MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Ministers	Hon Nicola Willis	**Portfolio**	Finance
	Hon Simeon Brown		State Owned Enterprises
	Hon Dr Shane Reti		Science, Innovation and Technology
Title of Cabinet paper	Weather Forecasting System Implementation Recommendations	**Date to be published**	27 June 2025

List of documents that have been proactively released		
Date	**Title**	**Author**
March 2025	Weather Forecasting System Implementation Recommendations	Office of the Minister of Science, Innovation and Technology
April 2025	Cabinet minute: ECO-25-MIN-0025.1	Cabinet Office
March 2025	Weather Forecasting System Implementation Recommendations Regulatory Impact Statement	Ministry of Business, Innovation and Employment
11 December 2025	Briefing REQ-0005324/T2024/3355: Weather Forecasting System – Final Decisions and Implementation Matters	Ministry of Business, Innovation and Employment and the Treasury
30 January 2025	Briefing REQ-0008086: Weather Forecasting Cabinet Paper	Ministry of Business, Innovation and Employment
9 April 2025	Letter to MetService	Hon Simon Brown
9 April 2025	Letter to NIWA	Hon Dr Shane Reti

Information redacted **YES / ~~NO~~** *(please select)*

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of confidential advice to government, protecting privacy of an individual, commercial information, free and frank opinions and legal professional privilege.

The term "officials" used throughout the material refers to MBIE and Treasury. Other agencies are specifically named.

Regulatory Impact Statement: Implementation of Changes to the Weather Forecasting System in New Zealand

Coversheet

Purpose of Document	
Decision sought:	**Final agreement** to the National Institute of Water and Atmospheric Research Limited (NIWA) acquiring the Meteorological Service of New Zealand Limited (MetService) initially as a wholly-owned subsidiary, and MetService being retained as a brand as New Zealand's authorised meteorologist, as recommended by the Weather Forecasting System Review (WFS Review).
Advising agencies:	Ministry for Business, Innovation and Employment (MBIE) and the Treasury (Officials)
Proposing Ministers:	The Minister of Science, Innovation and Technology and the Minister for State Owned Enterprises
Date finalised:	*January 2025*

Problem Definition

The 2024 Weather Forecasting System Review (WFS Review) undertaken by the consulting firm Sapere concluded there is a compelling case for change in the current weather forecasting system and identified that the current system:

1. results in uncertainty during severe weather events due to inconsistent messaging from two Crown-owned weather forecasters, which could create increased risks to public safety, infrastructure and property, and the economy;

2. has a lack of integration between climate science, forecasting, hydrology and coastal hazards and therefore does not provide integrated weather forecasting advice;

3. results in decisions that are not always informed by the latest information, leading to increasing risk;

4. is inefficient and costly, as evidenced by duplicated effort and investment;

5. results in opportunities for system improvements and technological developments being missed; and

6. has data access and management arrangements that are restrictive and costly, and they limit innovation.

Previous reviews in 2001, 2006 and 2018 also identified long-term risks associated with existing institutional arrangements.

Officials have considered the information, conclusions, and recommendations provided by Sapere, and the conclusions and recommendations of prior reviews, and these and other analyses are reflected in this final RIS.

Executive Summary

Proposal

This final RIS relates to the final decision sought from the Cabinet Economic Policy Committee (ECO) by the Minister of Finance, Minister for State Owned Enterprises and Minister of Science, Innovation and Technology. The final decision seeks Cabinet endorsement of further work on the following proposal:

"That the National Institute of Water and Atmospheric Research Limited (NIWA) acquires the Meteorological Service of New Zealand Limited (MetService) initially as a wholly-owned subsidiary, and MetService being retained as a brand as New Zealand's authorised meteorologist."

This follows the in-principle decision on the above made by Cabinet on 23 September 2024 (CAB-24-MIN-0369 refers). Discussion of competition matters, improvements to weather data access arrangements, fiscal implications, and monitoring arrangements are included in this final RIS.

Officials consider the transaction value be set at the value of the Crown's initial equity investment in MetService as reflected in Vote Finance, which is $5.0 million. We also consider the transaction be facilitated through a Multi-Year Capital Appropriation covering the 2025/26 and 2026/27 financial years) and be funded by a capital injection being provided to NIWA.

Legal professional privilege

[redacted]

Options considered

Sapere considered a long-list of options in relation to funding, delivery and regulatory levers and how they would best position New Zealand to meet future weather-related needs and challenges. Five feasible options were then short-listed to for more detailed consideration. These short-listed options were:

- ***The status quo***: with the two entities operating as they do now.
- ***Option One: enhanced status quo*** to explicitly remove duplication, which would involve requesting that NIWA's scope of services exclude services/functions that MetService is responsible for.
- ***Option Two: integrating NIWA and MetService alongside NIWA's other functions involving NIWA acquiring MetService as a wholly-owned subsidiary***.

- ***Option Three: a new public weather service entity*** where the components of MetService and NIWA that fall under the weather forecasting system are placed into an entirely new entity with new governance and leadership.

- ***Option Four: integrating weather forecasting system and natural hazards capabilities,*** which is an extension of Option Two to include hazards.

- ***Option Five: integrating the weather forecasting capabilities with those held within NEMA*** in relation to emergency management.

The short-listed options were assessed against a number of specified "principles", which were derived from prior reviews, consultation from system stakeholders, and expertise and analysis. These principles are summarised later in this RIS.

Option Two is officials' and Sapere's preferred option as this option is judged to best position New Zealand for future weather events and has the greatest net benefits of all the short-listed options.

New Zealand's future weather forecasting system needs to go beyond what existing arrangements are expected to deliver due to the increasing risks and demands of weather-related challenges and impacts in the context of climate change.

Officials consider that re-integration of meteorology services through the acquisition of MetService by NIWA will have a number of benefits, including:

- ensuring unified public weather warning messaging with 'one authorised voice for severe weather communications and impacts', which is more aligned to international norms;

- supporting a more coordinated response to any future severe weather events through better system integration (of data and information) which may help save lives, prevent damage to property and infrastructure, and reduce adverse impacts to the economy;

- providing efficiencies and cost benefits in terms of alignment of weather forecasting activities, investments and planning;

- being quicker to implement and involve less risk than is inherent in large contemporaneous structural reforms, while maintaining continuity of weather forecasting service provision; and

- not predetermining the outcomes of the wider science system reform process.

Sapere estimated the net present value (NPV) of net monetised benefits for this option to be within a range of $144.7 million to $180.3 million. There would also likely be non-monetised benefits, although these are very difficult to quantify.

Note that this estimate does *not* take into account the costs of more open data access arrangements. In the WFS Review Sapere estimated the benefits on the basis of open data access, but fully open data access is not being pursued as a part of the changes to the weather forecasting system. However, NIWA and MetService have committed to reasonable improvements to data access arrangements subsequent to any acquisition, including: enhancements to the infrastructure for making data available, increasing the range of data available (such as rain radar data), and the terms of data access.

As these changes will be modest, self-funded improvements and not fully open data access arrangements, it is likely the associated monetary and non-monetary benefits will be much smaller than Sapere estimated in the WFS Review (they are difficult to estimate at this early stage, although the self-funded costs of making the improvements are estimated to be in the order of $2.0 million to $2.5 million).

The proposed changes to data access arrangements do not require legislation or regulation and therefore are not subject to a Regulatory Impact Assessment. Consequently, the discussion on this topic in this RIS is summarised.

Officials consider Option Two achieves the greatest net benefits, can be implemented relatively quickly, and has the least amount of structural change and disruption to the weather forecasting system and service continuity risk. This is particularly so if both entities continue to work together to act consistently with the stated aims of the acquisition in the interim, as they have undertaken to shareholding Ministers to do.

Officials concur with Sapere that non-structural change options (status quo and Option One) will not lead to an efficient, effective and fit-for-purpose weather forecasting system, and offer limited long-term benefits.

Officials consider that work on NIWA acquiring MetService can be taken forward without waiting on the outcomes of the wider science system reforms.

