:

Hon David Seymour (Chair)
Hon Nicola Willis
Hon Chris Bishop
Hon Simeon Brown
Hon Louise Upston
Hon Judith Collins KC
Hon Mark Mitchell
Hon Brooke van Velden
Hon Shane Jones
Hon Casey Costello
Hon Chris Penk
Hon Andrew Hoggard
Hon Mark Patterson

Officials present from:

Prime Minister's Office
Office of the Minister of Defence
Ministry of Defence
New Zealand Defence Force
Officials Committee for EXP

Office of the Associate Minister of Defence

Cabinet Expenditure and Regulatory Review Committee

New Zealand Defence Force Horizontal Infrastructure, Programme Business Case

Proposal

1. This paper seeks approval for a framework for managing horizontal infrastructure across the Defence Estate.

Relation to government priorities

2. This paper supports implementation of the Defence Capability Plan 2025 and the Government's foreign, defence and trade policy priorities.

Executive summary

3. The NZDF Estate is in poor condition which constrains the delivery of military outputs.
4. Current funding for horizontal infrastructure of s.9(2)(j) per annum falls well short of the investment required. Achieving a resilient horizontal infrastructure network will require investment of at least s.9(2)(j) per annum, which cannot be funded from existing baselines.
5. This business provides a risk-based investment approach to address critical infrastructure needs with a preferred pathway of 25 years at s.9(2)(j) per annum at a total cost of s.9(2)(f)(iv).
6. No additional funding is sought at this stage, but on approval, NZDF will:
 - 6.1. continue priority horizontal infrastructure investments within depreciation funding, focusing on risk reduction;
 - 6.2. prepare bespoke business cases seeking Cabinet approval where capital injections are required for critical projects; and
 - 6.3. provide inputs to the DCP update in 2027.
7. Subject to Budget processes, the NZDF intends to then seek capital funding through s.9(2)(f)(iv) subsequent Budgets), to increase annual horizontal infrastructure investments from s.9(2)(j) to s.9(2)(j).

Background

8. The NZDF Estate is in poor condition, impacting on the delivery of military outputs. Most of the NZDF Estate is Second World War vintage and is now approaching, or is at, the end of its useful life. The NZDF estimates that 70% of the estate now has less than 20 years of remaining useful life and 10% is already beyond its designated life.
9. NZDF bases suffer from historical under-investment and deferred maintenance. Asset failure impacts the delivery of military capability.

Horizontal Infrastructure Programme Business Case

10. The PBC signals upgrades to horizontal infrastructure identified in Table 1.

Table 1: Categories of horizontal infrastructure covered by the PBC and their components

Horizontal Category	Components
Water Supply	Source, treatment, storage, reticulation, pumps
Used Water (Wastewater)	Reticulation, pump stations, treatment, discharge
Stormwater	Reticulation, pump stations, treatment, outfall
Power	High/low voltage networks, generation
ICT & Communications	Network infrastructure
Roading	Internal camp/base networks
Heating/MTHW/Steam	Network and source
Gas	Network (excluding plant/equipment). Noting - replacement of electricity lines will reduce dependence on gas for hot water heating and cooking

11. The challenges associated with horizontal infrastructure were not fully recognised during the preparation of the DCP (approved in April), as this business case was still under development and lacked the dedicated analysis now available. Since April, NZDF has completed a comprehensive prioritisation framework and refined the horizontal infrastructure project list using updated asset data.
12. The business case responds to the need for significant regeneration of the NZDF Estate. Horizontal infrastructure is a critical enabler of DCP outputs, supporting operational readiness and underpinning vertical infrastructure for new capabilities such as the Mission Command Training Facility and Maritime Helicopter Replacement.
13. Many vertical projects assume horizontal infrastructure is fit for purpose; yet this is often not the case. This PBC's objectives are to:
 - 13.1. ensure all camp and base facilities meet required levels of service, compliance standards, and government asset management expectations;
 - 13.2. reduce long-term costs by coordinating horizontal and vertical infrastructure investments and decommissioning redundant assets; and
 - 13.3. improve operational reliability, resilience, and safety across the NZDF estate.
14. Delivery will be dynamic, with quarterly reviews updating priorities, responding to changing requirements, identifying options for procurement efficiencies, including project bundling and coordination with vertical builds. A five-stage project implementation process is being used:
 - 14.1. identification – via user requirements, asset reviews, asset management plans;
 - 14.2. allocation – projects assigned to horizontal infrastructure or vertical workstreams;
 - 14.3. sequencing via a prioritisation frame – based on multi criteria analysis and strategic priorities;

- 14.4. implementation – design and funding approval; and
 - 14.5. delivery – construction and commissioning.
15. The preferred approach prioritises assets posing the greatest threat to safety, compliance and operational risks, using a consistent methodology to assess likelihood and consequence of failure (refer Figure 1).

