Headquarters
New Zealand Defence Force
Defence House
Private Bag 39997
Wellington Mail Centre
Lower Hutt 5045
New Zealand

OIA-2026-6028

17th November 2026

[redacted] stuff.co.nz

Dear [redacted]

I refer to your email of 14 October 2026 requesting, under the Official Information Act 1982 (OIA):

Under the Official Information Act 1982, I request the following information concerning the Defence Estate Infrastructure (DEI) Alliance, established in November 2020 between NZDF and its professional services partners:

1. *The final decision paper, business case or approval memorandum relating to the extension of the Alliance beyond its initial five-year term in November 2025.*
2. *Any assessment of the Alliance's performance, value for money or commercial risks prepared to inform that decision.*
3. *Any final analysis of alternative procurement or delivery arrangements, including whether the work should be retendered.*
4. *The approved duration and estimated financial value of any extension, and the person or body who authorised it.*
5. *Details of the work allocated under the DEI Alliance since November 2020, showing the project, supplier, cost and, any variation and who approved the work.*

I apologise for the delay in providing this response.

Relevant documents concerning the decision to renew the New Zealand Defence Force (NZDF) Estate and Infrastructure Alliance are provided at Enclosures 1 and 2. Where indicated: sensitive security and defence information is withheld under section 6(a) of the OIA; personal information is withheld to protect privacy under section 9(2)(a) of the OIA; information relevant to negotiations and/or ongoing streams of work is withheld in accordance with section 9(2)(j) of the OIA; and, signatures are withheld to avoid malicious or inappropriate use, such as phishing, scams or unsolicited advertising in accordance with section 9(2)(k) of the OIA.

The original tender of the Portfolio Alliance Agreement (PAA) was for a 5-year term with two rights of renewal of three years each. The PAA is a framework agreement for the provision of professional services for Defence Estate projects. It does not cover any construction activities or costs.

The Special Procurement Assurance Board (SPAB), chaired by the Vice Chief of Defence Force on this occasion, approved the renewal of the PAA. The Head of Defence Estate and Infrastructure gave notice of the renewal to Beca, EY, and GHD on 14 November 2025.

As described in the SPAB report, work under the PAA is undertaken in Alliance Work Packages (AWPs). The first type of AWPs cover general consultancy services across all projects. The second type of AWPs cover design services or construction support services on specific capital projects.

The value of services procured through the PAA is approximately $50 – 60 million per annum, depending on funding. New Zealand Defence Force (NZDF) financial systems are structured to record financial data at project level, however the costs are combined with other third party costs including consenting, cost assurance, engineer-to-contract, engineer's representative, peer reviews for fire engineering and other assurance costs.

With respect to your request for details on projects, the supplier, cost, variations, and approvals, all of this information is not centrally reported. The table at Enclosure 3 provides centrally reported details at an AWP level from 23 November 2020 to 30 September 2026. Within the table:

- green lines reflect the final actual cost of work delivered within the AWP as approved by the auditor;
- blue lines indicate work is complete and the costs may be subject to small changes following the completion of the audit;
- white lines indicate that work is still being delivered against some or all of the projects identified in the AWP. The cost is subject to change.

You have the right, under section 28(3) of the OIA, to ask an Ombudsman to review this response to your request. Information about how to make a complaint is available at https://www.ombudsman.parliament.nz/make-complaint or freephone 0800 802 602.

Please note that responses to official information requests are proactively released where possible. This response to your request will be published shortly on the NZDF website, with your personal information removed.

Yours sincerely

JHR Sellwood
Captain, RNZN
Chief of Staff HQNZDF

Enclosures:

1. Defence Esate and Infrastructure Minute 087/2025, 12 May 2025
2. Special Procurement Assurance Board Minutes, 29 May 2025
3. Alliance Work Packages table

Headquarters New Zealand Defence Force
Defence Estate and Infrastructure
MINUTE 087/2025

12 May 25

SPECIAL PROCUREMENT ASSURANCE BOARD

Through:
CCO
HDEI Exercising the right of renewal is recommended to the SPAB. s. 9(2)(k)
HDEI
12 MAY 25.

PORTFOLIO ALLIANCE AGREEMENT (PAA) – APPROVAL OF RENEWAL OF AGREEMENT

References:

A. SPAB 20 Minutes dated 29 Oct 20. Approval to enter the Portfolio Alliance Agreement (PAA) for Professional Services for Defence Estate and Infrastructure.

Purpose

1. The purpose of the paper seeks the Special Procurement Assurance Board (SPAB) agreement to renew the New Zealand Defence Force Estate and Infrastructure Alliance (the Alliance) for a further term of three years, as provided in the Portfolio Alliance Agreement (PAA). The Minute includes:

   a. the rationale and objectives for the Alliance;
   b. the key elements of the PAA;
   c. an assessment of the Alliance so far and the lessons learnt;
   d. an assessment of future needs; and
   e. conclusions and recommendations.

2. The report at Enclosure 1 contains the full analysis and supporting data for the renewal decision.

SPAB to approve the renewal and decision logic

3. The PAA provides a framework to procure services from Alliance Partners. The 'fixed cost'[1] of operating the Alliance are circa $1.7M pa, which would reduce to circa $1.3M pa if no new work is placed with the Alliance. SPAB's agreement to the renewal is sought as the total value of work delivered by the Alliance is circa $50 – 60M pa and the Alliance is a critical enabler to regenerate the Defence Estate.

4. The logic for deciding to exercise the sole right of renewal in in favour of NZDF is based on the premise that the PAA should be renewed unless:

   a. The arrangement has not worked as intended and it is not possible to change it; or
   b. NZDF's requirements have changed sufficiently that the arrangement is no longer required.

[1] 'Fixed' costs include the costs of insurance NZDF must provide under the PAA, independent audit functions, costs to support the operation of the Alliance Services Board and Management team, and the processes to scope and assure pricing of any new work under the agreement. Some of these costs change with volume of work.

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SPECIAL PROCUREMENT ASSURANCE BOARD MINUTES **Portfolio Alliance Agreement (PAA)**	**Date:** 29 May 25 **Time:** 10:30 **Venue:** Defence House **Reference:** **SPAB 91**

Members	**In Attendance**	**Apologies**
RADM Mathew Williams (Chair) AVM Andy Woods MAJGEN Rose King RADM Garin Golding AVM Darryn Webb	VCDF CJDS CA CN CAF	MAJGEN Rob Krushka - COMJFNZ Ms Bridget Marks - CFO

Additional	**In Attendance**
Chief Commercial Officer Presenter Business Sponsor DEI Secretary	Nicki Lau Young - CCO Mark Brunton - HDEI Heather Staley - GMEP s. 9(2)(a)

Outcomes/Decisions/Action Items	
Conflict of Interest	All Members signed the Conflict of Interest form and this was noted by VCDF.

Portfolio Alliance Agreement (PAA)

1. Discussion

- Head of Defence Estate and Infrastructure (HDEI) opened the discussion by explaining that this is a right of renewal rather than a new procurement and noted the multiplier will be renegotiated as part of the renewal along with changes to how NZDF determines which projects we should utilise the Alliance to deliver.
- VCDF noted the fixed cost of the PAA is $1.7M and we need to ensure that the expected future volume of work undertaken by the Alliance justifies the fixed cost. DEI confirmed that there is sufficient expected volume of work.
- CN asked if there were any time savings from using the Alliance.
  - CCO confirmed there are time savings as DEI/DCS do not need to take each project to go out to market.
  - HDEI advised that DEI will continue looking at approaches to speed up delivery such as design and build.
- VCDF noted the agreement is scalable and asked if there is a risk of overdesign.
  - HDEI advised overdesign will always be a risk but progress is being made in standardising designs.
  - HDEI advised that DEI independently QS tests major SoWs to ensure value for money.
- VCDF asked for some brief "talking points" to be prepared for EXCO and senior leaders regarding the Alliance and the decision to renew

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
AWP-1	Delivery – Construction phase services (Phase 3) for Defence Estate Regeneration Project (DERP) and Ohakea Infrastructure Project (OIP) projects	Yes	$22,725,661	Closed and audited	1
AWP-2A	Alliance Wide - AMT, Operations & Operating Model Asset Information Asset Services Environmental Services Strategy Performance Delivery – Phase 1 Planning / Business Case & Concept Designs Delivery – Phase 3 PM Services Delivery – PMO Support and Enhancement	Yes	$24,918,646	Closed and audit in progress	35
AWP-2B (TOC)	*Delivery – Detailed Design (Phase 2) of DERP projects:* BHM - Electrical Network and Resilience BHM - Potable Water Reticulation BHM 2/1 Royal NZ Infantry Regiment BHM Camp Co-ordination and Scope Analysis BHM Defence College Office BHM Health & Wellness Centre BHM MSF (Project Playtime - BHM Relocation 3 Transport Co) BHM Single Living Accommodation BHM Wastewater Network BHM WWTP Decommissioning BHM X-Lines Lecture Rooms DPT Capstan Design DPT Dry Dock WWTP DPT Sea Safety Training Filtration System DPT Small Boat Storage and Maintenance LIN Consolidated Parking PAP Health & Wellness Centre PAP High-Performance Centre TEK Potable Water WAI Ammunition Depot Fire Alm	Yes	$31,405,874	Closed and audited	31

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	WAI Wash Point WHP - Explosives Processing Facil WHP Health & Wellness Centre WHP Main Gate WHP Standby Generator WLG Def Health & Wellness centre WMN Potable Water WHP Potable Water Reticulation BHM Facilities Maintenance Compound BHM 2/4 New Zealand Infantry Regiment Unit Facilities Phase 2				
AWP-2C (TOC)	*Delivery – Programme Management, Business Case and Detailed Design (Phase 2) of projects in OIP* Fuel Storage Facility Expansion Military Working Dog Units NEQ Car Park Cost Estimate Review (OIP) OIP Aviation Refuelling Office OIP Logistics Warehouse OIP OHA Soil Sampling & Analysis - GSE Storage facility Project OIP Potable Water HIP Potable Water OIP Storm Water Reticulation Airfield Apron Drainage Single Living Accommodation WBN - Base Ops Security Fence Ohakea Infrastructure Project OIP Wastewater OIP Airfield OIP Parking (Main Base)	Yes	$18,392,254	Closed and audit in progress	31
AWP-2D (TOC)	*Delivery – Construction phase services (Phase 3) for DERP and OIP projects* BHM MSF Project Playtime	Yes	$4,747,483	Work being delivered	9

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	Military Working Dog Units LIN ESH and ATO - Construction Project Manager WHP Phased Hardstand Replacement WHP Standby Generator WLG Def Health & Wellness Centre OIP Airfield WAI Ammunition Depot Fire Alarm System				
AWP-2E	Engineering Design, Planning & Management, Project Managers for Camps/Bases, Healthy Homes Standard Compliance Programme	Yes	$7,359,861	Closed and audited	2
AWP-3A	Alliance Management Team Alliance Operations Team Asset Information Training and User Support Asset Information Interim AMIS (IAMIS) Phase 2 Operating Model - Asset Led Organisation People Capability Competency Framework Change Management Capacity and Capability Strategic Workforce Tool Improvement initiative – procurement Improvement initiative – P3M CHESS Implementation Performance Portfolio Analyst backfill Strategic Planning Māori Partnership Framework Asset Services – Asset Management Programme Asset Services Water Management Programme Assets Services Technical Authority	Yes	$26,490,958	Closed and audit in progress	38