Potential impacts of preferred option

In addition to the benefits noted above, the costs and risks from the proposal include:

- Competition risks, including less pressure on service pricing, reduced incentives to make data available, and reduced incentive for innovation.
- Restructuring costs, arising from staffing changes and professional advice (e.g. legal and commercial advice required to design and implement the proposal).
- Fiscal implications, as NIWA will likely need an appropriation for the acquisition (although this would be returned to the Crown through the acquisition price paid to shareholding Ministers holding MetService's shares on behalf of the Crown).
- Potential for reduced competition in the weather forecasting and weather data markets.
- There is a risk of service interruption while the acquisition progresses, but this is considered small as NIWA and MetService have committed to implementing robust transitional arrangements to ensure continuity of service throughout the acquisition period.
- Risk of loss of capability. While individual staffing matters are for NIWA and MetService to determine, it is possible some capability would be lost in the short term if this best suited business needs and service provision, or as a result of voluntary staff moves.

The most immediate and direct impacts will be to NIWA and MetService as they are the parties to the acquisition. The WFS Review concluded that there will likely be positive downstream impacts for customers as service delivery improves over time as a result of a more coherent and integrated system operating more efficiently and at less cost. These benefits were judged by the reviewer to outweigh the risks from reduced competition, and officials agree with that judgement. As noted above, if there are any staffing changes then

those staff will be directly impacted. However, these issues are operational matters to be handled through employment contracts and employer-employee negotiations.

Consultation

As part of the WFS Review, Sapere met with over fifty stakeholders involved in the weather forecasting system. Additionally, Sapere employed a survey in the review and received over 145 responses providing further input for consideration. These consultations happened over a period of months. There was significant input (and generally, broad agreement) from stakeholders on the key problems with the current system and the future needs of the system.

These consultations were in addition to the findings of consultations of three previous reviews. These consultations focused on the problems with the existing system and the future demands on the system, and what features the future system would need to be fit for purpose.

MetService and NIWA both recognise structural change is needed in the weather forecasting system. Both boards have indicated they will work constructively to implement the Government's decisions.

The Treasury and MBIE consulted on the short-listed options with the Department of Prime Minister and Cabinet (DPMC), the Ministry of Transport (MOT) and the Public Service Commission (PSC), who are supportive of the recommended option. While the National Emergency Management Agency (NEMA) has indicated a preference for Option Four, NEMA supports Option Two as a step towards this. The Commerce Commission has also been consulted on the preferred option and changes to data access arrangements.

The Climate Implications of Policy Assessment (CIPA) Team at the Ministry for the Environment has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met. This proposal aims to establish the optimal arrangements and responsibilities for New Zealand's weather forecasting system to effectively address future climate change impacts.

Limitations and Constraints on Analysis

The WFS Review was conducted in accordance with the publicly released Terms of Reference (ToR) found here: https://www.mbie.govt.nz/science-and-technology/science-and-innovation/research-and-data/project-hau-nuku-weather-forecasting-system-review-terms-of-reference

This link also provides access to previous officials' advice leading up to the ToR and on in-principle decisions taken by Ministers.

The ToR encompassed problems raised in prior system reviews and matters officials have noted since the last review in 2018. In summary, the WFS Review focused on the following questions:

1. What are the optimal arrangements and responsibilities in the weather forecasting system that will best position New Zealand to meet future weather-related challenges and impacts in the context of climate change?

2. What are the optimal structural arrangements in the system, with respect to MetService and NIWA, based on the optimal system arrangements identified in point 1 above?

3. Should changes in access to weather data arrangements be made and, if so, what should these be?

While technically these are constraints, these questions are quite wide in ambit but were considered necessary to provide practical boundaries for the WFS Review to be conducted in a reasonable amount of time and at an appropriate budget. The scope of the WFS Review did **not** include other Crown companies or entities, the level of aggregate Crown funding ,and the monitoring arrangements for any new structural arrangements. The ToR also provides more detail on what the review did and did not focus on.

There are limitations in quantifying the financial implications and net monetary benefits of the proposal and the potential restructuring costs (along with any transition costs). We note that the information used to calculate the NPV of the estimated net monetary benefits of the proposal relies substantially on information by NIWA, MetService, and calculations and estimates performed by Sapere.

Responsible Manager(s) (completed by relevant manager)
Nicky Scott *Manager, Science, Innovation and Technology, Entity Performance and Monitoring* *Ministry of Business, Innovation and Employment* Privacy of natural person *18/03/2025*

Quality Assurance (completed by QA panel)	
Reviewing Agency:	Ministry of Business Innovation and Employment
Panel Assessment & Comment:	The Regulatory Impact Analysis (RIA) panel consisting of representatives from MBIE has reviewed the Implementation of Changes to the Weather Forecasting System in New Zealand Regulatory Impact Statement (RIS). The panel has determined that the RIS ***meets*** the quality assurance standards for regulatory impact analysis. The panel notes that overall, this is a well written document. The panel considers that the Tiriti o Waitangi section represents good practice. The panel's opinion is that: • the status quo and problem definition have been clearly described and the case for regulatory intervention firmly established • the objectives accurately describe the outcome • an appropriate range of options has been identified and analysed consistently to arrive at the best option • a realistic implementation path has been identified and explained • the consultation undertaken and the key feedback received is appropriately summarised.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

The significance of weather forecasting has grown substantially over time, driven by the increasing frequency, severity, and impacts of extreme weather events. Climate projections indicate a continued increase in extreme weather events in New Zealand, with heightened risks and impacts to people and safety, infrastructure, property and the economy. The links between the weather forecasting system and emergency management will become even more critical in terms of informing a timely and effective response to future weather events.

The recent WFS Review noted that public weather forecasting in New Zealand provides considerable net benefits to society, including for building and infrastructure and public safety. Due to its positive externalities and public good nature, there is a role for the government in ensuring the provision of public good weather forecasting, which the market is unwilling or unable to provide.

MetService is a State-owned enterprise (SOE) focused on forecasting and warnings services and NIWA is a Crown Research Institute (CRI) that undertakes ocean, atmospherics, hydrological, and climate research that also provides weather forecasting services.

SOEs are companies wholly-owned by the Crown that are expected to be as profitable and efficient as comparable businesses that are not Crown-owned. SOEs are also required to be good employers and to act in a socially responsible manner and are generally subject to the State-Owned Enterprises Act 1986 (SOE Act) and the Companies Act 1993 (CA1993).

SOEs are owned on behalf of the Crown by the Minister of Finance (MoF) and the Minister for State-Owned Enterprises who may provide input into the strategy of the entity through the Statement of Corporate Intent (SCI) process. SOEs, such as MetService, are monitored by the Treasury on behalf of shareholding Ministers. However, they are run by independent Boards that are accountable for performance and are appointed by shareholding Ministers.

As a CRI, NIWA is governed under the Crown Research Institutes Act 1992 (CRI Act), the Crown Entities Act 2004 (CE Act), and the CA1993. The CRI Act provides that the purpose of a CRI is to undertake research for the benefit of New Zealand, pursuing excellence in all that it does, abiding by ethical standards and operating as a good employer.

CRIs are expected to promote and facilitate the application of the results of research and technological developments. A CRI must do these things while remaining financially viable, generating an adequate rate of return on shareholders' funds, and exhibiting a sense of social responsibility. While CRIs will typically generate profits to achieve these ends, they are not expected to be profit-maximisers.

CRIs are owned, on behalf of the Crown, by the MoF and the Minister of Science, Innovation and Technology (SI&T), who appoint their Boards. Boards are accountable for performance and are monitored primarily by MBIE, with the Treasury as secondary monitor. Shareholding Ministers may provide input into the strategy of the entity through the SCI process.

If NIWA seeks to make a large investment (such as the purchase of assets or the shares of another company), it needs to first seek the approval of shareholding Ministers beforehand, although it will be responsible for the investment. Depending on the size, nature and risk of the investment it may also need to meet the major transactions requirements of the CA1993 and possibly seek cabinet approval.

The current weather forecasting system is fragmented, with two separate and competing Crown-owned companies, leading to confusing public service weather forecasting messaging, inefficiencies and inconsistencies in service delivery, duplicate investments, and missed opportunities for technological developments. Further, the WFS Review found that New Zealand's future system needs to go beyond what existing arrangements are expected to deliver. This is discussed further below.

Despite a prior Memorandum of Understanding between NIWA and MetService, these problems have continued and the relationship between the two organisations has, at times, been both tense and duplicative. Based on the experience over the last 20 years the status quo will likely continue to result in competition between NIWA and MetService over weather forecasting activities.

What is the policy problem or opportunity?