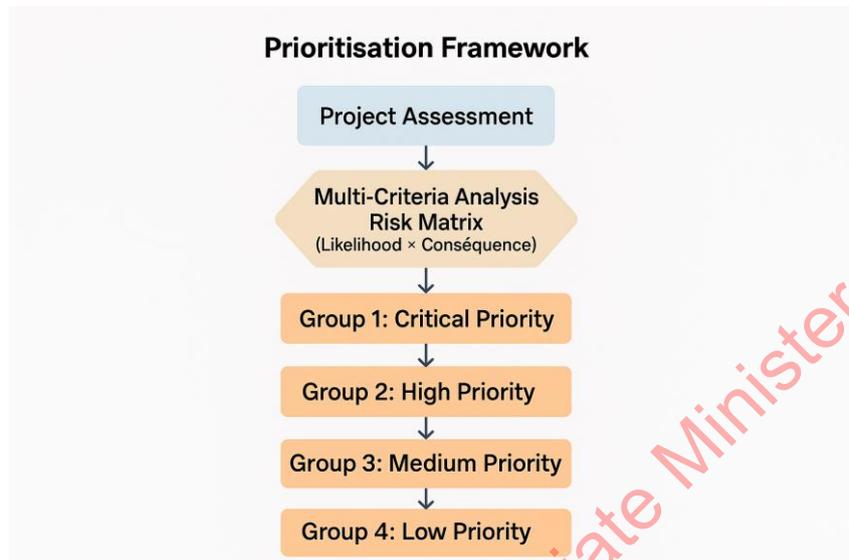


Figure 1: Horizontal Infrastructure Programme prioritisation framework, based on a risk matrix approach

16. The PBC proposes investment in 141 projects with an estimated capital cost of s.9(2)(f)(iv) (unescaled), including a 20 percent programme level contingency¹:
- 16.1. 24 critical priority projects s.9(2)(j) – safety, compliance and urgent renewals;
 - 16.2. 45 high priority projects s.9(2)(j) – high risk assets with medium term impact; and
 - 16.3. 72 medium and low-priority projects s.9(2)(j) – improve operability, reliability and resilience.
17. Examples of projects under these categories are show in Figure 2.
18. Increased upfront investment proposed by the PBC reduces the total programme costs and risks, including operational disruption, non-compliance, and emergency remediation costs. In the interim, NZDF will maintain the current s.9(2)(j) annual investment (out of a total of s.9(2)(j) ring fenced for infrastructure regeneration), seeking additional funding through:
- 18.1. bespoke business cases and Budget initiatives for large or urgent projects;
 - 18.2. use of depreciation funding allocated to regenerate the estate; or

¹ Contingency applied at individual project level and calculated in line with NZDF cost estimate protocols. Just under 70 percent of the projects have insufficient detail to support a contingency estimate therefore an additional 20 percent programme contingency was applied.

18.3. staged delivery of investment to remain within the s.9(2)(j) per annum allocations.