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	Asset Services Sustainability (HV long term planning; waste management; SIS Update) Environmental Services Estate Tenure Strategic Programmes Policy Support – Estate Strategic 2025 mid-point refresh Programme Management Office (PgMO) Protective Security Assurance and Advisory DERP – Planning phase 0-1 rollover DERP – Planning 0 DERP Design Phase 1 – new				
AWP-3B (TOC)	Delivery – Detailed Design (Phase 2) of DERP projects	Yes	$14,112,871	Closed and audit in progress	27
AWP-3C (TOC)	Delivery – procurement and construction phase (Phase 3) of Ohakea Infrastructure Programme (OIP): Fuel Storage Facility Expansion OIP Initial Civil Works SP2 NEQ Pump Station OIP Potable Water HIP Potable Water Ohakea Infrastructure Project OIP Wastewater	Yes	$9,956,774	Work being delivered	11
AWP-3D (TOC)	Delivery – Procurement and Construction (Phase 3) of DERP projects: LIN Ammo Tech Offices (ATO) BHM - Electrical Network and Resilience BHM 2/1 Royal NZ Infantry Regiment BHM Energy Centre Replacement BHM Health & Wellness Centre BHM WWTP Decommissioning	Yes	$26,246,690	Work being delivered	72

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	BHM X-Lines Lecture Rooms				
	DPT Capstan Design				
	DPT Crane Rehabilitation Programme				
	DPT Dry Dock WWTP				
	DPT Naval Fuel Installation Control System				
	s. 6(a)				
	DPT Workshop Cranes				
	Dunedin Regional Facility				
	Dunedin Regional Facility Project				
	FNB - Former Officer Training Facility Demolition				
	Housing Mod Programme				
	LIN 21 Supply Combat Fuel Supply Infrastructure				
	LIN Bushmaster HQ Simulator (MOD)				
	LIN Consolidated Parking				
	LIN Potable Water Ret & Water Supply Upgrade				
	LIN Wash Point				
	OHA Hangar Fire System Supply				
	PAP - Barracks 1 (24 Bed)				
	PAP Barracks Tranche 2 & 3 Project				
	PAP High-Performance Centre				
	TEK Camp Water Source				
	TEK Potable Water				
	TRN Paint Booth Replacement				
	TRN TTS Electronic Wing Laser Testing Facility				
	WAI Training Area Water Abstraction				
	WAI Wash Point				
	Waiouru New Builds Programme				

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	WBN ARA GATS WHP Arch Hangar Midlife Intensive Refit WHP Arch Hangar Midlife Intensive Refit - Hangar 1 WHP Health & Wellness Ctr WHP Main Gate WHP Standby Generator WMN Potable Water DPT - Bow & Midships Capstan WHP Potable Water Reticulation Papakura JR Ranks Accommodation				
AWP-3E	PMP Design PMP Project Management Healthy Homes	Yes	$7,037,080	Closed and audit in progress	5
AWP-3F (TOC)	Delivery – Preliminary to Detailed Design and Consent of the Consolidated Logistics Project (CLP) Regional Supply Facility (RSF) at Linton Military Camp	Yes	$7,757,660	Work being delivered	15
AWP-4A	Alliance Management Team Alliance Operations Team Estate - Assets and Environments Asset Information Interim AMIS (IAMIS) Streamlined Data Delivery AM Programme Management Water Compliance Programme Utilities Data Platform NZDF Sustainable Infrastructure Standards Implementation HV Long Term Planning Technical Authority	Yes	$27,214,588	Closed and audit in progress	27

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	DSM Carbon Emissions Reporting FY22-23 Contamination Asbestos Surveys Environmental Services Estate - Performance Portfolio Analyst Backfill Institute of Asset Management Competency Framework Implementation Change management, Culture and Communications Portfolio Risks and Issues Manager PgMO Phase 0 – Planning Phase 1 – Business Case & Design [removed] Protective Security Advisory and Assurance Safer Space Implementation Estate Tenure Services NZCIS Trentham Relocation Land, Buildings & Infrastructure Valuation 2023 Māori Partnership Framework Housing Programme Implementation Business Case Strategic Policy Support Support for DERP Data Master Planning & Precinct Block Planning Detailed Seismic Assessments Safer Spaces Regional Facilities: New Strategic Assessments and Indictive Business Cases Future Naval Base DERP Portfolio Refresh Plan Mere				

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	HIP BHMIP & Regional Facilities (close out) AMDM Linton Pilot Project DBC Climate Change Adaptation Pathway Planning				
AWP-4E	PMP Design and Management Services Healthy Homes Residential Lead Paint Management	Yes	$4,885,437	Closed and audit in progress	3
AWP-5A	Alliance Management Team Alliance Operations Team Programme Management Technical Advice Standard Post Occupancy Evaluations Asset Management and Vertical Assets Utilities Management – Condition Assessment Surveys Three Waters and Civil Engineering Utilities Management – Utilities Data Platform Contamination Asbestos Surveys Environmental Services Interim AMIS information System Self-service Streamlined Data Delivery PgMO (OPEX and CAPEX) Rolling Replacement Programme (CAPEX) OHA Managed Fill Monitoring FY25 Estate Tenure Services Land, Buildings & Infrastructure Valuation 2024 NZDF Finance Funded Strategic Programmes - DERP Portfolio Refresh Strategic Planning - Strategy Climate Change Adaptation Pathway Planning Future Naval Base Programme Business Case	Yes	$11,584,457	Closed and audit in progress	32

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	Safer Spaces Christchurch Air Movements NZCIS Trentham Relocation Block A Housing Programme Management Housing Programme Business Case				
AWP-5B (TOC)	Detailed Design (Phase 2) of DERP projects: LIN Ammo Tech Offices (ATO) BHM 2/1 Royal NZ Infantry Regiment BHM Energy Centre Replacement DPT Small Boat Storage and Maintenance DPT Small Boats Workshop Upgrade s. 6(a) DPT Workshop Cranes LIN Electrical LV & HV Network PAP - Barracks 1 (24 Bed) Papakura Barracks Electrical Supply TRN Paint Booth Replacement TRN TTS Electronic Wing Laser Testing Fac WAI Training Area Water Abstraction WAI Water Treatment Plant Refurb Costings Review (V081 & V149) WHP Arch Hangar Midlife Intensive Refit WHP Phased Hardstand Replacement WHP SLA 74-bed Barracks Phase 1 Project "DPT Multipurpose Office Accommodation Facility D&B Performance Specification Rev 2"	Yes	$5,552,593	Work being delivered	28
AWP-5E	PMP Design, construction monitoring and project Management	Yes	$2,402,948	Closed and audit in progress	4

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	Other technical advisory				
AWP-5G (TOC)	(MoD / Capability Branch) projects LIN Mission Command Training Facility BHM NEA Operations Centre WHP - Maritime Helicopter Replacement Project WHP MHR – Concept Design and Investigations PMCP - PV-M Bushmaster Vehicle Storage KP MEOD Preliminary, Developed and Detailed Design	Yes	$10,381,639	Work being delivered	11
AWP-5H (TOC)	Homes for Families Programme: Pilot 13 - Contamination Testing - OHA BHM Housing Demolition Soil Sampling OHA Pilot 13 Procurement UFB Roll Out Programme Pilot 13 - Contamination Testing - LIN LIN Pilot 13 Procurement Variation Homes for Families - Infrastructure Study for Defence Housing at TRN BHM Housing Tender Evaluation NZDF Homes for Families - Financial Analyst BHM Contractor Procurement NZDF Homes for Families - Pilot 13 Environmental Monitoring NZDF Homes for Families - TRN Environmental Soil Testing and OHA-TRN Planning Assessments HFFD - H4F - Programme Delivery Support T1P4 WBN Flood Modelling WAI Pilot 13 Procurement Variation H4F - Waiouru Pre-contract Support TRN Earthworks and Stormwater Consent Support	Yes	$3,269,848	Work being delivered	24

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	H4F Programme T1P3 Tender Evaluation Due Diligence Homes for Families - QS and Programme Coordination Procurement and Programme Support Homes for Families Programme - Tranche 1 - Phases 1 to 3				
AWP-6A	Alliance Management Team (AMT) Alliance operations Technical advice, standards and occupancy evaluations. AMPs, LOS, AM maturity assessment, risk registers, DIAH Three waters and civil engineering assets Environmental services Contamination management programme -Project management Interim AMIS information system self service Forward works data management FM data management Programme Management Office (PgMO) Rolling Replacement Programme (RRP) OIP environmental support NZCIS Trentham – CapEx fitout (Soft fitout QS support) Future Naval Base – FNB phase 0 Land, buildings & infrastructure valuation NZCIS Trentham – change management support NZCIS Trentham – technical support Kauri Point - alternatives study Tauranga regional facility - Detailed Business Case (DBC) Devonport Housing - technical support Defence Estate Portfolio Plan (DEPP) - Portfolio refresh Climate change adaptation -investigation and monitoring	Yes	$10,997,864	Closed and audit in progress	45

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	Fight Tonight - resilience planning Estate strategy refresh - 2030 Seismic assessments Data analytics to support QIR, IIP, NIP and DERPIMP				
AWP-6E	Planned Maintenance Programme (PMP) Support	Yes	$3,636,836	Closed and audit in progress	5
AWP-6NA	Future Naval Base (FNB) Phase 1 / 0: FNB – Officer Training Facility Phase 1 FNB - Integrated Office Hub FNB - Dry Dock Caisson Gate Replacement FNB - Sea Safety Training School (SSTS) Replacement FNB - Stanley Bay Gate Phase 1 DPT – Horizontal Infrastructure Network Planning	Yes	$3,931,989	Work being delivered	7
AWP-7A	Alliance Management Team (AMT) Alliance Operations Technical advice, standards and occupancy evaluations Digital Asset Management Plans (DAMP), asset risk register and condition assessments Decarbonisation studies, Electrical Studies, 10-year Capital Replacement Plan Water Compliance and Studies Asset Management Officer (AMO) Energy Resource Officer (ERO) Environmental Support Contamination Management Programme Asset Information – Self-Service Integration Asset Services – Data Quality and Maintenance FM data management phase 2	Yes	$2,802,277	Work being delivered	9

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AWP	Scope of work	Costs reconciled by IE	Cost to date	Status of work	Total # of variations
	PMP – Design Services PMP – Planning and Programmatic Support Technical support – C&B Armouries and ESH Zone 5 Compliance Upgrade Capability – Programme Delivery Support Project Delivery Phase 0/1 Functional Lead Support Phase 0/1 Functional Lead Support Phase 2 Functional Lead Support Phase 3 Fire Flight Facility Phase 1 Project Delivery Support Phase 0/1 TRN Main Gate Phase 1 WAI Potable Water Network Renewal Phase 1 PgMO Functions and DERP Programme Delivery RRP – Project Delivery Technical support Land, Buildings & Infrastructure Valuation DPT and WHP Housing Technical Support Trentham Defects Monitoring DCP Support Future Naval Base Tranche 1 Business case Waiouru Leasing Support Accommodation Messing & Dining Modernisation Detailed business case				
AWP-7E	Planned Maintenance Programme (PMP) Support	Yes	$518,618	Work being delivered	1
TOTAL			**$288,330,906**	**-**	**473**

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	the PAA for another three years to explain why the Alliance provides value for money for NZDF. • CCO advised we need to plan early for the end of the PAA given the significant period of time needed for transition. CA noted that, given this significant transition period, it is likely that the next renewal decision in three years is largely a foregone conclusion but at that point we will essentially need to decide on our plans for the end of the PAA. • CAF asked if there are any parties of the PAA that we might not need for future work. o HDEI advised that there is less work for EY but they are still supporting business case development. • VCDF noted the recommendation the EIC oversee the implementation of recommended changes. This was discussed by SPAB and agreed that this oversight should sit with management rather than governance.
2. Decision	The SPAB: a. **approves** the renewal of the PAA in accordance with the provisions of the PAA; b. **invites** CDF to authorise Head of Defence Estate and Infrastructure to give notice of the decision to extend the PAA for the first three-year renewal term; and c. **notes** the Head of Defence Estate and Infrastructure will monitor the implementation of: (1) recommended refinements; and (2) planning for the transition from the PAA before the second renewal decision.

s. 9(2)(k)

M Mathew Williams
DF
Chair

Dated 7 / 7 / 2025

s. 9(2)(k)

s. 9(2)(a)
Secretary

Dated 29 May 2025

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Main findings

5. The primary driver for the Alliance, was the need for flexible, scalable, professional services to enable DEI to quickly build the capacity and capability to deliver the scale of Estate regeneration described in the Defence Estate Regeneration Plan (DERP) Portfolio Business Case. Tier one providers were ultimately selected as NZDF was not confident smaller, less experienced providers could support the scale of regeneration anticipated. This was confirmed in the final three-day simulations as part of selection.