Problems with Weather Forecasting System

Officials set out below the following problems with the weather forecasting system. Many of these were discussed in the publicly released ToR for the WFS Review and in the interim and final reports of the WFS Review.[1]

Research-to-operations pathway is needed in the weather forecasting system

Benefits of providing public good weather forecasting

Weather forecasting provides social, cultural, and economic benefits to society and it is an input to many of the goods and services we enjoy. For example, weather forecasting allows more informed farming decisions about sowing irrigation, fertilization, pesticide application, harvests, and drying processes. It also allows for safer travel (e.g used by airlines and shipping to ensure timing and route selection). It is also used for simple, everyday activities such as when to hang clothes out to dry and whether to take an umbrella with you to work, walk or use the bus.

A weather forecasting system will likely involve a "public good" element. Sapere found that there is a role for government in ensuring the provision of public good weather forecasting. This is because the private sector cannot capture the benefits from public good investments and is therefore less willing to invest in providing it, resulting in a lower than socially optimal level of provision if left to the market.

This is particularly so in markets involving large capital investments (e.g. extensive national weather and hydrological monitoring networks, access to complex weather prediction and downstream models, high performance computing technology, large data storage facilities, and sensor technology), which create very high barriers to entry.

Sapere noted that research suggests public weather forecasting delivers considerable net benefits to society noting that these benefits can be a large multiple of cost.

Sapere also found that there is a place for private actors in the weather forecasting system, especially where weather data and information can be packaged and delivered according to the specific needs and budgets of firms, communities, and individuals. In cases where the

[1] https://www.mbie.govt.nz/science-and-technology/science-and-innovation/research-and-data/project-hau-nuku-weather-forecasting-system-review-terms-of-reference#:~:text=As%20of%20February%202024%2C%20the,the%20Government%20in%20May%202024.

barriers to entry are not high, a level of competition in the delivery of downstream products and services can also provide societal benefits.

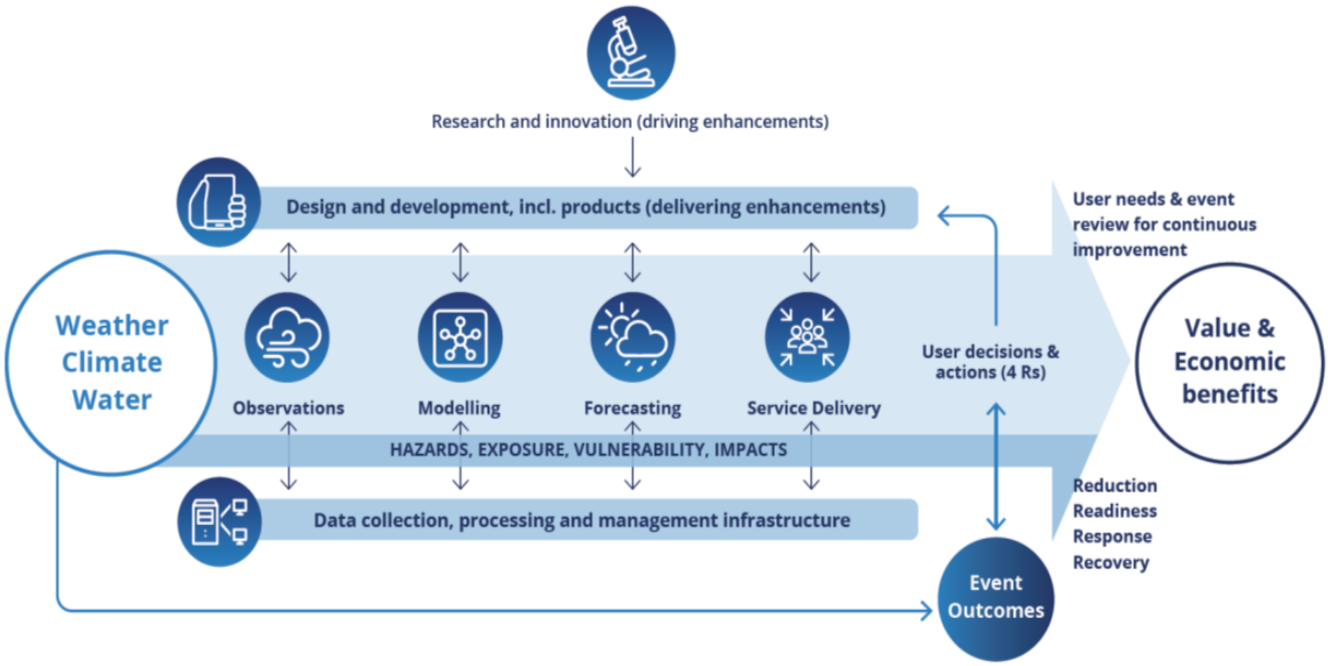
An example of this might be in the insurance/re-insurance industry, where insurers use weather and hydrological data to estimate risks associated with natural hazards, resulting in the better allocation and pricing of risk (which could affect insurance premia for certain sectors and locations).

Research-to-operations pathway

Weather, hydrology and climate forecasting are used to produce products and applications, provide advice, and for communication with the public and other stakeholders. Underpinning these processes is data infrastructure and research.

Each process should inform research – thereby enabling research to flow back into the operational process to improve weather, hydrology and climate forecasts. This is known as *the research-to-operations pathway*. The pathway allows the progressive improvement of weather forecasting and other processes as better information is brought to bear over time in relation to the natural environment.

The diagram below[2] provides an overview of New Zealand's weather and climate forecasting value chain:



Currently, there is no clear research-to-operations pathway to integrate the climate and weather research outputs produced by NIWA into operational weather forecasting undertaken by MetService.

Collaboration between NIWA and MetService under current institutional settings is challenging due to the mandates and requirements of each entity under their respective governing Acts, competitive tensions between the two, and the application of competition law. This is resulting in a lack of collaborative input to improve the accuracy of weather

[2] Source: MetService (2023).

predictions and warnings therefore limiting the effectiveness of the forecasts and potentially resulting in reduced socioeconomic benefits.

The Crown provides funding to NIWA for weather forecasting research but there are no incentives to freely share research outcomes with MetService or any other weather researchers or forecasting providers. Under current institutional arrangements, both NIWA and MetService are incentivised to generate income from their activities, which is not always conducive to collaboration (even if collaboration did not create Commerce Act 1986 (Commerce Act) concerns). This lack of integration may create risks for public safety as information is withheld, restricted or charged for, where the information could have otherwise more freely flowed to inform communications on severe weather events.

Officials consider that we need a more connected weather forecasting system that allows a better integration between forecasting, hydrology, coastal hazards, and climate science. This will enable a more cohesive understanding of weather impacts and hazards and improve our planning for, and resilience to, severe weather events.

National weather forecasting systems should integrate processes and sub-systems that connect long-term climate science and research through to short-term forecasting and public communications - enabling effective decisions and actions across the nation. The processes should follow global standards and practices and rely heavily on observational data processed through atmospheric, ocean and earth systems models (and through advances such as the application of artificial intelligence and machine learning).

Duplication, cost and efficiency

NIWA and MetService have, over time, increasingly competed with one another over weather forecasting services. Sapere noted that NIWA started its weather division in 2013, coinciding with the launch of a public-facing weather forecasting website and that it competes with MetService for weather forecasting work.

In 2017 NIWA won the contract (originally held by MetService) to provide forecasting services to Fire and Emergency New Zealand (FENZ). Further, in 2020, NIWA won the contract (also originally held by MetService) to provide the Department of Conservation's weather forecasting services. In 2014, MetService acquired a partial stake in MetOcean, a company focused on oceanography (which it later fully acquired in 2017).

As both entities are providing weather forecasting services the existing system results in an element of investment duplication, additional cost, and inefficiency, such as:

- The purchase of weather stations and weather observation equipment and sensors in the same areas by both NIWA and MetService.

- Separate investment by both NIWA and MetService in facilities to house staff that provide weather forecasting activities (either through ownership or leasing arrangements) that could otherwise be combined, resulting in a lower combined facilities footprint and ongoing cost. The status quo can therefore result in additional facilities costs and overheads to support them. This is exacerbated by the fact that both NIWA and MetService have, individually, been in the process of considering new facilities investments.

- Staff both in NIWA and MetService generating weather forecasts for the same time periods and locations.