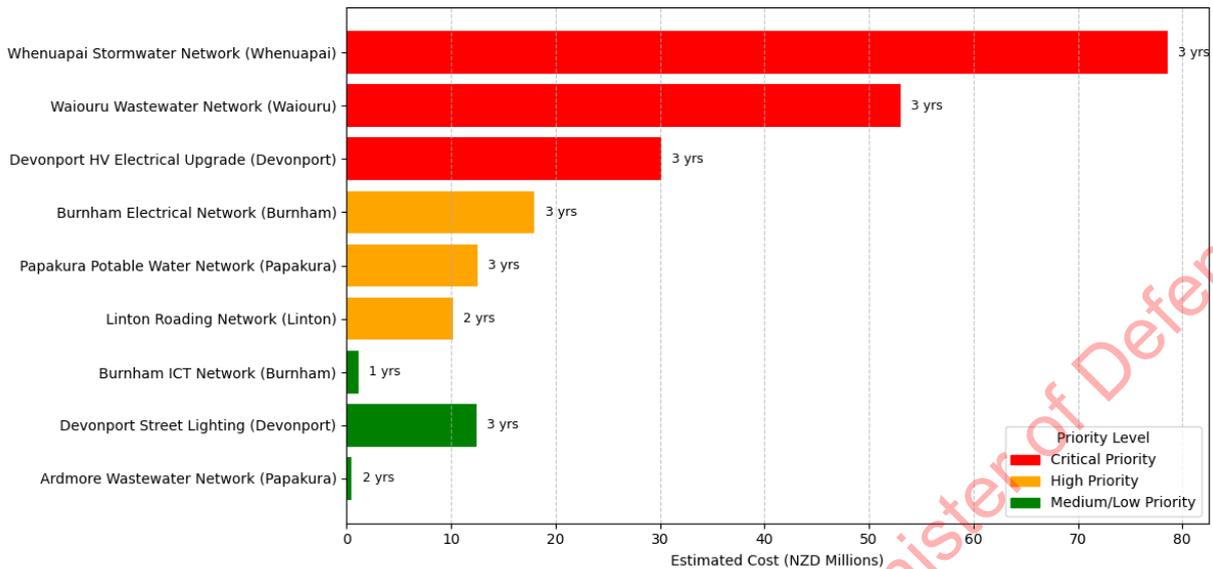


Figure 2: Horizontal Infrastructure Programme: Project priority comparison

19. Procurement will follow standard NZDF processes, aligned with Government Procurement Rules. Market engagement has shown a strong interest from contractors; preference for fair risk allocation and early contractor involvement. Projects may be bundled for efficiency and cost savings. Contract models will follow NZS3910 (modified), design-build, and measure and value.
20. Delivery will be managed through existing governance structures, as a workstream within the Defence Estate Regeneration Programme which is a sub-programme within the DEPP. Where horizontal infrastructure falls within the Future Naval Base Programme or the Ōhakea Infrastructure Programme (also sub-programmes with the DEPP) it will be governed by that programme board.
21. Progress will be measured through Key Performance Indicators (KPIs) (operational readiness; regulatory compliance; asset management maturity; and financial sustainability), risk reduction metrics, and compliance improvements.

Cost of Living Implications

22. There are no cost-of-living implications associated with the approval of the PBC.

Financial Implications

23. There are no immediate financial implications from the approval of the PBC. Future funding implications will be raised in subsequent Budget bids.
24. The PBC outlines the scale of investment required to ensure NZDF's horizontal infrastructure can meet the future requirements of the DCP – enabling stronger combat capabilities, providing a resilient and scalable force, and supporting relationships with key partners. Delivering the programme in full will require capital investment of up to s.9(2)(f)(iv) (unescalated). The s.9(2)(f)(iv) estimate includes contingency and is based on current condition assessments.
25. As the workstream progresses into implementation and construction, alignment with future capability investments will be critical to ensure horizontal infrastructure

is delivered at the right time and in the right sequence to avoid failure and enable capability outcomes.

26. Three investment scenarios² have been modelled to assess delivery timeframes and long-term cost implications. In addition to an accelerated reduction in risk, the higher level of annual funding will contribute to a reduced overall capital cost and reduction in the whole of life costs:

26.1. s.9(2)(j) per annum – delivery over 52 years

26.2. s.9(2)(j) per annum – delivery over 31 years

26.3. s.9(2)(j) per annum – delivery over 25 years

27. Individual projects may at times exceed the average annual funding allocation. A summary of the financial implications of these scenarios is provided in Table 2.

Table 2: Horizontal Infrastructure Whole of Life Cost Summary

\$M (funding)	s.9(2)(j)
Capital cost (incl. 20% project contingency)	
Escalation	
Total capitalised costs	
Total operating and maintenance costs	
Total renewal/ mid-life upgrades	
Total WOLC (including escalation)	

28. Ongoing operating expenditure is estimated at 0.8 percent of capital investment, excluding the 20 percent programme contingency for each project. At a steady state, this equates to approximately s.9(2)(j) per annum. Mid-life upgrades are calculated at 1.2 percent of the capital investment (unescalated, excluding contingency). Funding for these costs will be sought through future business cases.