6. Despite some ongoing rhetoric within NZDF about the suitability of the tier one professional services firms in the Alliance, DEI believe tier two or three providers would not have met the forecast needs or responded as well when the funding for regeneration did not materialise as NZDF experienced increasing cost pressures. The funding increase for regeneration is now signalled for 2029 and beyond in the 2025 Defence Capability Plan, and the Alliance using tier one firms will be able to scale and provide the skills to meet the opportunities more quickly. DEI has developed some internal capability, but recent workforce savings measures have removed the ability to increase DEI capacity to meet more of the regeneration requirements, meaning the Alliance with tier one firms is critical for NZDF to respond to the needs of the DCP.

7. Assurance of the Alliance has provided insights and options to deliver better public value. The Independent Estimator reviews the initial fee estimates are consistent with the proposed scopes of work and routinely finds options for cost reductions before work begins. The Independent Estimator has also provided commentary where Defence could have achieved better public value using the Alliance and done independent market testing programme cost checks (eg Combined Logistics Maintenance Service Facility at Linton). The Independent Alliance Auditor ensures that NZDF is paying for only the services provided at the rates agreed.

8. There is some concern about the Alliance with tier one firms doing more work or having more people than required. DEI has continued to adjust its working arrangements with the Alliance to focus on public value and efficient delivery . The active management of the Alliance by DEI also includes using other suppliers for smaller, lower risk projects and the continued development of DEI's commercial prudence and management practices to ensure NZDF is purchasing only what is required.

9. There is some discussion on the cost of the Alliance as being too expensive. Assurance checks support that the Alliance has delivered services with acceptable public value when assessing against common cost comparisons. Industry benchmarks indicate that the Alliance:

a. Design costs as a proportion of total project cost are slightly higher (13.5%) than industry norms of (10-12%). This could be a function of NZDF client requirements including timely access to key stakeholders, defence and security specific requirements;

b. The predictability of final project costs is tighter (-1% on average) than industry norms (-10% to +15%). (This may also be a function of higher design effort);

c. Alliance rates (including overheads) are consistently circa 10% below all of government (AoG) rates. On $50M of services this equates to $5.7M[2] in savings compared with going to market. This estimate excludes the cost, time and effort of using a panel; and

d. s. 9(2)(j) [redacted]

10. The Alliance has delivered the expected benefits and a few of the identified risks have arisen.

[2] If we assume for FY25/26:
- NZDF wish to buy professional services of $50M
- The Alliance would have overheads of $1.7M
- NZDF would pay the Alliance $51.7M
- The market comparable is estimated at $57.4M
- NZDF would save $5.7M in FY25/26 using the Alliance

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a. Performance in terms of time, quality and cost have been agreed with the Alliance to use the compensation model, and assurance measures have indicated the Alliance has delivered public value on a rate per hour basis and is within industry norms;

b. The Alliance has demonstrated that it can scale up or down over the first five years of the agreement adjusting to NZDF changing needs. There have been significant reductions in management overheads associated with the cost of operating the alliance in its first four years of operation; and

c. Some of the risks identified with the Alliance model have been experienced, including:

1) NZDF feeling the Alliance partners are looking to create a relationship of dependency;

2) reverting to consultant behaviours; and

3) some of the recommendations made on delivery models, supplier selection methods and contracts preferred by the Alliance partners may have unnecessarily transferred design or construction risk in projects to NZDF.

11. No procurement delivery model is perfect. There is sufficient flexibility within the PAA that NZDF can continue to improve the balance of benefits and risks within the current agreement.

12. More detail on the assessments can be found in the 'Assessment of the Alliance' section of Enclosure 1.

Refinements recommended to improve the value of the Alliance for NZDF

13. This review has identified some lessons and actions to further mitigate these risks by strengthening decision making around work requested from the Alliance such as:

a. More deliberate decisions to include new projects in the capital project pipeline;

b. Specific consideration of the construction procurement method[3], before including a project in the Alliance work programme; and

c. Clearer specification of the role of Defence Commercial Services and the Alliance in construction procurement.

14. These refinements also include the development of processes to deliver a greater level of benchmarking practice in order to maintain commercial tension with the Alliance. These measures are expected to enable NZDF to choose the best delivery model for its requirements, and increase market testing to demonstrate public value. All can be implemented without requiring amendment of the PAA.

15. There is more detail of these proposals in 'Implementation and management of Alliance refinements' section page 18 of Enclosure 1.

16. These refinements will begin to reduce dependency on the Alliance. Explicit planning to reduce dependency and for a transition from the Alliance must be considered by NZDF in preparation for the second and final renewal decision no later than November 2028.

17. The Estate Investment Committee (EIC) is best placed to monitor the implementation of:

a. the refinements described in paragraph 13; and

b. planning for a transition from the Alliance as part of a second renewal decision.

18. The Alliance is a critical enabler of the Defence Estate Regeneration: the primary focus of the EIC. The EIC approves all new capital projects to the DEI work programme. Membership includes all programme board chairs, representatives of Defence users of the Alliance, the Chair of the Alliance Services Board (HDEI) and will have accountability for the Estate related investments from the DCP.

[3] Eg Design Build, Early Contractor Engagement, in addition to design, bid, build using the Alliance for at least the design phase.

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There is sufficient need to continue with the Alliance

19. NZDF has investigated whether the original procurement needs continue for at least the next three years. These needs include:

a. Completion of currently contracted Alliance services for construction work in progress (for DEI, Ministry of Defence (MOD) and Capability Branch);

b. Future requirements for Capability-related infrastructure in the Defence Capability Plan; and

c. Future requirements for Estate Regeneration in the Defence Capability Plan (and subsequent Defence Estate Portfolio Plan).

20. There is circa $1.45 Billion of contracted Alliance services for construction work in progress. This is more than six years of construction projects[4], and includes $255M of Ministry of Defence (MoD) and $24M of Capability Branch (CapBr) projects. This work in progress is considered sufficient demand to renew the PAA.

21. The work in progress excludes Accommodation Messing and Dining Modernisation (AMDM). and Future Navy Base (FNB) which are identified in the Defence Capability Plan. The detailed plan for estate and infrastructure investment to support the implementation of the DCP will be the Cabinet approved Defence Estate Portfolio Plan later this calendar year. These will provide more than sufficient demand to renew the PAA.

Impact of not renewing

22. There are at least two possible impacts of not renewing:

a. continuation of all currently contracted activities with the Alliance and procuring new services from the market: or

b. termination of the Alliance, and transition to new suppliers which is cost prohibitive, requires investment in new suppliers' knowledge of working within NZDF, increases project and integration risks, and delays Estate outputs.

23. The continuation of currently contracted services with the Alliance has the same cost profile as a renewal over the next three-year term. A renewal eliminates the risk on NZDF of being able to adapt and scale quickly to meet future DCP funding opportunities.

24. A non-renewal requiring all construction professional services to be procured at market would place significant additional load on DEI and DCS. It would slow NZDF's ability to take advantage of DCP funding opportunities.

25. Overall, non-renewal has more cost, requires more internal resources, and will likely slow delivery. The risks of a renewal are less as the significant investment in time and knowledge made over the last five years with the Alliance partners, allows NZDF more ability to scale quickly to take advantage of future funding for Defence Outputs.

Effecting the renewal

26. The PAA can be renewed by notifying the Alliance Partners of NZDF's intent to renew the agreement for another three years. CDF signed the original agreement on NZDF's behalf. It is recommended that CDF is invited to delegate the authority to notify Alliance Partners to Head of Defence Estate and Infrastructure.

[4] Assuming DEI continues to receive $120M of depreciation capital per annum.

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Conclusions

27. NZDF has made significant investment in the Alliance to build expertise in NZDF employees and Partner's knowledge of working with NZDF. While no model for procurement delivery model is perfect, NZDF has continued to mature to get the best from this Alliance and will continue to do so.

28. There are significant costs and risks associated with ending the Alliance before the term of the Agreement, managing projects in development or construction, and transitional arrangements.

29. On balance, the Alliance is considered as still fit for purpose and represents an acceptable balance of quality, cost, performance and risk, and this report concludes that NZDF should exercise the right of renewal and continue to deliver the estimated $1.45B of capital projects reliant on services already contracted to the Alliance.

30. The Estate Investment Committee have provided guidance on the renewal decision and have endorsed [the decision to renew /the recommendations in this minute].

Recommendations

31. It is recommended that SPAB:

a. **approve** the renewal of the Alliance in accordance with the PAA;

b. **invite** CDF to authorise Head of Defence Estate and Infrastructure to give notice of the decision to extend the Alliance for the first three-year renewal term; and

c. **direct** the Estate Investment Committee to monitor the implementation of:

(1) recommended refinements; and

(2) planning for the transition from the Alliance before the second renewal decision.

s. 9(2)(k)

H M STALEY
Ms
GMEP

s. 9(2)(a)

Enclosure

1. Defence Estate and Infrastructure Professional Services Alliance; Renewal Review of Portfolio Alliance Agreement

Distribution:

Estate Investment Committee

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New Zealand
DEFENCE
FORCE
Te Ope Kātua O Aotearoa

DEFENCE ESTATE AND INFRASTRUCTURE PROFESSIONAL SERVICES ALLIANCE

RENEWAL REVIEW OF PORTFOLIO ALLIANCE AGREEMENT

Defence Estate and Infrastructure and Defence Commercial Services

May 2025

A FORCE FOR NEW ZEALAND

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EXECUTIVE SUMMARY

Purpose

1. The purpose of the paper is to inform the Special Procurement Advisory Board (SPAB) of the recommendation to renew the New Zealand Defence Force Estate and Infrastructure Alliance (the Alliance) for a further term of three years, as provided in the Portfolio Alliance Agreement (PAA). It includes:

    a) the rationale and objectives for the Alliance;

    b) the key elements of the PAA;

    c) an assessment of the Alliance so far and the lessons learnt;

    d) an assessment of future needs;

    e) conclusions and recommendations.