While it is difficult to put a dollar value on the cost associated with this duplicative investment, the examples above are clear the magnitude is likely to be unnecessarily high. The section summarising the marginal costs and benefits of the preferred option highlight an estimate of the net monetised benefits of the savings from a business combination through acquisition.

Conflicting narratives on weather forecasts could lead to public safety risk

Implicit in the notion of 'social contract' is that government agencies will act in a way that supports public safety. This is also the expectation on both NIWA and MetService. Clarity in public communications is therefore critically important to ensure clear and timely messaging is provided, especially in cases of severe weather. The World Meteorological Organisation (WMO) has highlighted the importance of the 'single authoritative voice' for public safety during hazardous weather events.

However, as both NIWA and MetService have provided communications on weather forecasts, that has not been the case. This is compounded by the WMO recognising MetService as the nation's official meteorological organisation and NIWA as the nation's official hydrological organisation. Forecasting the impacts of severe weather events (such as flooding or storm surge) requires a combination of meteorological and hydrological analysis and modelling.

MetService, in particular, has expressed concern that competition and media commentary from NIWA during severe weather events may increase risks to public safety through conflicting narratives on weather activity and impacts.

An example of this is the lack of coordination between NIWA and MetService and differing narratives in respect of the significant flood and wave hazards, that resulted in damage to property in Wellington's south coast between two events occurring in 2020 and 2021. The underlying system allowing conflicting narratives remains, and we consider this could give rise to public safety risks.

Officials consider that the risks of confusing or conflicting communications from two state-owed weather forecasters also extend to the protection of infrastructure and the economy. The WFS Review confirmed the importance of a single authoritative voice for public safety purposes and noted, as did prior reviews, that this the norm internationally.

Officials concur that a single authoritative voice is the best means of ensuring clarity in public weather forecasting messaging and will bring New Zealand into alignment with international practice.

The weather forecasting system's increasing importance given severe weather and climate change impacts

Weather forecasting is becoming increasingly important given the impacts of severe weather and climate change. A connected and integrated weather forecasting system where intelligence between relevant agencies and local authorities can be shared and effectively communicated to regions and communities is critical to support emergency management response decision-making during severe weather events. At present the system is fragmented and does not result in seamless information and communication on climate science, forecasting, hydrology and coastal hazards to those that need them.

Sapere noted that climate change is anticipated to result in more extreme weather in New Zealand, with increased risks and impacts associated with weather events. There are several drivers of need for a better weather forecasting system, including:

- increased weather events and the need for resilience given climate change.

- increased severity of those weather events and the increasing needs of emergency management (discussed in section 2.2 of Sapere's Interim Report).
- international stability risks and New Zealand's role in the Pacific.
- connections between hazards and reduced boundaries across sciences (floods, landslides, weather and climate, etc).
- expanding demands for accurate and localised weather forecasts - for instance, management of energy demand and supply as renewable energy supply increases.

The Inquiry into the North Island Severe Weather Events (NISWE) found that New Zealand's emergency management system is not fit-for-purpose and there are some significant gaps we need to address. In particular, NISWE found that the system does not have the capacity or capability to deal with significant, widespread events that impact multiple regions concurrently. NISWE found the need for greater information sharing at the national and local levels and one of its recommendations included requiring timely and enhanced weather and hydrological forecasting to be provided to ,and used by, all councils and government agencies.

The current separation of NIWA and MetService, and the requirements and incentives of the institutional arrangements under which they operate are, according to Sapere and a prior review, at the heart of the reasons why the existing system is as fragmented as it is, and why it is unlikely to change under the settings of the status quo. This and a prior review have found that what is needed is a means to bring these functions and processes together in a way that allows for the integration referred to above.

The system needs appropriate arrangements for access to weather data

Existing access to weather data arrangements do not provide visibility or market discipline on whether data, products, or services are being appropriately given away, priced, charged for, or enabled via markets. Views on access to weather data are evolving in response to severe weather events, including following NISWE, and due to climate change, and it is likely that in future greater importance will be placed on freely available, real-time weather data.

One of NISWE's recommendations included endorsing the WFS Review to (among other matters) identify changes in access to weather data.

Sapere's review findings

Sapere's interviews, surveying, workshops, and research highlighted several potential barriers to meeting future system needs and demands, stemming largely from the current institutional arrangements, which (among other things) lead to potential issues around the:

- efficiency and prioritisation of what is delivered from government spending.
- integration of information produced from that spending.
- availability of information to support decision-making relating to the impacts of weather.

Sapere found that current institutional arrangements result in the following system barriers:

1. lack of integration between climate science, forecasting, hydrology and coastal hazards;

2. public uncertainty during severe weather events as a result of inconsistent weather-related messaging;

3. decisions that are not always informed by the latest information, leading to increasing risk to the public;

4. inefficiency from duplicated effort and investment;

5. opportunities for system improvements being missed; and

6. data access and management arrangements that are restrictive.

These are consistent with the findings of previous reviews and with officials' previous advice on the problems with the system.

Stakeholders affected by identified problems

Affected stakeholders within the existing system are wide ranging, and include NIWA, MetService, NEMA, local councils, other private sector weather forecasters, other government agencies and monitors, individuals, and firms that may be affected by severe weather events. More is provided within this RIS on stakeholder consultation. The WFS Review also sets out the views of consulted parties. They are generally supportive of the need to resolve institutional problems within the system.

Optimal weather forecasting system state sought – Objectives

The objectives or outcomes sought from the changes to the WFS were expressed by Sapere in the WFS Review in terms of the *optimal state of the weather forecasting system*. These represent the critical objectives the change options need to deliver.

These objectives are based on significant consultation with stakeholders system wide, prior reviews, Sapere's own analysis, and officials' views. It can be summarised in terms of the expected future needs and demands of the system that the preferred option will need to deliver:

1. Access to global observations, modelling and capabilities with an increased coverage of the South Pacific.

2. Prioritised investment targeted at New Zealand's highest value and needs.

3. The ability to leverage computing capabilities, artificial intelligence and machine learning and data to better understand and link with risks across hazards, impacts from weather events, research, operations, applications and consumer demands.

4. Clear communications and stakeholder engagement which are understood and trusted, accessible to relevant communities, and clear on actions needed from different parties.

5. Customer choice, input and engagement, innovation products/application, and advice that is supported by open data access.

6. The changing role of the meteorologist, linking more with computer modelling and relevant environmental sciences.

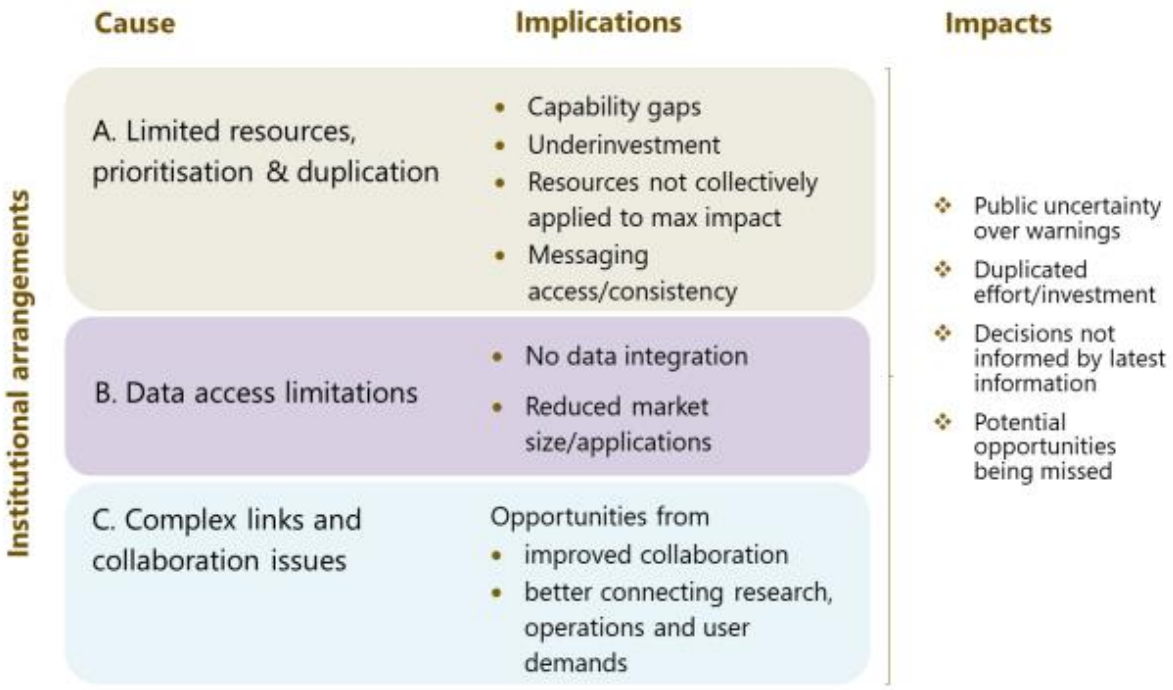
As noted above, these desired system outcomes have been informed by successive reviews, including the WFS Review.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

The options considered in the review were evaluated in terms of their ability to address existing problems within the system (many of which were considered to arise from the current institutional arrangements), as well as their ability to address the barriers to meeting future system needs and outcomes (set out in terms of objectives above).