29. Cabinet is asked to note that current NZDF depreciation reserves are insufficient to deliver the programme within a reasonable timeframe, without undue risk. NZDF intends to seek capital injections through s. 9(2)(f)(iv) subsequent Budgets) to increase horizontal infrastructure funding from s.9(2)(j) to s.9(2)(j) per annum (a net increase of s.9(2)(j)). The s.9(2)(j) is not likely to eventuate in a flat annual ask but a programme average. Nevertheless, at this time the proposed appropriation changes (capital injection and operating uplifts) signalled s. 9(2)(f)(iv) are outlined in Table 3 (over page). A full breakdown of costs and assumptions is available in Annex B.

30. In the interim NZDF will:

30.1. continue to allocate at least s.9(2)(j) per annum from depreciation reserves to priority horizontal infrastructure projects identified in the preferred investment pathway; and

² Based on market engagement completed by NZDF in June 2024. NZDF compliance and security requirements may further reduce the availability of the pool contractors and workers.

- 30.2. seek addition funding through internal processes or capital injections where project cost exceeds the available s.9(2)(j) per annum allocation

Table 3 – Appropriation changes proposed for s.9(2)(f)(iv)

	s.9(2)(f)(iv)
Total Capital Injection³	
Total Operating Uplift	

Investment Assurance

31. An Independent Quality Assurance Review by IQANZ of the horizontal infrastructure programme was undertaken in May 2021. A Gateway Review 0 was completed in October 2021. The Gateway Review Report allocated an amber confidence assessment. The Action Plan is attached at Annex C.
32. In September 2024, a Gateway 0/1 Review evaluated investment readiness of the DEPP (which includes horizontal infrastructure). The Review panel's delivery confidence assessment of 'Red/Amber'⁴. An Action Plan was then subject to a Treasury Infrastructure Management System Gateway Assurance of Action Plan Review in May 2025. This resulted in a significantly improved Amber/Green⁵ level of confidence. The Review noted and endorsed development of the draft DEPP as the portfolio delivery strategy; and saw '*...evidence that Defence Estate and Infrastructure (DEI) has made good progress against the recommendations of the previous [Gateway] review*'. The Review recommended that the NZDF ensure effective and agile governance and decision-making, accelerate asset information development, and continue to mature collaboration and key relationships.
33. The PBC was also reviewed as part of the Infrastructure Commission's Infrastructure Priorities Programme [CAB-24-MIN-0277.02 refers]. It was endorsed (at Stage 1) as a national priority in the draft National Infrastructure Plan released on 25 June 2025, along with five other NZDF investment cases. This reflects its national significance, and benefits to the New Zealand people, economy and security, and gives Ministers further assurance that investment in NZDF's horizontal infrastructure aligns with national objectives.

Other Implications

34. There are no legislative, gender, disability, or human rights implications resulting from this proposal.

³ Includes contingency and escalation. This is capital injection above the s.9(2)(j) NZDF can afford from depreciation reserves.

⁴ Red/Amber means that successful delivery is in doubt with major risks or issues apparent, with prompt action needed to address them and whether resolution is feasible. A 'blocker' is a critical, high impact issue outside the Programme control and will severely affect scope, time, cost, or quality.

⁵ Amber/Green means that 'Successful delivery appears probable, however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery'.

Use of External Resources

35. In 2019, NZDF identified the need for a professional service alliance to provide the capacity and skill to plan, manage and develop NZDF estate and infrastructure [CAB-19-MIN-0171.01 refers]. This now exists between the NZDF, Beca, EY and GHD, and other partnerships. Alliance partners provided technical expertise for the PBC development, including engineering, cost estimation, financial modelling and business case writing.

Consultation

36. The following agencies were consulted on this paper: Ministry of Defence, The Treasury, Ministry of Business, Innovation and Employment (procurement), New Zealand Infrastructure Commission, National Infrastructure Funding and Finance, and the Public Service Commission. The Department of the Prime Minister and Cabinet was informed.

Communications

37. No publicity or communications associated with the paper are planned until funding is agreed for inclusion in s. 9(2)(f)(iv) subsequent Budgets.

Proactive Release

38. This paper will be proactively released within 30 business days of Cabinet's decision, subject to any appropriate redactions.

Next Steps

39. On approval of this paper, the NZDF will work to prepare subsequent business case/s for approval. Where necessary, capital injections and new operating funding will be sought through future Budgets. Delivery of the projects is subject to approval of business cases and availability of funding.