Key renewal decision logic

2. The logic for exercising the right of renewal in this report (as advised by CCO) is based on the premise that the PAA should be renewed unless:

    a) The arrangement has not worked as intended and it is not possible to change it;

    b) NZDF's requirements have changed that the arrangement is no longer required.

Main findings

3. The primary driver for the Alliance was the need to have a flexible, scalable, professional services arrangement to enable DEI to build the capacity and capability to deliver the scale of Estate regeneration described in the Defence Estate Regeneration Plan (DERP) Portfolio Business Case. The funding for this regeneration has not materialised as expected but is signalled for Year four and beyond in the Defence Capability Plan. DEI has developed some internal capability, but recent personnel cost reductions have removed the ability to increase DEI capacity to meet regeneration requirements.

4. The initial selection of an Alliance as the preferred method of working with professional services suppliers described the various risks and benefits of these arrangements. It is true that no model is perfect, and rather whether the balance of benefits and risks is appropriate for NZDF and its Alliance partners.

5. The Alliance has delivered the expected benefits and some of the identified risks have arisen;

    a) Performance in terms of time, quality and cost have been agreed with partners to fully exercise the compensation model, and assurance measures have indicated the Alliance has delivered public value on a rate per hour basis and is largely within industry norms.

    b) The Alliance has demonstrated that it can scale up or down, and over the first five years of the agreement. There have been significant reductions in management overheads associated with the cost of operating the alliance in its first four years of operation.

    c) Some of the risks identified with the Alliance model have been experienced may have unnecessarily transferred design or construction risk in projects to NZDF, including NZDF feeling that the Alliance partners are looking to create a relationship of dependency, reverting to consultant behaviours, some of the recommendations made on delivery models, and supplier selection methods and contracts preferred by the Alliance partners.

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Refinements desired

6. This review has identified some lessons and actions to further mitigate these risks by strengthening decision making around work requested from the Alliance such as:

   a) Better pipeline management and financial control around adding new projects or additional scope into Alliance work packages,

   b) Wider diversified procurement options for construction projects, such as design and build, and low complexity work via the facilities management partners;

   c) Greater integration of Defence Commercial Services in infrastructure procurement decision making.

7. These measures are expected to ensure more commercial tension, ensure NZDF chooses the best delivery model for its requirements, increase the use of market testing to demonstrate value for money, and can be implemented without requiring any amendment of the PAA.

There is sufficient need to continue with the Alliance

8. NZDF has investigated whether the original procurement needs continue to exist, and whether it would be appropriate for future professional services for the Defence Estate, and considered:

   a) Completion of currently-contracted Alliance services related to construction work in progress (for DEI, Ministry of Defence (MoD) and Capability Branch);

   b) Future requirements for Capability-related infrastructure in the Defence Capability Plan;

   c) Future requirements for Estate Renewal in the Defence Capability Plan

9. There is currently ~$1.45 Billion of capital projects at various stages of design through construction which are currently contracted to the Alliance for support through delivery representing 6+ years of construction projects, including $255M of Ministry of Defence (MoD) and $24M of Capability Branch (CapBr) of capital projects in the above pipeline – see Annex A. These are ~$70M+ of Alliance services to complete the current pipeline over coming years.

10. The above value of capital projects exclude Accommodation Messing and Dining Modernisation (AMDM) and Future Navy Base (FNB) as these do not have funding confirmed yet. The use of the Alliance allows DEI to coordinate the Defence Estate to ensure effective buildability, and standardisation, by acting as the integrator for all Defence estate and infrastructure needs, while providing critical scale for future infrastructure.

Conclusions

11. NZDF has made significant investment in the Alliance to build expertise in NZDF employees and partners. While no model for commercial delivery of construction projects is perfect, NZDF has continued to mature to get the best from this alliance arrangement and will continue to do so.

12. There are significant costs and risks associated with ending the Alliance before the term of the PAA, managing project in development or construction, and transitional arrangements.

13. On balance, the Alliance is considered as still fit for purpose and represents an acceptable balance of quality, cost, performance and risk, and this report concludes that NZDF should exercise the right of renewal, and continue to deliver the estimated $1.45B of capital projects reliant on services already contracted to the Alliance.

Recommendation

14. This Report recommends the renewal of the Alliance in accordance with the PAA.

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BACKGROUND TO THE ALLIANCE

Purpose

15. The purpose of this section is to provide a brief background to the need for the Alliance, why an alliance was the preferred contractual model, the attributes being sought, and the risks inherent in an alliance approach that would need to be mitigated.

Regeneration of the Defence Estate

16. The New Zealand Government recognised the decades of under investment in the Defence Estate and approved a multibillion investment programme in 2016 to regenerate the Estate. The Cabinet-approved New Zealand Defence Estate Regeneration Plan (DERP), initiated in 2016, aims to regenerate the underfunded Defence Estate (the Estate) through a multibillion-dollar investment. The DERP outlines the capital investment and operating maintenance expenditure required to deliver a fit for purpose Estate into the future, and a comprehensive strategy for upgrading and maintaining NZDF facilities and infrastructure. The plan focuses on modernising and enhancing the Estate to support NZDF's operational capabilities and agreed Defence Outputs to ensure the Estate meets future needs for NZDF and New Zealand.

NZDF Requirements for Construction Professional Services as procurement rationale

17. The Alliance was proposed following the approval of the Defence Estate Regeneration Plan (DERP) by Cabinet in 2016. An alliance model was preferred (from a list of possible commercial models) for its ability to manage the scale and complexity of the significant project works agreed, to provide the agility, capability and capacity needed to deliver the Estate Regeneration effectively and efficiently over a longer period. The DERP 2019 Plan provided the refreshed framework for regeneration projects, management and use of the Estate out to 2035, and concluded the procurement of alliance that works with industry would be the preferred delivery approach.

18. The 2019 Plan stated:

"Key project drivers for the adoption of a Strategic Partnership (Alliance) model were:

- *The scale and complexity of the Estate and the functions required to manage and regenerate it;*
- *Efficient delivery of Estate Regeneration;*
- *Recognition that the current Estate Operating Model needs agility to deliver Estate solutions effectively; and*
- *Building the capability and capacity required to deliver Estate functions."*

Key Alliance procurement criteria

Overview

19. In 2019, NZDF used the following procurement criteria to describe the benefits sought from procuring an alliance. The benefits of an alliance model for NZDF are:

a. The speed of procurement of work as the Alliance operates similar to a secondary procurement model;

b. The original procurement criteria used by NZDF describe the attributes sought and will also be used for confirming that the Alliance remains fit for purpose;

c. The knowledge and experience of working collaboratively with NZDF over time.

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Skills

20. The key requirement of the Alliance was to have ongoing access to engineering, design, cost estimation, business case writing and other skills that NZDF are not able to recruit and retain. This is the same position as pre-Alliance where NZDF purchased the required skills at market on a project-by-project basis. A long-term basis was expected to provide continuity of service and knowledge over time further enhancing efficiencies.

Scalability

21. The Alliance allows a longer-term commitment in exchange for these skills being available when required by the business, as well as the capacity to meet the requirements for work envisioned within the DERP as approved by Cabinet.

22. The scalability of an Alliance structure to meet new programmes or projects quickly when funding is a key benefit. This has helped NZDF scale back in the last few years, as well as adapt and gear-up to meet new CapBr and MoD construction related projects. The Alliance has become the key construction professional services provider for the Defence Estate allowing a faster scaling of activities to support all of Defence, including new works arising out of the Defence Capability Plan (DCP) currently before Cabinet.

Location and Agility

23. One of the supporting requirements was to recognise the Defence Estate is located in multiple locations across New Zealand, and seeking partners with similar nationwide coverage abilities to minimise travel costs and local knowledge was developed for regional New Zealand.

Resources

24. Another supporting aspect was to find Alliance partners with sufficient scale and quality that a loss of a key personnel was able to be covered through resource depth from within the Alliance partners themselves or between Alliance partners.

Public Value

25. It is important to note that the Alliance was not procured on a 'value-for-money' basis, or a comparison of rates and similar. The above criteria were agreed as more important.

Alliance risks

26. As part of the procurement planning, NZDF was well aware of the key commercial risks that needed to be managed within the operation of an alliance commercial structure. The risks would be managed within a risk and control framework that would emerge over time, using a mix of control measures including management decision-making, governance oversight, and independent external assurance. The key risks of an alliance structure include:

    a) Maintaining commerciality over the term of the PAA;

    b) Balancing the asymmetry of knowledge with Alliance partners by using independent assurance to protect all Alliance parties' interests;

    c) Developing design standards to enable lower cost repeatability and reduce risks;

    d) Maintaining access to NZDF information developed while maintaining security;

Summary

27. The need to regenerate the Defence Estate drove the decision to procure an alliance arrangement to access the skills and scale required to undertake the Defence Estate Regeneration and other infrastructure works efficiently. NZDF recognised no commercial construct is perfect or infallible, but NZDF was able to reasonably mitigate the associated risks an alliance model.

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THE PORTFOLIO ALLIANCE AGREEMENT

Purpose

28. The purpose of this section is to outline the key provisions of the PAA as a commercial construct, to better understand how this approach fulfils NZDF's needs and can be used for professional services in a changing environment.

Nature of the agreement

Scope of Alliance Services is wide to provide certainty of supply

29. The scope of the Alliance services in the PAA are related to estate-related services including construction projects, and cover a wide range of professional or consultancy services required for planning, designing, business case writing, other specialist services required from planning through construction. Although the Alliance has a wide range of possible services available through the partner firms of Beca, EY and GHD, services are limited to those requested and agreed by NZDF in each Alliance Work Package (AWP).

30. The PAA excludes construction, facilities maintenance and personnel management of each organisation's people.

Principles of working together

31. The key principles of the PAA (and all alliance agreements) include:

    a) Commitment to act in good faith;

    b) Resolution of disagreements without arbitration or litigation;

    c) Waiver of rights against each other, except for default.

32. These key principles establish the contractual framework for a collaborative working environment with a "no sue, no blame" culture focussed on the delivery of outcomes.

The work is described and contained in Alliance Work Packages

33. The PAA is a framework agreement, and the services on projects and works are described in the AWPs.

Time-bound AWPs

34. Time-bound work is used for consultancy services that will be incurred as OPEX in a financial year. The work is scoped and estimated, reviewed, and agreed is required to be delivered within the financial year the OPEX has been committed. The work in time-bound AWPs is generally analogous to other consultancy services undertaken by NZDF. Time-bound work is not common in other construction alliances.

Scope-bound AWPs

35. Scope-bound work is used for construction consultancy services such as engineering design for a package of projects. The packaging effect allows the natural overs and unders to be better managed with regards to resources and costs. Similarly, the work is scoped and estimated, reviewed, and agreed is required to be delivered but the effort and speed of delivery are limited by the scope and the CAPEX available rather than time or a financial year.

There is no volume commitment

36. It is important to note there is no volume commitment for the services under the PAA. This is a significant benefit of the Alliance arrangement in financially uncertain times.