These barriers and their implications and impacts were summarised in the review below:



From this assessment Sapere developed a set of evaluation criteria (expressed as "principles" in the WFS Review) to assist in assessing individual options relative to the status quo to determine the preferred option. There principles were:

- ***Optimising use of resources*** including financial resources and different capabilities and inputs to deliver fit-for-purpose public forecasting services.
- ***Improving understanding/prediction of impacts, risks and necessary actions*** to drive effective planning and emergency response and management.
- ***Reinforcing trust in the weather forecasting system*** including providing one authoritative voice on severe weather communications and recognising the diverse needs of users.
- ***Building strong international links and alliances*** and supporting access to relevant global systems, data, infrastructure, models, and expertise.
- ***Encouraging innovation*** within the system including an openness to private competition and closeness to user demands.
- ***Being realistic***, including the management of any transition and the level of disruption involved. This principle considers the level of disruption, cost and the suboptimal impacts

to science delivery during the transition. It also considers the complexity associated with the transition.

The extent to which each option demonstrated these principles was graded as was the extent to which each option met the optimal future system needs set out earlier above.

What scope will options be considered within?

A long-list of options was considered and from this a short-list of options was generated for more detailed analysis. The feasible short-list options were considered in the context of the optimal system state and the principles identified above. This is shown in more detail below.

We do not consider the scope of options has been unreasonably limited. As noted above, WFS Review focused on determining the optimal future weather forecasting system and the optimal institutional arrangements within that system with respect to the two state-owned weather forecasters, being NIWA and MetService. The WFS Review also considered whether or not data access arrangements should be changed. We consider this is an appropriate scope as informed by prior reviews of the system.

What options are being considered?

The long-list of options was considered against their ability to address identified potential barriers (stemming largely from the current institutional arrangements as discussed earlier above) to meeting future system needs and demands. This long-list was as follows:

Options	**Limited funding, prioritisation & duplication**	**Data access limitations**	**Complex links & collaboration**
Restricting the ability for NIWA to comment on weather warnings until after the warning period.	✓		
Removing weather forecasting services from NIWA's scope of services that it may provide.	✓		
Requiring fully open access to data and research that is publicly funded. (relates to recommendations on data access)		✓	
Splitting off NIWA's weather forecasting services (with access agreements to joint systems) – e.g. to MetService. Has links to Option 3.	✓		
Merging the two organisations via amalgamation or acquisition. Relates to Options 3, 4 and 5.	✓	?	?
Incorporating public weather forecasting under an existing department, such as NEMA, MBIE, MFE or MOT. Has links to Option 3.	✓	✓	?
Procuring public good weather services (or observations and data services) from market & MetService potentially partially/fully privatised or existing entities being focused on research or value-added services. Has links to Option 3.	✓	✓	?
Collaboration arrangements or agreements (e.g. MOUs, co-location) where NIWA and MetService work more closely together (e.g. re: severe weather events.	✓?		✓
Joint ventures for non-public forecasting services – e.g. an entity that provides public weather forecasting services jointly owned by both NIWA and MetService. Has links to Option 3.	✓?	?	
Natural monopoly regulatory arrangements for weather forecasting infrastructure. This would make	✓	✓	?

the infrastructure subject to specific regulatory rules and oversight such as by the Commerce Commission.			
Integrated hazard management with shared data & communication platforms – e.g. through an integrated hazard management and weather forecasting entity Relates to Options 4 and 5.	?	✓	✓
International collaborations and/or mergers – e.g. stronger contractual ties with overseas weather forecasting entities or combinations through acquisitions or amalgamations	✓	✓	
Integrated local and central government purchasing of services – this would be a centralized services purchasing function.	✓	✓	✓
Complaints and/or disputes resolution processes for disputes over pricing or access.		✓	
Licensing or qualification requirements to provide weather forecasting services.	✓		

The assessment columns above relate to the potential barriers to the system meeting future needs, as a result of institutional settings as set out in pages x-xiii in Sapere's Interim report (and as discussed above).

Ticks in a given column mean that this option will likely address the relevant barrier. A blank space means it will likely not address the barrier. A question mark signifies doubt over some aspects of whether the barrier would be addressed.

The vast majority of these options were found to be inadequate in terms of addressing the identified barriers (i.e. problems with the existing system). From this long-list a short-list of feasible options was identified and considered in more detail (as discussed below). The RIS focuses on these (defined) short-list options, and in particular, on the preferred option.

Across options 1 through 5, we would expect there would be coordination and prioritisation of funding for delivery of core weather forecasting services and warnings.

Option One – *Enhanced Status Quo*

This option involves requesting that NIWA's scope of services exclude services/functions that MetService is responsible for (to address duplication). Essentially, this would preclude NIWA from providing the weather forecasting services that MetServices does.

This option is not considered tenable for the reasons outlined above, in the ToR to the WFS Review, and based on Sapere's conclusions and recommendations in their final report.

We have considered non-structural enhancements to the status quo to remove duplication and found:

- the underlying risks of the system would remain;
- minimal long-term benefits would be realised compared to the current arrangements; and
- that they would provide significantly fewer benefits when compared to structural change options.

MetService's submission to the WFS Review also considered an enhanced status quo through legislative change concluding that structural change configured to meet future needs was required, and that an enhanced status quo could not deliver this.

Previous reviews in 2001, 2006 and 2018 identified long-term risks associated with existing institutional arrangements. Non-structural changes to improve collaboration between the entities has failed. For example, in 2007 MetService and NIWA entered a Memorandum of Understanding, which subsequently failed to address these issues and has since been abandoned by both entities.

Taking into account these factors, officials concur with Sapere that non-structural change options will not lead to an efficient, effective and fit-for-purpose weather forecasting system, and that they offer limited long-term benefits. The status quo or even an enhanced status quo therefore are not considered tenable options, and experience has borne this out.

Option Two – integrating NIWA and MetService involving NIWA acquiring MetService as a wholly-owned subsidiary

This option involves NIWA acquiring 100 per cent of the shares of MetService, and MetService being retained as a brand as New Zealand's authorised meteorologist. It is the preferred option of both officials and Sapere. It is also consistent with the findings of a prior review for the bringing together of NIWA and MetService.

This option would likely include NIWA and MetService assessing the entities' system requirements, retention of critical capability, the consolidation of weather monitoring equipment, and business continuity. MetService's capability and responsibilities would be retained as a wholly-owned subsidiary, but duplicated functions would no longer be required. There would be the ability to draw on different capabilities and systems across the two organisations, and to coordinate communications and messaging. The estimated monetised costs and benefits of this option (being the "preferred option") are discussed further below.

Stakeholders affected by this option

The stakeholders most directly affected would be NIWA and MetService, as parties to the acquisition that would be permitted under this option. However, we expect both direct and indirect benefits to flow to many parties from a more integrated weather forecasting system that provides better information, including government agencies and private sector firms. This may be through more integrated and timely information on weather forecasts and impacts, and at lower cost through a lower cost structure and less investment duplication, and due to the synergies arising from the two organisations acting more collaboratively. We note that both NIWA and MetService are supportive of the preferred option (i.e. Option Two) and have agreed to work collaboratively together in the event Cabinet agrees to proceed.

Section 9 of the State-Owned Enterprises Act 1986 requires the Crown to act in a manner that is consistent with the principles of the Treaty of Waitangi. Given MetService is a SOE, and NIWA is a CRI, targeted consultation will be undertaken with Iwi on the changes to the WFS (discussed further under Section 3).