Recommendations

40. The Associate Minister of Defence recommends that the Committee:
1. **note** that horizontal infrastructure in the New Zealand Defence Force Estate (principally three waters, power, information communication technology, and roading) is in a significantly deteriorated condition, at risk of failure, increasingly unable to meet increasing regulatory requirements, and is impacting on the delivery of military outputs [CAB-24-Min-0068 refers];
 2. **note** that investment in horizontal infrastructure is part of the Defence Estate Portfolio Plan 2025 [EXP-25-MIN-0068 refers] and supports the implementation of the Defence Capability Plan 2025;
 3. **note** the Infrastructure Commission has endorsed the Horizontal Infrastructure Programme as a national infrastructure priority at Stage 1, indicating this is a priority problem or opportunity for New Zealand;
 4. **note** that a Defence Estate Portfolio Plan 2025 Assurance of Action Plan Gateway review received an Amber/Green level of confidence in May 2025;

5. **approve** the preferred way forward of a risk-based approach to managing horizontal infrastructure across the New Zealand Defence Force Estate, as set out in the Horizontal Infrastructure Programme Business Case (attached as Appendix A);
6. **note** that approval of the Programme Business Case does not represent a pre-commitment to funding, and that funding decisions will be sought separately;
7. **note** that the capital investment required to deliver the Horizontal Infrastructure Programme is estimated at s.9(2)(f)(iv) (unescalated) over a timeframe of 25 years at s.9(2)(j) p.a., 31 years at s.9(2)(j) p.a. or 52 years at s.9(2)(j) p.a.;
8. **note** that current New Zealand Defence Force accumulated depreciation reserves are insufficient to deliver the programme within a reasonable timeframe;
9. **note** that the preferred way forward indicates that annual funding of approximately s.9(2)(j) (a combination of depreciation reserves and capital injection) will be required, but that this uplift is not being sought at this time;
10. **note** that detailed programme costs will be confirmed through future business cases to support s. 9(2)(f)(iv) subsequent Budget initiatives;
11. **note** that in the interim, s.9(2)(j) capital per annum from depreciation reserves funding (out of a total of s.9(2)(j) ringfenced for infrastructure regeneration) will continue to fund priority horizontal infrastructure projects;
12. **note** that business cases will be submitted where critical horizontal infrastructure projects cannot be funded internally, pending additional Budget decisions; and
13. **note** that steady-state operating costs are estimated at s.9(2)(j) per annum, and funding for these will be sought through future business cases.

Authorised for lodgement

Hon Chris Penk
Associate Minister of Defence

Annexes

- A.** Programme Business Case for Defence Estate Horizontal Infrastructure
- B.** Initial four year capital and operating cost
- C.** Gateway Review Action Plan

Annex B – Initial four year capital and operating cost

Capital Cost	s.9(2)(f)(iv)
Capital cost in 2025 dollars	
Escalation	
Contingency	
Total Capital	
<i>Funded from NZDF depreciation reserves</i>	
Capital Injection required	

Operating cost	s.9(2)(f)(iv)
Direct Operating	
Depreciation expense (based off 50 year useful life)	
Capital Charge (5% as per Tsy rate)	
Total operating uplift required	

Proactively Released by the Associate Minister of Defence

Annex C - Gateway Review Action Plan

Ref.	Recommendation	Priority	Action Plan	Status
R1	DERP Governance undertake a review of the PBC scope, purpose, investment objectives and benefits, funding and financial management to ensure the PBC reflects the full breadth and scope of horizontal infrastructure investment and its contribution to the objectives of the overall DERP	Do Now		Completed
R2	Expand PBC constituent business cases to include details of maintenance and capital expenditure being funded and delivered through other programmes and projects	Do Now		Completed
R3	Review the draft PBC constituent business cases to more strongly support: <ul style="list-style-type: none"> Alignment to a refreshed scope, purpose and benefits An all-of-horizontal infrastructure funding and delivery strategy Maturing programme and procurement management	Do Now		Completed
R4	Add a stakeholder engagement and management plan to the HIPBC	Do Now		Completed
R5	Revise the tranche based approach to programme delivery to a period based (e.g., 3-yearly) rolling programme of work to support the case for longer term funding commitment	Consider		Completed
R6	Develop a contingency scenario that addresses the risk of no change to current funding levels to the financial funding scenarios	Do Now		Completed

Proactively Released by the Associate Minister of Defence