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Assurance

37. The alliance construct is supported by key external and independent cost assurance providers.

Independent Estimators provide cost certainty for NZDF before work commences

38. Independent estimators (IEs) have been procured by NZDF in accordance with the PAA to provide external construction professional services cost estimate reconciliation with the Alliance partners based on best industry practice and ensure NZDF are paying a fair market price for a project or package of projects.

External Alliance Auditors provide cost certainty for all Alliance parties on costs incurred

39. The External Alliance Auditor (EAA), procured by NZDF in accordance with the PAA, provides an important role checking costs claimed and paid by NZDF are consistent with the PAA. The contracted EAA is an experienced auditor of alliances across New Zealand.

The compensation model is based on costs incurred

General commercial construct uses a 'three-limb' model

40. The basic commercial construct of an alliance is an open book cost model, using a 'three-limb' model, including:

a) Actual salary costs of individual staff providing services, as the base;

b) Normal on-costs (direct and indirect costs) as determined by the EAA reviewing each partners' accounts (L1) – this gives a breakeven position;

c) Corporate overheads and profit as determined by the EAA reviewing each partner' accounts (L2) – this gives a normal profit position

d) Bonus (L3) as determined by Alliance Services Board (ASB) – although this has been discussed, it has not been used as a commercial mechanism;

e) Costs are paid monthly in arrears as claimed, based on hours of effort incurred;

PAA excludes the cost of NZDF effort

41. Unlike most other alliances constructs, the effort of NZDF as a party to the PAA is not included or calculated in the fee estimates, so the costs incurred are external partner effort and reimbursables.

Risks are shared commercially through pain / gain mechanisms

42. An alliance construct has another common key commercial mechanism in scope-bound AWPs where collaborative behaviours result in better than expected cost performance. This risk and reward mechanism is referred to as "pain and gain". The shared reward and risk inherent in this approach mitigates downside risk for all parties by providing a commercial incentive to collaborate and deliver scope-bound AWPs sooner and cheaper.

43. If the scope-bound AWP is completed for less than the estimated and agreed amount, all Alliance parties share in the savings (gain). Conversely, if the scope-bound AWP is completed but costs more, all Alliance parties share in the losses (pain). Paragraphs 60 and 62 show the current pain / gain position.

Summary

44. The PAA is a simple, scalable, flexible commercial framework agreement, with the ability to bundle work into AWPs of similar services as funding is available and utilise scale to reduce costs that to deliver capital project outcomes for the Defence Estate. The PAA importantly provides for key independent assurance roles to protect all parties.

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ASSESSMENT OF THE ALLIANCE

Purpose

45. This section covers a mix of quantitative and qualitative assessments of the performance of the Alliance to consider the fitness-for-purpose of the Alliance partners and their performance for a renewal of the PAA.

The completed construction projects

46. The Alliance has started and completed 12 projects (9 DERP and 3 OIP) totalling $127M capital value, including (amongst others in Annex A):

    a) New Defence College and X-Lines buildings plus Project Playtime supporting Consolidation Logistics Programme at Burnham;

    b) Hardstand extension and upgrades at Whenuapai;

    c) Hardstand extensions and apron, new military working dogs facilities, and core water infrastructure upgrades at Ohakea.

The current general consultancy services

47. The Alliance has started been assisting DEI with general business consulting across many fields associated with owning, managing, developing and operating the Defence Estate, as per Annex D. These services add to the other Alliance services and have seen NZDF lift its business maturity, quality of planning and business cases, systems development, and design standards since the inception of the Alliance.

48. One of the key measures was in relation to Asset Management, and against the ISO 55001 standard. This has seen NZDF grow from an initial score of 1.21 to 2.28 (out of 5) over the last four years which is less than desired but reflects the budget able to be expended on NZDF training and skills development.

The current construction projects pipeline

49. The Alliance has started and working on 53 projects totalling $1.45B capital value, in the following categories:

    a) Design - 8 projects totalling $ 292,593,000;

    b) Design on Hold – 7 projects totalling $ 152,519,000;

    c) Design Complete – 15 projects totalling $ 438,663,000;

    d) Seeking Approval in Principle (AIP) – 4 projects totalling $ 54,196,000;

    e) In procurement – 7 projects totalling $ 151,583,000;

    f) In construction – 14 projects totalling $ 363,361,000;

Industry Benchmarks Assessment

50. One of the key analyses of the performance of the Alliance is in comparison to accepted industry benchmark for construction projects. DCS have worked with the Independent Estimators to assess the Alliance performance against industry benchmarks.

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Design cost confidence

51. *Design as a percentage of project costs* is the most common industry benchmark and is commonly between 10-12%. An independent review of the Alliance data has been undertaken and the indicative measure on Alliance completed projects is slightly higher than expected at 13.5%. This has not yet been able to be validated with the Alliance, and likely contains some painshare portion that will reduce on AWP closure as well as Defence and security-specific elements not otherwise borne in general construction. NZDF will continue to define this measure to support a push for design cost improvement.

Construction cost confidence

52. *Difference of construction cost between last estimate and contracted value* is another industry benchmark and is commonly within the range of -10% to +15%, consistent with the agreed Cost Estimation Manual (CEM) used by NZDF and the Alliance. Based on the Alliance completed projects, the Alliance is on average achieving this at -1%, but has noticed some variability between projects which requires further investigation.

53. The Alliance has also measured *the difference between the tendered price and completed price* being currently at +11%, thereby allowing future project contingencies to be reduced going forward. This allows scarce capital depreciation funding to be reallocated to other projects.

Summary

54. Industry benchmarks are a good sense check as the Alliance proceeds, and allow a strong anchor point to test performance. As further projects are completed, the performance against industry benchmarks is expected to improve based on Alliance understanding of the NZDF environment and increasing Alliance efficiencies.

Average Rate per Hour

55. Average rate per hour is about the average cost of the outputs achieved by the Alliance based on the mix of resources deployed. It has been calculated to include all costs, excluding management or overhead hours, thereby inflating the average rate per hour accordingly.

56. The average rate per hour has also been factored to include those costs agreed with the Alliance partners and borne directly by NZDF, including all insurances, external audit fees, and independent estimators used for cost assurance purposes. This gives a view of the average hourly rate per effective hour, and thereby creates the best comparable rate to market.

57. Market rate per hour comparisons to actual Alliance rates incurred overall are:

Area / Year	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	Average*[1]
Alliance	s. 9(2)(j)					
Market						
Difference[2]	+10%	-15%	-11%	-11%	-10%	-11%

58. The Alliance has done an analysis on the above rates against All of Government (AoG) rates, and similarly concluded the Alliance cost was ~10% under market for the same resources used in FY24/25. Both approaches reflect the leverage (mix of resources) used to deliver outcomes.

[1] Denotes weighted average of market rates based on Alliance weighting
[2] Denotes Alliance compared to Market where a negative percentage is where the Alliance is below market

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59. NZDF have been actively managing scope and resources successfully and have achieved rates per hour for the Alliance services better than open market and below AoG equivalent rates.

Pain / Gain

60. The current Alliance financial position[3] on scope-bound AWPs and shared risk and reward is:

AWP	Service	Programme	Estimate	Actual	Pain / Gain
2B	Design	DERP	$30.5M	$32.3M	-$1.8M
2C	Design	OIP	$18.2M	$18.3M	-$0.1M
2D	Construction	DERP	$4.2M	$4.8M	-$0.6M
3B	Design	DERP	$15.4M	$13.7M	+$1.7M
3C	Construction	OIP	$6.2M	$8.2M	-$2.0M
3D	Construction	DERP	$30.7M	$30.6M	+$0.1M
5B	Design	DERP	$2.0M	$2.1M	-$0.1M

61. The current net position is -$2.8M, which NZDF bearing half of those costs. The average rate per hour already has the actual cost incurred so far included in the above, so the -$1.4M (from the Alliance partners) will improve the final average rate per hour slightly.

62. The net pain/gain is ~1% of the service fees reflecting the accuracy of the estimates and the management of risk through delivery of the Alliance services.

Overhead costs of operating the Alliance

63. General advice from the IEs is that the general operating costs of an alliance tend to be at or under 10% of cost as an industry benchmark. The Alliance incurs these overhead costs in different areas and amounts to an average of ~$1.7M per annum (including NZDF costs).

64. The Alliance has changed over time and in the last few years, NZDF has heavily focussed on the overhead effort and costs to ensure NZDF is efficient as possible. The 10% benchmark above also include programme management functions which NZDF accounts for differently, but if they were considered, the Alliance would be approximately:

    a) Programme management functions ~5%;

    b) Alliance management and operations ~ 1%; and

    c) Assurance and insurance (paid directly by NZDF) ~2%.

65. The overall overhead efficiency sits at ~8%, or ~2% below the 10% benchmark.

66. The Assurance budget sits within the DEI OPEX budget. The current budget is less than $1M per annum. The Programme management and Alliance management and operations are apportioned into CAPEX projects each year to ensure the best asset value is created and supports future depreciation funding.

[3] 2B, 2C and 2D are notionally complete, while 3B, 3C, 3D and 5B are still active and ongoing

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Cost of Alliance services

67. There is a common perception that the Alliance is expensive due to the use of tier one professional service consultancy firms. The original 2019 procurement process highlighted the scale and complexity of the proposed regeneration works, and smaller tier two and three bidders lacked scale and did not meet enough of the desired criteria to progress through the procurement process. The preferred and selected bidder did more fully meet NZDF's criteria.

68. The analyses above on average rate per hour, and comparison of rates to AoG and market disagree that the Alliance is too expensive.

Comparison of salaries

69. The monthly invoices received from the Alliance contain details about the hours of effort expended by individual for a fee, based on the individual's hourly rate. While the average hourly rates include all direct and indirect costs factored in as well as a normal profit level, these Alliance partner charge-out rates are invariably always higher than NZDF employee's salaries creating a common but erroneous comparison.

Comparison against Facilities Management costs

70. Another comparison that supports the common perception relates to comparing the Alliance partner average hourly rates with the facilities management (FM) rates NZDF use. The professional services charge-out rates are massively different to those from NZDF's FM providers, which reflects the different services, skills, risks, and business model profitability.

Alternative thinking about professional services delivery channels

71. Some cost comparisons may be erroneous, but they do point to an opportunity to consider using different professional services approaches to change the costs and risks. NZDF use of tier two or three firms in appropriate circumstances may reduce costs without increasing risk or reducing chances of success. Using these options for a more 'best for project' approach needs to be weighed against the Alliance partner expectations under the PAA through careful communication and management with Alliance partners.

Key Result Areas

72. The qualitative performance of the Alliance when measured across the agreed key result areas (KRAs) has been in the business as usual (BAU) range in the last year (July 2023 to June 2024):

	AWP4							
	Q1 KRA		Q2 KRA		Q3 KRA		Q4 KRA	
KRA	Score	Weight	Score	Weight	Score	Weight	Score	Weight
Sustainability	0.00%	0%	0.00%	0%	16.25%	25%	16%	25%
People and Capability	10.75%	25%	15%	25%	11.75%	25%	10%	25%
Accelerated Renewal	19.75%	25%	20%	25%	19.75%	25%	13.75%	25%
Fitness for Purpose	12.50%	25%	12.50%	25%	12.50%	25%	15%	25%
Total	**43.00%**	**75%**	**47.50%**	**75%**	**60.25%**	**100%**	**54.75%**	**100%**
OPS	**57.33%*[4]**		**63.33%*[1]**		**60.25%**		**54.75%**	

[4] * Above scores factored by agreement of the Alliance Services Board (ASB) at a meeting on 17 February 2023.