An estimate of the magnitude of costs and benefits of this option are discussed further below.

Option Three – a new public weather service entity encompassing weather forecasting elements of both NIWA and MetService

This option involves the creation of an all-new public weather forecasting service entity that includes the components of MetService and NIWA that fall under the weather forecasting system. In particular, it would involve combining weather and climate capabilities, with the inclusion of hydrology and oceanography. This entity would be less commercial than an SOE which may impact its funding parameters in the event commercial income is unable to be

replaced. It would be set up as a wholly Crown-owned Public Finance Act 1989 Schedule 4A company (PFASch4A Company).

While there would be a number of benefits similar to Option Two, this option would involve significantly more structural change, disruption, and cost due to the creation of an entirely new entity within a different institutional framework than either NIWA or MetService is currently subject to.

We do not consider there are any significant additional benefits over Option Two relative to the risk, disruption, and cost involved in such a fundamental structural change. There would seem to be little substantive evidence to support the contention that a new entity would, in itself, resolve the system issues identified. It would also likely take substantially longer to implement as all the relevant weather forecasting system assets and capability from both NIWA and MetService would need to be transferred to the new entity along with the sourcing of entirely new governance and management. This would be a more substantial exercise and create greater risk to service continuity. Officials do not prefer this option due to the relative risk, cost and time involved in implementing it given any marginal benefits that may arise relative to Option Two.

Option Four – integrating both capabilities in relation to the weather forecasting system as well as natural hazards capabilities

This option involves integrating both NIWA's and MetService's capabilities in relation to the weather forecasting system as well as capabilities relating to other natural hazards. This would essentially be an extended version of Option Two and including the relevant hazard system elements of GNS. This could include the GeoNet capabilities and RiskScape as well as GNS's research and understanding in relation to impacts. The WFS Review noted that this would be similar to the approach adopted in Japan. They also noted that this option was outside of the ToR for the WFS Review and therefore limited investigation of this option occurred.

While this option has merit in terms of joining up relevant parts of the wider system into the one entity, it would also come with greater risk, time, and cost relative to Option Two because of the scale of the contemporaneous restructures involved. Chief among these risks is disruption to service continuity given the scale of change required during the restructuring events. There would also be financial and operational impacts on GNS that would require addressing, which could create financial or even solvency issues for GNS.

Officials consider that Option Two is preferable to Option Four as it will help resolve identified weather forecasting system problems sooner, while preserving optionality for a future integration of elements of GNS at a later time (e.g. arising from any wider science system review recommendations to that end), and in the event Cabinet chooses to do so.

Option Two will provide for a less significant restructuring process and therefore be easier to implement and manage while providing a stable entity group to be established before any more significant restructure takes place (if that is decided upon later). Officials consider this incremental approach to be less risky and less likely to result in service disruption while expediting the realisation of system benefits.

Option Five – integrating the weather forecasting capabilities with those held within NEMA

This option involves integrating the weather forecasting capabilities with the emergency management capabilities held within NEMA, the agency providing leadership in responding to, and recovering from, national emergencies. This would involve the relevant weather and

climate capability components as with Option Three, but instead sitting within NEMA. The expanded NEMA would be assigned the existing contracts and responsibilities of MetService and NIWA that fit within the weather forecasting system.

This option has the potential advantage of providing a more connected and holistic emergency management leadership role for NEMA, which could provide benefits particularly in severe weather emergencies. However, if the weather forecasting research functions remained with NIWA, the system would still be fragmented, which is one of the current problematic system features the reform is trying to address in the weather forecasting system. Free and frank

The WFS Review noted that this option was also outside of the TOR and it therefore had limited investigation.

Concluding comments

We note that key government agencies, and NIWA and MetService were the principal stakeholders consulted on the shortlisted options. We note that there are a range of organisational form options for options two, three and four, including a departmental agency, CRI or other Crown Entity company, PFAs4A Company, and an Autonomous Crown Entity. Substantial further information in relation to GNS would be required to more fully assess Option Four and also in relation to NEMA for Option Five. Importantly, there are likely to be scale and capacity constraints at play. For example, the WFS Review noted that GNS had a headcount of around 507 (GNS Science, 2023) and NEMA of around 153 FTE (NEMA, 2023). This indicates the likelihood of significant challenges for NEMA in terms of taking on large capability complements from three other entities, several orders of magnitude in scale over its own.

Free and frank among other reasons, due to the impact on its primary business for emergency management across the 4 “Rs” (reduction, readiness, response and recovery activities), and the lack of capacity to absorb significant new roles and functions, without substantial funding uplift, which could divert focus from its primary function.

Officials and Sapere discounted the option of setting up a new departmental agency under either MOT or MBIE on the basis that this would:

- involve many of the risks and problems of Option Three;
- not preserve the option for commercial operations and the financial incentives of a company model; and
- likely involve additional structuring costs.

How do the options compare to the status quo when considered against the features of the optimal system sought?

	Status Quo	Option 1: ESQ	Option 2: Integrate	Option 3: New	Option 4: Cross hazard focus	Option 5: Integrated with EM
Optimises resource use, fit for purpose	0	+ Through reducing direct overlaps, we expect an improvement in resource use through reduced duplication plus more coordinated purchasing. However, still likely to be less than optimal if coordination challenges remain. Expect any reduction in market opportunities for NIWA (and any impact on its investments) to be offset by reduced friction in the market and more coordinated and longer term purchasing.	++ Expect to coordinate capability better in delivery and purchasing, risk may be in relation to efficiency without the same commercial incentive Should improve efficiency, resilience, and potential long term to improve capability through integration.	++ Expect to coordinate capability better in delivery and purchasing, risk may be in relation to efficiency without commercial incentive. Whether it is able to take into account the needs of New Zealand more easily will depend on it not being an SOE. Should improve efficiency, resilience, and potential long term to improve capability through integration.	++ Expect to coordinate capability better and allow broader skills to be applied, risk may be in relation to efficiency and internal coordination. Should improve efficiency, resilience, and capability.	+ Through reducing direct overlaps, we expect an improvement in resource use through reduced duplication plus more coordinated purchasing. Doesn't achieve as well as others as there may be too great a focus on emergency management rather than science and applications.
Understanding of impacts, risks and actions and improved effectiveness	0	+ Increased access and reduced direct competition as well as investments should support improvement.	++ Increased access and removed direct internal competition as well as investments should support improvement as well as bringing together broader key capabilities. Communications will need to clarify relevant roles/functions.			++ As with options 2-4, but with a risk in terms of focus beyond EM.
Trust and social capital	0	+ Improved clarity of voice would increase trust.	++ Increased ability to leverage different relationships and expertise; to channel and coordinate communications is expected to improve trust, social capital, and engagement.			++ As with options 2-4, but with a risk to independence of scientific expertise.
International links	0	0	+ Dealing with one organisation may simplify international relationships and enable these to be leveraged over different applications.			
Innovation & access	0	+ There is a risk that with reduced publicly owned competition in weather forecasting that there is less innovation. We suggest this is likely to be more than offset by clarity of roles and flow-through to leveraging human capabilities and improved integration from research to operations.	++ There is a risk that with reduced publicly owned competition in weather forecasting and less commercial focus that there is less innovation. We suggest this is likely to be managed through focus on consumers, and data being available to private providers and offset by clarity of roles and greater agglomeration benefits and building of human capabilities. The removal of significant competition within government and revised focus on public good, together with monitoring and investment cases should support this.			+ As with option 1 with some agglomeration, but potential for reduced focus on the science means not the extent of options 2-4.
Practical	0	0 It is assumed that committed services would not be impacted as these would be run through and re-tendered.	- There will be a level of organisational change and uncertainty during this period. While the change is realistic and possible, and service disruption should be manageable, there is some risk relative to the SQ short term.	- There will be a level of organisational change and uncertainty during this period. While the change is realistic and possible and service disruption should be manageable, there is some risk relative to the SQ short term.	- There will be a level of organisational change and uncertainty during this period. While the change is realistic and possible and service disruption should be manageable, there is greatest risk relative to the SQ in the short term.	- There will be a level of organisational change and uncertainty during this period. While the change is realistic and possible and service disruption should be manageable, there is greatest risk relative to the SQ in the short term.
Overall assessment	**0**	**4+**	**8+** (Potentially less disruption and greater integration across skills but risk of reduced access relative to option 3)	**8+** (Potentially more disruption but could be better access relative to option 2)	**8+** (Potentially most disruption but better access relative to option 2 and greatest access to skills and visibility across hazards)	**5+** Expect a number of improvements but a risk that applications beyond emergency management receive less attention

Scale: ++ much better than the status quo, + better than the status quo, 0 about the same as the status quo, - worse than the status quo, - - much worse than the status quo.

