



**Office of Hon Damien O'Connor
MP for West Coast-Tasman**

Minister of Corrections
Minister of Tourism

Minister for Rural Affairs
Associate Minister of Health

Stephen Church
Research Officer
Office of the Leader of the Opposition
3.099 Parliament House
WELLINGTON

Dear Mr Church

The Minister of Corrections, Hon Damien O'Connor has reconsidered your request for;

"All communications/media plans received from the Department of Corrections, or developed by your office in relation to [the independent review announced by you on 18 January 2006]".

Enclosed is a copy of the draft media materials developed by the Department of Corrections and provided to this office.

I trust this satisfies your request

Kelley Reeve
Private Secretary
For Minister of Corrections

c.c. Quenten Ford – Office of the Ombudsmen

Materials To Support Announcement Regarding Additional Funding To Complete New Prisons Building Programme

1. Purpose

This is in response to a request from the Minister's office for a set of issues/ responses material, to be considered in the event of a decision by the Government to make a public announcement relating to the Progress report on the Regional Prisons Development Project (RPDP).

2. The Public Case

The public / media issues relating to this matter fall into five broad categories;

- the cost escalation on two facilities. The major component of this relates to market pressures and mitigation requirements which are outside the Department's control and common across the construction sector,
- these pressures are compounded by the particular pressures of providing high security facilities, which require specialist construction materials and methodology,
- the fact that the escalation is only now being signaled when the extreme market conditions have been apparent for some time,
- a likely public suspicion that the facilities are too elaborate, and
- the context of the overall construction programme the Department is pursuing, in both existing and new facilities, and the largely on time and on budget performance.

3. Key Messages

- The capital costs now confirmed with the Government are the final capital costings for facilities necessary to enable safer communities and meet projected prisoner demand.
- Escalations are the result of overall market pressures and pricing increases. These are common across the construction sector, but especially acute in the regions involved.
- In addition, final designs for the facilities have now allowed for final costings to be assessed.
- Construction of high security facilities is inevitably expensive; because of the high component of materials such as steel reinforced concrete and security technologies which are highly engineered. The Department is involved in a major construction programme, spread over a number of

years, to meet the demands of increasing prisoner numbers and improve rehabilitation outcomes.

Of the four new facilities, the Northland Region Corrections Facility was delivered on time and within budget and Auckland Region Women's Corrections Facility is tracking close to budget. Only the more recent Spring Hill and Otago Region Corrections Facility have been caught by the relatively recent market pressures and price increases.

Those messages now flow through the following draft media release, and issues and responses.

4. Key points for a Ministerial media announcement

- The Department of Corrections has confirmed with the Government a final capital cost of just under \$890 million (\$889,857,000) for the four new prisons currently under development.
- As part of continuous review of the project the Department has also confirmed a timetable which will see construction of the Auckland Region Women's Correction Facility completed in mid 2006, and the Otago Corrections Facility and Spring Hill Corrections Facility completed in early and mid 2007 respectively.
- A new facility in Northland was opened last year and is now running at normal capacity.
- The final capital costs for the overall project include final budgets for Spring Hill, where there is an increase, over previous budget projections, of \$97.7 million, to a final budget of \$380.3 million and for Otago, where there is an increase of \$43.1 million to a final budget of \$217.9 million.
- The difference in budget for these two facilities has resulted from three main factors:
 - The extreme pressures of the current boom in construction, which are common across the overall New Zealand construction sector at this time, combined with other external market factors, which are impacting the costs of labour, materials and commodities such as fuel. These pressures are especially marked in the Auckland and Otago regions, where the facilities are located.
 - The final designs, incorporating the impacts of land development, mitigation and other related factors have only recently been confirmed and costed.
 - The final assessment of the impact of regulatory and consent requirements on the Otago and Spring Hill corrections facilities.

- The Department has kept the Government informed on the effects of forecast construction pricing movements since provisional estimates were first made.
- The final construction costs have been reviewed by the Department's quantity surveyors. Consistent with best practice the Department and Treasury are to conduct a further review of the overall scope of the facilities to assess if any further savings can be made.
- Treasury and the State Services Commission will also review the process of establishing final construction completion costs, to incorporate any relevant learnings into future capital works development.
- The new facilities are part of a very substantial construction programme by the Department of Corrections involving extension of existing facilities and new sites. In the last 12 months, over 700 additional prison beds have been provided on time and on budget.
- The construction programme is necessary to meet the demands of rising prisoner numbers, and progress the Department's overall goal of reducing the rate of re-offending in New Zealand and successfully reintegrating offenders back into the community.

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