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73. While the impact of scaling down based on funding available has had some impact on the planned performance of the Alliance achieving break-through performance (Overall Performance Score (OPS) greater than 75%), this target remains a driver for the Alliance.

Reassessment of procurement criteria

Approach

74. The approach to assessing the performance of the Alliance to date is to use the same criteria as chosen for the procurement of the Alliance, per paragraphs 20 to 24.

Skills

75. The Alliance have been able to provide most of the skills required by NZDF since its inception showing the benefit of the alliance approach as well as the Alliance partners selected. NZDF were comfortable that most skills may be available by the Alliance and had no expectation that all skills NZDF may require would be available from the Alliance partners. A couple of examples where the Alliance partners have not had the skills sought were specialist roles for a programme manager and a senior communications adviser, which are less common in engineering and professional services firms. All other roles have been able to be sourced and filled by the Alliance partners.

76. The skills of the people has generally been high with few exceptions which have been well managed by the Alliance partners as part of ensuring efficient delivery of outputs.

Scalability

77. The Alliance has proved its worth in scaling up to meet the suppressed demand for services from NZDF certainly over the first few years highlighting the benefit of the alliance model as well. In the last couple of years as funding has been reduced across NZDF for a number of reasons, the Alliance partners have worked collaboratively to reshape the services, their resources and reduce Alliance costs with DEI. These medium term challenges have been able to be managed within the Alliance commercial construct without any party being unequally affected, and have shown the true value of a long term committed partnering arrangement.

78. The cost challenge has also seen innovative solutions included into the ways the parties work together, which services are important, and the outcomes required notwithstanding. The cost challenges have been addressed with honesty and through collaboration, workable solutions have been found for all Alliance parties.

79. The original SPAB approval of the negotiated Alliance structure on 29 October 2020 estimated the annual spend required to be efficient for NZDF to use an alliance model economically was where annual services spend exceeded $60M per annum. The Alliance has worked collaboratively as intended and the Alliance has scaled down to ~$50M per annum and still successfully delivering services for value.

Location and Agility

80. The ability of the Alliance partners to provide the right skilled resources at the right time in the right place has been well received by NZDF, thereby supporting the Alliance approach and partner selection with few exceptions.

81. Like NZDF, resourcing to locations like Waiouru is not always easy but solutions have been found, with accommodation by all Alliance parties.

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Integrated Resources

82. DEI had planned as part of its maturity journey to transition some Alliance supplied resources into DEI roles in the last year but due to cost and headcount constraints this opportunity has not been executed yet. DEI continues to see value in this for its development and resilience, and will keep this opportunity for future consideration.

Shared risk

83. One of the key benefits is the share risk model inherent in an alliance commercial structure. This is particularly applicable with respect to capital works on construction projects, where a package price is agreed for services on a set of projects. If together, the Alliance incurs less cost to achieve the agreed outcome of the services, then all Alliance parties share the gain (50 NZDF:50 Alliance partners), and similarly share the pain if the package price is exceeded.

84. An example of the Alliance behaviours coming to the fore has been as NZDF has faced increased cost pressures, that the Alliance partners have scaled back activities to match available NZDF budget. This financial year the Alliance partners paid for the scoping of the new annual work packages themselves and have worked collaboratively completely reshape the management services to lower the Alliance overheads to ~$1.7M per annum.

85. This commercial incentive to reduce costs (NZDF) and maximise profit (Alliance partners) leads to aligned behaviours, even though the outcome is different for each.

Summary

86. The quantitative assessment of the Alliance confirm the Alliance is performing within industry norms with respect to key benchmarks including overhead costs.

87. The quantitative assessment of average hourly rates claimed show average rates per hour for the Alliance services better than open market and below AoG equivalent rates.

88. The qualitative assessment of the Alliance performance against key result areas and key performance measures show that the Alliance is meeting expectations based on the current measures and continuing to aim for breakthrough performance.

89. The qualitative assessment of the Alliance performance against the procurement criteria confirms the benefits sought from the Alliance have been well delivered. The conversations where NZDF has had to scale down Alliance operations due to funding constraints have been well managed and joint solutions have been developed. The Alliance partners continue to demonstrate collaborative working behaviours providing solutions to shared challenges.

90. There are possible alternatives to an alliance model that can change the costs, risks, complexities and chance of success. These need to be considered and selected carefully on a case-by-case basis.

91. Overall, the Alliance has well met NZDF expectations.

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LESSONS LEARNT AND REFINEMENTS

Introduction

93. The purpose of this section is to describe the key lessons learnt working with the Alliance, and the refinements NZDF has identified for better performance. The following refinements are related to NZDF changes with consequential Alliance impacts (rather than changing the Alliance itself):

    a) Better pipeline management and financial control around adding new projects into Alliance work packages,

    b) Wider diversified procurement options for construction projects, such as design and build and low complexity work via the facilities management partners;

    c) Greater and earlier integration of Defence Commercial Services in construction procurement decision making processes.

Better pipeline management

Lessons

94. Through the initial term of the PAA, NZDF has requested many services from the Alliance partners to support the delivery of Defence outputs. The projected funding for DERP in particular has not occurred leaving a current store of 'shovel ready' projects with completed designs to be worked through as funding becomes available.

Impact

95. The issue this causes is that designs are not as fit-for-purpose after a couple of years, or consents must be reapplied for, and when funding does arrive some rework is required. The additional costs are not always an appropriate spend of scarce capital funding. NZDF use the project cost estimate produced by the quantity surveyor (QS) which means it can create 'funding gaps' at project level required intervention and additional funding.

Opportunities

96. DEI to take review new construction projects entering the Alliance design pipeline to ensure a better balance of 'shovel ready' and 'just in time' approaches to Alliance services is undertaken. This may minimise 'shovel ready' projects in the short term and lower the regrettable spend on rework. The desire to have designs completed and approved detailed business cases as 'shovel ready' pending funding needs to be balanced against the rework costs of completed designs. There is a balancing act of costs, risk and time being undertaken between the needs of NZDF and the reasonable allocation of scarce capital funding proposed by the DEI programme manager and endorsed by the programme boards.

97. Construction projects requiring approval by Minister or Cabinet are likely better to adopt a two stage 'shovel ready' process whereby approval in principle is obtained through a detailed business case (DBC), subject to funding by capital injection based on budget bids being successful. After funding is available, the procurement can commence such that an implementation business case (IBC) can be submitted for approval to enable the construction contract to be entered.

98. Smaller construction projects able to be considered and approved within NZDF can use a single stage 'just in time' approach. The blending of these approaches will need to be managed as part of the portfolio risks and seek to balance the spend across programmes consistent with the Defence outputs impacted across programmes.

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99. The impact of future funding through capital injection or increased depreciation funding arising from Defence Capability Plan (DCP) decisions will require this to be a strong financial and risk management function within DEI to balance the variety of needs across the Estate portfolio.

Diversified construction project commercial models and channels

Lessons

100. The standard NZDF delivery model for construction projects uses a design, bid, build (DBB) approach in line with the Capital Projects Delivery Framework (CPDF) used in DEI. This approach is well-known and uses the Alliance to support all stages of the work. However, this approach misses the opportunity for the use of other delivery models like design and build (D&B), early contractor involvement (ECI) and other approaches which balance the Alliance services and risk differently to the standard approach as well attracting other suppliers from the construction market.

101. DEI has a wide range of projects the Alliance provides assistance on from Planned Maintenance Programme (PMP) projects refurbishing existing buildings, building new facilities, replacing water and wastewater networks across a Base or Camp, through to large scale projects such as Accommodation Messing and Dining Modernisation (AMDM) projects.

102. DEI recognises that the standard delivery model is fine for many projects, but is aware that considering other delivery models, selection methods, or contract forms is also part of managing scarce capital funding in NZDF, delivering Public Value, innovation and appropriate allocation of risks.

Impact

103. As DEI matures its ability to manage different delivery models (and DCS and DEI becomes experienced at procuring those models), then NZDF could choose to engage the market differently and drive better cost and risk outcomes on Estate projects.

104. NZDF also recognises that the nature of a long-term alliance can cause some comfort and familiarity leading to complacency and overtime, loss of quality and cost benefits to the principal (NZDF).

Opportunities

105. To address this concern, some balance of delivery models, selection methods and contract forms is desirable for NZDF to maintain some commercial tensions both with planners and designers (including the Alliance) as well as construction contractors.

106. As an example, CLP investigated a D&B approach on the recent Regional Services Facility at Burnham, and a comparison of the DBB and D&B approach indicates savings by adopting a D&B approach for this project. The D&B approach appears to better suit low complexity construction projects where a previous complex design has been done such that the user needs are well-known and accepted.

107. DEI has established the Alliance as its preferred partners for it standard DBB approach and observed how good the Alliance partners are for construction projects between $5M and $100M, and makes the following additional observations:

a) Low value / complexity / risk construction projects are not necessarily requiring Tier One consultant advice, and often regional advisors are able to provide more relevant local information at a regional cost;

b) Low value / complexity / risk construction projects may be better managed by NZDF's Facilities Management (FM) providers subject to providers' capacity and competency;

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c) Low complexity / risk construction projects may be placed in the open market for design and construct opportunities – this approach is also worth considering for subsequent builds of already completed construction projects to avoid rework as has been noted by the Consolidated Logistics Programme (CLP) for subsequent facilities during cost reviews;

d) High value, high risk and complexity projects ($50M+ to align with Cabinet authority) may also be worthy of a more robust supplier selection methods via an open market process to ensure NZDF procures the qualified and experienced advisors to best mitigates the risks and maximise the chances of success;

108. None of the above would be intended to exclude the Alliance partners from participating in any open market tenders, but rather allow DEI to consider more delivery models and supplier selection methods that are more suited to different factors. DEI would need to consider the above, and work with DCS to develop and implement a strategy accordingly, including formalisation as an Alliance management plan.

109. As DEI matures and seeks to make better use of scarce capital funding / public funds, a selection of different delivery models, supplier selection methods and contract forms to procure infrastructure projects will enable NZDF to utilise more commercial tension in the current recessionary market to drive better and lower cost outcomes on Estate projects. This may also reduce the perception of allocation of work to the Alliance 'as a right'.

Greater integration in construction procurement decision making

Lessons

110. The scope of Alliance services includes services each Alliance partner provides in the normal course of their business, including procurement support.

Impact

111. NZDF requires some of these services as they relate to normal procurement support required from a designer, but this has led to misalignment of roles and responsibilities, with DCS especially.

Opportunities

112. The Alliance has undertaken significant work with NZDF to review and record the various roles and responsibilities across multiple groups including the Alliance partners, DCS and DEI. The integrated nature of the infrastructure procurement requires all parties to work together collaboratively and recognise the specialist roles each has including DLS and external legal counsel in delivering a solution.

113. DCS has worked with DEI and the Alliance partners on a comprehensive review of the roles and responsibilities document, as part of the approvals process. The document was also reviewed by PwC with regards to best practice and minimisation of potential and actual conflicts of interest. NZDF proposes to formalise these arrangements an Alliance Management Plan in accordance with the PAA to reinforce clear expectations and drive compliance.