The table above shows Sapere's qualitative assessment of options against the optimal system's objectives, which was completed as part of the WFS Review. Sapere's overall initial assessment is a finely balanced one where options two, three and four are the best choices among the five short-listed options. Officials generally agree with this qualitative assessment but consider that Option Two is faster to implement, has distinctively more advantages, and fewer risks and costs than the other options (see further below).

What option is likely to best address the problems, meet the policy objectives, and deliver the highest net benefits?

Option Two is MBIE's, Treasury's and Sapere's preferred option. There is also support for this option from DPMC, MOT and PSC. While NEMA has indicated a preference for Option Four, it supports Option Two as a step towards this.

Combining NIWA and MetService would provide benefits in terms of the quality of research outputs and/or commercialisation of ideas, and reduced costs of collaborating. International research has suggested that there are significant benefits for researchers and firms undertaking similar activities in closer proximity[3], but there is also evidence of positive externalities (i.e. spill over benefits) between researchers in different academic fields or commercial sectors.

Sapere estimated the NPV of net monetised benefits of Option Three to be within a range of $67.5 million to $91.7 million, which was far less than the estimated NPV of net monetised benefits of Option Two (see further below). Option Three also has a greater risk of service disruption and a longer timeframe to implement due to the more intensive activity resulting from the creation of an entirely new entity with new governance and management.

Sapere estimated the NPV of net monetised benefits for Option Two to be within a range of $144.7 million to $180.3 million. There would also likely be non-monetised benefits which are difficult to quantify (such as a more holistic and connected stakeholder engagement strategy). We note that this estimate does not take into account the costs and benefits of open data access arrangements as only incremental improvements are being proposed.

Officials consider Option Two achieves the greatest net monetised benefits, can be implemented relatively quickly compared to the other short-listed options and with the least amount of cost, structural change and disruption to the weather forecasting system. This is particularly so if both NIWA and MetService continue to work together to act consistently with the stated aims of the WFS Review in the interim (i.e. while the legislation passes and the acquisition occurs), as they have both undertaken to shareholding Ministers to do.

Improvements to data access arrangements referred to earlier (and monitoring of these over time) are expected to provide benefits to individuals and downstream businesses that may provide enhanced data products to service specific needs. However, we note the following comments from the Commerce Commission:

- MetService and NIWA have had different approaches to data access to date and that, potential commitments aside, there is no certainty around what general philosophy a merged MetService/NIWA would adopt;
- any commitments would not be a substitute for competition;

[3] For example: Lee, Brownstein, Mills, & Kohane, 2010; Catalini, 2018; Mairesse & Turner, 2005; Siegel, Westhead, & Wright, 2003.

- the approach to data access indicated by NIWA and MetService may not result in the best outcomes in downstream weather markets; and

- the Commerce Commission would not have the ability to enforce any aspect of any commitments MetService and NIWA (or a merged MetService/NIWA) give to the Government around data access.

MBIE and Treasury officials consider that the improvements from an integrated WFS and more open data access arrangements will outweigh competition concerns associated with the merger.

Officials consider that work on NIWA acquiring MetService can be taken forward without predetermining the direction and outcomes of the wider science review, or removing future opportunities to consider the wider science, innovation and technology system and an integrated hazards platform (i.e. Option Two could be an end point, or it could be a stepping stone towards Option Four).

What are the marginal costs and benefits of the preferred option?

A summary of the present value (PV) of the costs and benefits of the preferred option (i.e. Option Two) as noted by Sapere are set out below:

Affected groups	Comment	Impact (PV $millions)	Evidence Certainty
Direct benefits			
MetService, NIWA and ultimately the Crown	Operating cost savings for MetService and NIWA	173.7 - 194.0	Medium
	Reduced collective capital investment needs and increased resilience from joint network and systems	0.6	Low
Customers and stakeholders	Reduced search, transaction and coordination costs for those using weather information	Medium	Low
Total monetised benefits		174.3 - 194.6	Medium
Transition costs			
Government/ NIWA and MetService	Detailed option design and change management	2.1 - 5.9	Low
	Moving, and other establishment costs	0.2 - 0.4	Low
	Changes in Legislation	0.1 - 0.3	Low
	Redundancies	1.2 - 1.8	Low
	Investments in systems	1.5 - 2.8	Medium
	Investment cases	0.7 - 1.4	Low
Deadweight loss	Deadweight loss accounts for the distortionary impact of activities funded by taxation	9.3 - 12.5	Medium
Total monetised costs		14.2 - 29.5	Low
Non-monetised costs		Low	Low
Net PV of Net Monetised Benefits		**144.7 - 180.3**	**Low-Medium**

Section 3: Delivering an option

Outline of this section

This section deals with how the preferred option will be delivered. In the context of NIWA's acquisition of MetService, this section covers the following topics:

1. Removal of MetService from the SOE Act
2. Competition issues resulting from integration and improvements to data access arrangements
3. Improving data access arrangements and options
4. Treaty of Waitangi considerations
5. Transitional, consequential or enabling provisions
6. The Acquisition transaction and process
7. Monitoring arrangements post-acquisition and during integration
8. Wider science system reforms

How will the new arrangements be implemented?

Removal of MetService from the State-Owned Enterprises Act 1986

As section 11 of the State-Owned Enterprises Act 1986 (SOE Act) does not permit a shareholding Minister to sell or otherwise dispose of the shares of an SOE, MetService (being an SOE) will first need to be removed from the SOE Act, before any acquisition of its shares by NIWA would be permissible. Legal professional privilege

Competition issues resulting from integration and improvements to data access arrangements

Enabling the acquisition

Part 3 of the Commerce Act prohibits business acquisitions that substantially lessen competition. We recognise that the acquisition of MetService by NIWA will reduce competition in the data markets and forecasting services markets. However, based on our analysis (and that of Sapere) we consider there is significant public interest in merging the entities.

As noted, Sapere identified the key public interest benefits arising from integrating MetService:

- A 'single authoritative voice' for severe weather warnings;
- Improvements to forecasting through the research to operations pathway; and
- Efficiencies through integration of weather observational networks, data management and back-office capabilities.

Based on the analysis in the table below, we recommend a legislative authorisation is used to advance the acquisition, given the time, costs and uncertainties associated with generic Commerce Commission processes. Commerce Commission staff noted this approach.

Option	Analysis
***Notification process**:* If it is considered the merger would not be likely to substantially lessen competition, the Minister may notify the Commission of the merger, and that it does not intend to seek clearance. The Commission is likely to seek further information and may suggest applying for a clearance.	This option is not considered appropriate as we understand the Commission would likely suggest applying for clearance given the known competition risks.
Clearance process: Under section 66 of the Commerce Act, the Commission may give clearance for business acquisitions. To grant a clearance the Commission must be satisfied the acquisition will not be likely to, or have the effect of, substantially lessening competition in the market(s).	This is not likely to be a feasible option given the resource required, timeframes and unclear result. We note the following: • Filing fee $3,680 and Legal professional privilege [redacted]. • Complex cases may take 90-120 days (simple ones ~45 days). • Unclear outcome.
Authorisation process: Under section 67 of the Commerce Act, the Commission may grant authorisations for business acquisitions. The Commission needs to be satisfied the acquisition will have such an outweighing public benefit that it should be permitted.	This is not likely to be a feasible option given the resource required, timeframes and unclear resolution. We note the following: • Merger authorisations are relatively rare, the Commission typically deals with one per year. • On average, authorisations take 126 working days, but for more complex ones they may take 200-250 working days. • Given the low numbers of merger authorisations, there is less certainty and greater variation of outcomes. • Filing fee $36,800 and Legal professional privilege [redacted]
Legislative exemption: An express authorisation may be made through legislation that an exemption to part 3 (business acquisitions) of the Commerce Act applies.	***Preferred option.*** Given legislation is already required for the acquisition and Ministers are keen to progress the acquisition at pace, and given the outweighing public benefits, we consider this to be the most pragmatic approach and therefore the best option in these circumstances.