Other observations

114. A number of other lessons have been made informing NZDF going forward, including:

a) Core horizontal infrastructure is a pre-requisite for buildings and having services available, sufficient for future estate growth, and working is important;

b) Construction is expensive, so a focus on function over form and efficient, repeatable designs and careful value-engineering are important elements of cost management;

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c) User expectations can be challenging to manage and have a large impact on project cost, so a stronger emphasis on balancing fitness-for-purpose, only undertaking the work required and value management are critical for best use of public funds;

d) Refurbishment can often be more expensive than replacement - the experiences from projects such as the Arch Hangars at Whenuapai s. 6(a) have shown that while respecting the history of NZDF is important, it comes at a cost;

e) Undertaking independent construction cost assurance should be done on large or complex projects minimises procurement risks;

f) Undertaking regular on-market procurement of design services on projects tests Alliance pricing and provides commercial tension, supported by the development of best practice benchmarking processes to further demonstrate public value.

Cost comparison of renewal versus termination

Renewal

115. The current operating costs of an Alliance are ~10% below market pricing, even with all NZDF overhead costs factored in. The costs of renewal are expected to stay similar to the current operating costs over the next three year term and are estimated at ~$5M over the next three years term.

116. Partner costs continue to be impacted by general market and inflationary pressures as they have been over the initial five year term. These also provide a level of commercial incentive on Alliance partners to perform and deliver earlier.

Termination and transition

117. While the size of the current construction projects pipeline at ~$1.45B of construction projects may include $70M+ of Alliance services yet to be incurred. NZDF should expect to pay an estimated premium of ~$10-15M+ if a decision to not renew is preferred, and termination is initiated. The premium is a negative cost impact on NZDF and includes increased market pricing, project increased risks, increased project insurances, and the significant reduction of scale economies available via the Alliance model.

118. This termination also ignores opportunity cost of the internal loss of time engaging with new suppliers, and the consequential delay in delivery of estate and infrastructure outcomes for NZDF.

119. However, the cost impacts estimated above may only be the tip of the iceberg, as risks will change without the Alliance. NZDF will lose scale, agility, and knowledge already with the Alliance for the majority of the construction projects and other general consultancy work. It is reasonable to expect there will be damage to NZDF's reputation due to early termination while the DERP is still not complete, which is likely to translate into a risk and cost premium to be paid by NZDF.

Summary

120. On balance, a renewal provides a lower cost and risk option than termination.

Implementation and management of Alliance refinements

121. The development of the refinements in this section will be done by DCS and DEI together. The refinements will be communicated to the Alliance partners as part of the PAA renewal decision-making process in June 2025, prior to any notification of renewal before November 2025. These refinements would be best overseen by the Estate Investment Committee.

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122. The development of the refinements which strengthen NZDF management of Alliance related outcomes also has an important additional value in reducing the risk of NZDF becoming more future dependent on the Alliance. The strong management of these Alliance refinements is preparatory first step for a post-Alliance future for NZDF.

123. Leveraging off these refinements, DEI and DCS will start developing a range of approaches to reduce future dependency on the Alliance over the next term of the PAA such that as NZDF approaches the completion of the next three year term (in November 2028) that clearer options for the replacement of the current PAA, with alternative supply arrangements and transition approaches are available for consideration with respect to the risk and cost impacts of their execution.

124. As with the appropriateness of the Alliance model and/or its alternatives, most of the considerations for the next PAA renewal discussion in 2028 will likely come down to:

    a. Recognising the current pipeline likely exceeds the current term of the PAA, so transitional arrangement to close out contracted services beyond the term of the PAA will likely be required;

    b. Recognising the need for NZDF to reduce the commercial dependence on the Alliance before the end of the PAA;

    c. Recognising the use of the Alliance and the identified refinements in combination to test possible future delivery and transition pathways from the Alliance to alternative model(s).

125. A function of reducing future dependency on the Alliance requires resourcing of DEI in key roles to undertake core functions without Alliance partner involvement or support. DEI had sought additional headcount to reduce Alliance costs and dependencies which were approved. These roles have since been foregone as part of the Workforce Savings Programme, which undermines DEI ability to use other than the Alliance going forward and increase our dependence on the Alliance in the next term of the PAA. An inability to resource DEI for these key roles in the future may exacerbate future Alliance dependency.

126. The implementation of these refinements, the development of future construction professional services options, and DEI resourcing for core activities are all key to reducing future Alliance dependency.

Conclusions

127. There are some good lessons NZDF has learnt about working in and with Alliance partners over the initial term of the PAA that DEI and DCS will develop into business refinements to deliver better costs for NZDF as well as stronger assurance and quality for the Alliance, as well as developing future options for reduced dependency on the Alliance.

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FUTURE CONSTRUCTION PROFESSIONAL SERVICES NEEDS

Purpose

128. The purpose of this section is to consider the current and future work on the Defence Estate and therefore the need for the Alliance services.

The current pipeline

Introduction

129. Consistent with paragraph 47 above and Annex A, the current pipeline likely already exceeds the duration of the PAA as currently drafted. The current pipeline of projects may take 8 to 10 years to complete through construction and defects liability periods, based on current expected funding, by which time the current Alliance obligations might finish and Alliance insurance risk is extinguished.

130. The projects in Annex A will be the priority for the first renewal term of the PAA if renewed.

Current construction projects

131. The table in Annex A shows approximately $1.45B of construction projects are in the pipeline currently contracted with the Alliance, including projects from across Defence:

a) Defence Estate Regeneration Plan (DERP);

b) Ohakea Infrastructure Programme (OIP);

c) Housing Programme;

d) Consolidated Logistic Programme (CLP);

e) Capability Branch (CapBr) projects with infrastructure components (PRICIE approach);

f) Ministry of Defence (MoD) projects with infrastructure requirements (PRICIE approach).

Future significant growth of strategic projects

132. The current pipeline does not include significant strategic programmes yet to come across into the delivery construction pipeline which if funded could require significant scaling of Defence Estate and Alliance activities to deliver, including:

a) Future Navy Base (FNB);

b) Accommodation, Messing and Dining Modernisation (AMDM).

Stakeholder's Interest

133. The current pipeline with projects currently contracted to the Alliance include those from DEI, CLP, CapBr and MoD covering all aspects of building and infrastructure required across the Defence Estate in accordance with previous Chief of Defence Force instructions for DEI to act as a single Estate manager and integrator.

Impact of no renewal

134. There are two major impacts of no renewal:

a) termination of the Alliance, and transition new suppliers which is cost prohibitive, increases project and integration risks, and delays Estate outputs; or

b) continuation of all currently contracted activities with the Alliance, and procuring new services at market;

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135. However, the continuation of currently contracted services with the Alliance has the same cost profile as a renewal, over the next three year term. A renewal eliminates the risk on NZDF of being able to adapt and scale quickly to meet future DCP funding opportunities.

136. A non-renewal requiring all construction professional services to be procured at market and would place significant additional load on DEI and DCS, both of which may be facing staff reductions as part of the Workforce Savings Programme. This would effectively slow NZDF's ability to take advantage of DCP funding opportunities due to a lack of internal resources.

137. Overall, non-renewal has more cost, requires more internal resources, and likely takes more time. The risks of a renewal are less as the significant investment in time and knowledge made over the last five years with the Alliance partners, allows NZDF more ability to scale quickly to take advantage of future funding opportunities.

Impact of the Defence Capability Plan

138. The current view of the Alliance pipeline includes:

a) Depreciation funded Estate capital projects that are already in the Alliance pipeline of work;

b) Depreciated funded infrastructure components of new Capability projects set out in the Defence Estate Portfolio Programme;

c) Additional infrastructure projects for Estate, or as part of new capabilities, as set out in the Defence Capability Plan and Defence Estate Portfolio Plan (namely, Future Naval Base, Horizontal Infrastructure, Modernised Army Training Capability, Ohakea Infrastructure Programme, Homes for Families etc) and funded within Vote Defence via capital injection.

139. The release of the Defence Capability Plan (DCP) signals a significant increase in capital investment over the coming decade. The DCP signals support new and upgraded capabilities in the expected projects in paragraph 130c above, as well as the maritime fleet renewal and future maritime helicopter capabilities. The Alliance's ability to scale will become a crucial tool to support Defence for a step-change in estate and infrastructure delivery.

140. The specific impact for investment in the Defence Estate is not available as at May 2025. This will be set out in the Defence Estate Portfolio Plan (DEPP). The DEPP will provide the strategic alignment and prioritisation framework necessary to guide delivery of Estate regeneration and alignment with the DCP over the next 10–15 years. The DEPP now requires an urgent update and Cabinet endorsement to support the alignment of the DEPP to the DCP. Whatever the detail in the DEPP, funding linked to key DCP initiatives is likely to flow in tranches over the medium term, and will require Cabinet decisions on infrastructure and capability procurements.

141. The Alliance will be able to meet the signalled DCP requirements and provide expected economies of scale for a larger pipeline of projects across Defence. The ability of the Alliance to flex to address quickly emerging DCP priorities—and maintain momentum across multiple large-scale infrastructure programmes—will be a critical success factor for NZDF.

Conclusions

142. The current pipeline of projects across the Defence Estate still requires completion. The renewal of the PAA is the low risk and cost-effective solution to continue the Estate Regeneration for NZDF due to the shared knowledge already built with the Alliance over the last five years.

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143. The DCP has signalled increased scale of work and value from the Alliance arising out of the allocation of appropriate projects for delivery. The Alliance is expected to provide continued increase in economies of scale and improvement against key industry benchmarks. A renewal of the DCP in 2027 will also provide key information for the next PAA renewal in 2028.

144. There is sufficient work in progress, and expected in the immediate and near future, across Defence to warrant renewing the PAA. There is no cost disadvantage to a renewal option being exercised. DEI will use the next 3+ years to complete as many regeneration and other projects as funding allows.

145. This PAA renewal option is the best near term option for NZDF as the costs are similar to the next best alternative (working through the current pipeline) but with the clear benefit of being able to quick scale to meet new projects as signalled funding becomes available.

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CONCLUSIONS AND RECOMMENDATIONS

Presumption

147. The presumption is that NZDF will renew the PAA unless there is a good reason not to, per paragraph 2. This report finds the Alliance remains fit for purpose, is able to be changed and refined, and the current and future needs of NZDF mean the Alliance continues to be required.

Key findings and conclusions

NZDF is comfortable with the Alliance commercial construct

148. The need to regenerate the Defence Estate drove the decision to procure an alliance construct as a reasonable approach to balancing the benefits and risks facing NZDF striving to address the significant disrepair and failures across Bases and Camps. The selection criteria focussed on the scale, skills and experience to drive change and undertake the regeneration of the Defence Estate in support of Defence Outputs.

149. NZDF recognised that no commercial construct is perfect or infallible, and in the selection of an alliance construct, NZDF has accepted that the risks were able to be identified and reasonably mitigated within an alliance framework without undermining the commercial agreement between the parties.

NZDF is free of a volume commitment

150. It is important to note there is no volume commitment for the services under the PAA. This gives NZDF the ability to allocate work to the Alliance that best fits their skills and resources, and to manage within changing budgets and funding environments over the term of the PAA.

NZDF enjoys the features of an alliance and the ability to procure services outside of the Alliance if / when required

151. The PAA is a simple, scalable, flexible commercial framework agreement, with the ability to bundle work into AWPs of similar services as funding is available, and utilise scale to reduce costs that to deliver capital project outcomes for the Defence Estate.

152. NZDF proposes the maximise the skills and scale of the Alliance for where the Alliance is the strongest option, and consider other options to ensure NZDF is buying 'fit-for-purpose' professional services with respect to cost and risk of public value spend.

NZDF is comfortable the Alliance is delivering the services sought and is public value

153. The review of average hourly rates claimed by the Alliance have achieved average rates per hour for the Alliance services better than open market and below AoG equivalent rates. Equally, the review of Alliance performance against industry benchmarks gives NZDF confidence that the Alliance is performing within or close to generally accepted norms.

154. From the review of the selection criteria, NZDF has obtained most of the outcomes sought from the Alliance. Although the Alliance was not selected on a cost basis, if the cost performance was also considered alongside the other factors, then the Alliance has well met expectations and delivered value to NZDF.

155. NZDF's analyses of the costs and risks does not support termination and transition of these professional services to alternative suppliers at this time.

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NZDF has learnt lessons, made changes, and has identified further refinements

156. There are some good lessons NZDF has learnt about working in and with Alliance partners over the initial term of the PAA, that DEI and DCS can develop into business refinements to deliver better costs for NZDF and use of public funds, as well as stronger assurance and quality for the Alliance services. These refinements provide a crucial first step to reducing future Alliance dependency by developing alternative options for accessing these construction-related professional services.

NZDF believes there is sufficient current and future work to continue with the Alliance

157. There is sufficient work in progress, and expected in the immediate future, across Defence to warrant renewing the PAA. There is no cost disadvantage to a renewal option being exercised. DEI will use the next 3+ years to complete as many regeneration and other projects as funding allows.

Recommendation

158. This Report recommends the renewal of the Alliance in accordance with the PAA.

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ANNEX A

Currently Alliance contracted projects in the delivery pipeline

159. The table shows the current construction projects to be delivered (as at 1 February 2025):

Row Labels	Count of Projects	Estimate of Capital Value
1 Alliance Design		
1 DERP	**45**	**$ 782,134,000**
2 In Design	2	$ 13,336,000
s. 6(a)	1	s. 9(2)(j)
WAI Training Area Water Abstraction	1	
3 Design On Hold	7	$ 152,519,000
BHM 2/4 NZ Infantry Regiment Unit Facilities	1	s. 9(2)(j)
BHM Facilities Maintenance Compound Relocation	1	
LIN 10 Tpt Coy and MFU Vehicle Parking Relocation	1	
LIN Electrical HV & LV Network	1	
WAI Camp HQ and Training Facility	1	
WAI Coal Boiler Conversion	1	
WBN Coal Boiler Conversion	1	
4 Design complete, On Hold	8	$ 259,686,000
BHM 2/1 New Zealand Infantry Regiment Facility	1	s. 9(2)(j)
BHM Single Living Accommodation	1	
DPT Small Boats Storage and Maintenance	1	
DPT Workshop Gantry Crane	1	
PAP Medical and Dental Centre	1	
PAP Multipurpose Gym & Physiotherapy	1	
WHP Arch Hangar Mid-life Light Refit (Hangar 1)	1	
WHP Medical and Dental Centre	1	
5 Seeking AIP	4	$ 54,196,000
s. 6(a)	1	s. 9(2)(j)
TRN Paint Booth Replacement	1	
TRN TTS Electronic Wing Laser Testing Facility	1	
WHP Arch Hangar Mid-life Intensive Refit (Hangar 2)	1	
6 In Procurement	4	$ 52,083,000
DPT Dry Dock Portal Crane	1	s. 9(2)(j)
DPT Naval Fuel Installation Control System	1	
OHA Hangar Fire System Supply Upgrade	1	
WHP Potable Water Reticulation	1	
7 In Construction	11	$ 171,533,000
BHM Electrical Network Resilience Phase 1	1	s. 9(2)(j)
BHM Health & Rehabilitation Centre	1	
BHM Potable Water Reticulation	1	
BHM Waste Water Network	1	

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Row Labels	Count of Projects	Estimate of Capital Value
BHM WWTP Decommissioning	1	s. 9(2)(j)
Dunedin Regional Facility	1	
KPT Tucker's Hill Road Remediation	1	
LIN Consolidated Parking Common Logistic Precinct	1	
LIN Watercourse & Stormwater / Wash Point	1	
TEK Camp Water Source	1	
WHP Standby Power Replacement	1	
8 Construction complete	9	$ 78,781,000
BHM Defence College Office Relocation	1	s. 9(2)(j)
BHM Lecture Rooms (X-Lines)	1	
BHM Relocation 3 Tpt Coy HQ (Project Playtime)	1	
BHM WMN Potable Water Network	1	
DPT Full WWTP Replacement	1	
DPT SSTS Filtration System Phase 2	1	
TEK Potable Water Reticulation	1	
WHP Phased Hardstanding Replacement	1	
WLG Defence Health Centre Fitout	1	
Capability Branch	**1**	
2 In Design	1	
KPT MEOD Maritime Explosive Ordinance Disposal	1	
CLP	**1**	
7 In Construction	1	
LIN CLP Regional Supply Facility (RSF) Project Taniwha	1	
Homes for Families	**3**	
6 In Procurement	3	
HFF T1 BHM 10+ New Builds T1P2	1	
HFF T1 Pilot 13 New Builds T1P1	1	
HFF T1 Waiouru 50 New Builds T1P1	1	
MoD	**3**	
2 In Design	3	
LIN Mission Command Training Facility (MCTF)	1	
WHP MHRP Maritime Helicopter Replacement	1	
Protected Mobility Capability Project PMCP - Bushmasters	1	
OIP	**11**	
4 Design complete, On Hold	7	
OIP Accommodation	1	
OIP Airfield Remainder	1	
OIP Carparking Phase 2 (SLA)	1	
OIP Logistics Warehouse / Camp Pack-up	1	
OIP Potable Water	1	
OIP Storm Water	1	
OIP Waste Water Phase 2	1	

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Row Labels	Count of Projects	Estimate of Capital Value
7 In Construction	1	s. 9(2)(j)
OIP Fuels Precinct	1	
8 Construction complete	3	
OIP Initial Airfield	1	
OIP Initial Civil	1	
OIP Military Working Dogs	1	
RRP	**1**	
7 In Construction	1	
DPT Dry Dock Capstans Replacement	1	
Sub-total of construction projects in:		
Design	8	$ 292,593,000
Design on Hold	7	$ 152,519,000
Design Complete	15	$ 438,663,000
Seeking Approval in Principle (AIP)	4	$ 54,196,000
In Procurement	7	$ 151,583,000
In Construction	14	$ 363,361,000
Current Pipeline	**53**	**$ 1,452,915,000**
Completed Construction	**12**	**$ 127,161,000**
Alliance Pipeline to Date	**65**	**$ 1,580,076,000**

Currently Alliance completed construction projects

160. The table shows the current construction projects delivered (as at 1 February 2025):

Construction Projects	Count of Projects	Capital Value
BHM Defence College Office Relocation	1	s. 9(2)(j)
BHM Lecture Rooms (X-Lines)	1	
BHM Relocation 3 Tpt Coy HQ (Project Playtime)	1	
BHM WMN Potable Water Network	1	
DPT Full WWTP Replacement	1	
DPT SSTS Filtration System Phase 2	1	
TEK Potable Water Reticulation	1	
WHP Phased Hardstanding Replacement	1	
WLG Defence Health Centre Fitout	1	
OIP Initial Airfield	1	
OIP Initial Civil	1	
OIP Military Working Dogs	1	
Total	**12**	**$ 127,161,000**

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ANNEX B

Alliance Management Plans

161. The Alliance Management Plans include:

a) Alliance Management Plan

b) Governance Plan (including avoidance and resolution of conflicts of interest);

c) Health, Safety and Wellbeing Plan;

d) People and Culture Plan;

e) Office Management Plan;

f) Strategic Procurement Plan;

g) Finance Plan;

h) Project Risk, Controls and Performance Management Plan;

i) Technical Delivery Management Plan;

j) Engagement and Communications Plan;

k) Information Technology Plan;

l) Quality Management Plan;

m) Environmental Management Plan

n) Management Plan on auditor independence; and

o) Construction Management and Administration Plan.

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ANNEX C

Alliance Services

Alliance services

162. The list of services is designed to show Alliance partner offerings and services possible under the PAA, rather than services NZDF must purchase from the Alliance partners.

163. The PAA under Schedule 4.2.3 (inclusions) and 4.3 (exclusions) lists the Alliance services:

a) Portfolio, programme and project management;

b) Investment planning and business case development;

c) Support strategic planning (including policy, economic advice, strategy design)

d) Develop, design and deliver capital and opex projects/programmes from project initiation to asset disposal (including design management; architecture and urban design; geotechnical; civil; mechanical; electrical; fire; structural; three waters; and traffic engineering)

e) Procurement support (Market engagement, strategic procurement, commercial advice)

f) Quantity survey and cost management;

g) Construction contract administration;

h) Regulatory and environmental planning advice and consenting;

i) Sustainability advice and implementation;

j) Support iwi partnership and engagement;

k) Property valuations and assessments;

l) Benefits and value management; and

m) Enterprise and project risk management.

164. The following services are explicitly **excluded** from the Alliance Services:

a) Construction;

b) Facilities management; and

c) Human Resource management (including recruitment and performance management) of DEI resources (including those working in the alliance).

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ANNEX D

Alliance General Consultancy Services

Introduction

165. The list of services is provided by the Alliance in Annex C covers a wide range of possible services, beyond the construction professional services for capital projects. There is an annual general consultancy work package that is mainly OPEX related services assisting DEI plan, develop and grow its capabilities.

Current services

166. The current AWP5A includes services such as:

a) Asset Management - Programme Management support, Technical Advice, Standard Post-Occupancy Evaluations

b) Asset Management - Asset Management and Vertical Assets reviews

c) Asset Management - Utilities Management – Condition Assessment Surveys

d) Asset Management - Three Waters and Civil Engineering Assets support

e) Asset Management - Utilities Management – Utilities Data Platform

f) Environments - Contamination Asbestos Surveys

g) Environments - Environmental Services

h) Asset Information - Interim AMIS information System Self-Service portal

i) Asset Information - Streamlined Data Delivery

j) Programme Management Office (PgMO) support

k) Phase 1 Planning assistance – construction projects pre-planning

l) Rolling Replacement Programme (RRP)

m) Ohakea Managed Fill Monitoring FY25

n) Land, Buildings & Infrastructure Valuation – for NZDF Finance

o) Strategic Programmes - DERP Portfolio Refresh

p) Strategic Planning - Strategy Climate Change Adaptation Pathway Planning

q) Strategic Programmes - Future Naval Base PBC

r) Strategic Planning - Safer Spaces – Strategy

s) Strategic Programmes – Christchurch Air Movements - planning

t) Estate Tenure – NZCIS Trentham Relocation Block A

u) Housing Programme – Business Case and Management support

167. The current services are generally non-construction project related support, planning, standards, and expertise that NZDF would have previously procured at market from a range of suppliers but are additive to the Alliance construction professional services.

[ENDS]

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