Legal professional privilege [redacted]

Improving data access arrangements

The WFS Review also recommended that access to weather data be made more open within the weather forecasting system, noting that public weather forecasting delivers value to society at multiples of cost, and government has a role in supporting it.

This value is likely increasing, particularly given the increasing weather extremes related to climate change. In particular, the WFS Review recommended:

a. being transparent around what data exists and details being set out publicly.

b. that data is made easily available to others (e.g. through user-friendly systems, with data easily downloadable, and in formats that support different uses); and

c. having clear data policies and clear principles around the nature of any charges and in a manner that supports a level playing field for value-added services (including limiting any restrictions on the use and re-use of information).

The current state of arrangements

The current state of arrangements is summarised across a number of studies and reports, including:

- Weather Permitting: Review of open access to weather data in New Zealand (PWC, Experion, 2017).
- MetService NIWA Closure Report (Commission 2021).
- MetService submission to Project Hau Nuku: Forecasting success: Maximising capability for a changing climate (2023).
- Weather Forecasting System Review: Final Interim Report (Sapere, 2024).
- Improvements to weather data access (MetService NIWA, 2024).

Key points to note

a. There are two main markets to consider: the upstream/wholesale market for data provision, and the retail market for provision of weather forecasting services. There are potentially multiple different downstream wholesale and retail markets in which weather data is used by different types of customers, including in terms of/for:

    i. free public daily weather forecasts/information.

    ii. customers in sectors such as media, transport, energy, local government, emergency services and agriculture/horticulture.

    iii. providing consultancy services.

    iv. research purposes.

b. NIWA and MetService develop almost all-weather observational data in New Zealand.

c. Most (but not all) of the data is aggregated into the *National Climate Database*, operated by NIWA, although MetService and NIWA operate separate systems and processes to make the data available to users.

d. The combined annual cost for collecting this data is around $18 million to $20 million, of which around half is publicly funded. The other half is recovered either through sale of data, sale of downstream products and services, or cross subsidisation from other activities.

e. The retail market for weather forecasting services is limited - only a handful of domestic entities provide services in this space, alongside a range of international participants such as Apple.[1]

f. Some potential exists for adjacent innovation opportunities, albeit with small market limitations[2].

g. There are increasing data sovereignty considerations and concerns related to big tech and other foreign actors using weather data to train AI models.

Options

Officials discussed feasible options to make tangible improvements to weather data access arrangements with NIWA and MetService. NIWA and MetService provided three broad options and our assessment of these are summarised in the table below. The main factors we weighed were the potential for improved data access conditions for market participants, the cost, and protection of public interests.

Options for improving data access arrangements

Data Access Improvement Option	Assessment
Option One: Self-funded Improvements • Develop a single platform for data access with improvements around ease of access and usability. • Have one set of terms for pricing and access. • Increase the range of data available for access – including rain radar data. These improvements would cost $2.0 million to $2.5 million to develop and would be self-funded by NIWA and MetService. *(NIWA's and MetService's preferred option)*	Officials consider this to be the most viable option and a potentially significant improvement on the status quo, although more granular aspects of this proposal would need to be worked through on implementation. See further discussion below.

[1] See Appendix E, Final Interim Report.

[2] See Experion report.

Option Two: Targeted government support Government support of circa $4.0 million (with further additional funding required for radar assets) for the ongoing renewal of essential physical infrastructure (which is currently in a state of technical deficit), in order to improve the quality and availability of datasets and reduce the pressure to recover costs through pricing for data access.	It is unlikely the entities would secure new Crown funding in the current fiscally constrained environment. There is a question around the extent to which this translates into improved data access versus subsidising NIWA and MetService's operations in the long-term with little pass-on of savings to the market.
Option Three: Fully-funded open data access Fully publicly funding the network, and associated infrastructure and services for all weather observational data to be freely available for any purpose. This would require public funding to NIWA and MetService to be increased by an amount in the order of $10.0 million per year, before considering opportunity costs through substitution of the organisations' downstream commercial services by other market participants, including by major overseas players.	NIWA and MetService have identified potentially significant sovereignty and security risks that would need to be worked through to give effect to this option (including consultation with Māori). It is unlikely the entities would secure new Crown funding in the current fiscally constrained environment. There is a residual question around how identified opportunity costs would be addressed (including detrimental impacts of potentially diluting a single authoritative voice for severe weather events).

Officials consider that NIWA and MetService's preferred option (Option One) puts its primary focus in the right areas: infrastructure availability and more datasets and common terms of access. The level of self-funded commitment indicated by the parties is significant and should be sufficient to secure a reasonable improvement in data access arrangements.

We discussed these options with the Commerce Commission and we understand that their preference continues to be fully open data access. However, they understand there may be reasons such as cost and data sovereignty risks for why the government may not consider this option viable. The Commission also notes there are aspects of NIWA and MetService's preferred option that ideally could be taken further, for example:

a. the nature of pricing policies (where MetService's policies were preferable to NIWA's)

b. further detail on improvements to data availability - such as time-lags, the basis for making data available, and potentially making more datasets to be available.

These aspects of NIWA's and MetService's improvement intentions can be worked through as shareholding Ministers' expectations are set, and more detailed aspects of the parties' data access improvement intentions are worked through during the acquisition planning phase.

Ongoing regulatory oversight of the data and weather forecasting markets.

We note there remains a risk the merged entity may be incentivised to limit access to competitors or new entrants in the downstream markets like weather forecasting. Given we consider it is not yet feasible to make data fully open to alleviate those concerns, we considered options to provide additional assurances for risks to be mitigated. These are summarised below. In considering these options we note choices around the level of government assurance needed to balance the transaction costs of assurance with the size of this (relatively small) market.

Government assurance option	Assessment
a) Regulatory framework introduced	We consider it premature to propose legislation to formally regulate these markets given their relatively small size and in advance of any tangible evidence of problems yet materialising.
b) Incorporation of additional legislative requirements for data access upon NIWA and MetService that go beyond existing Commerce Act requirements.	It is difficult to design and justify additional legislative requirements when there is not, as yet, any clear problem to remedy. Further, legislative requirements could create unintended risks relating to interpretation and legal challenge.
c) Cabinet mandated additional oversight by shareholding Ministers, incorporating: • Specific shareholding Ministers' expectations on data access. • Three-year NIWA/MetService report-back (from acquisition date) to Ministers on data access. • Shareholding Ministers' option to initiate independent review on data access if they consider that significant outstanding issues exist. This oversight is in addition to existing ongoing Commerce Commission oversight under the Commerce Act.	***Officials' Preferred option.*** This option places some onus on the government to provide additional assurance over data access arrangements in parallel to any government decision to legislate a Commerce Act exemption relating to the acquisition for reasons of public benefit. Shareholding Ministers are likely to be able to place an additional layer of influence on entities over and above Commerce Commission oversight. This option allows public interest and public safety to be weighed, and interventions to be flexible depending on prevailing circumstances. Report backs/ reviews could be publicly released to support transparency.
d) Requirement to publish data policies.	The entities would have to publicly disclose their data policies. This would help resolve the transparency issue noted in previous reviews.

e) Rely on existing ongoing Commerce Commission oversight under the Commerce Act.	It is unclear whether NIWA and MetService would follow through on stated intentions to improve data access, without some additional level of government oversight. The Commerce Commission enforcement process considers what is 'unlawful' rather than best practise.

The Commerce Commission considers that their oversight only may not be an effective constraint due to:

- practical challenges they may face in taking any action against the behaviour of a merged MetService/NIWA;
- them not having adequate tools to deal with any competition issues that may arise around access to the data of a merged MetService/NIWA;
- Part 2 of the Commerce Act does not regulate the level of pricing charged by entities that might have market power; and
- The risk that the prices paid by access seekers and downstream consumers would be higher than those that would be set in a competitive market.

The Commerce Commission considers that some form of regulatory control or oversight on a merged MetService/NIWA (particularly in terms of the pricing/terms of access to its data) would be important to mitigate competition risks from the merger. It is their view that without such oversight, there is a risk that the merger would result in poor outcomes for consumers of weather data in terms of price quality and innovation.

Officials consider that additional shareholding Minister oversight is the most effective way forward to securing improvements in data access arrangements and that a non-legislative intervention is the appropriate first step before implementing a legislative intervention (particularly before a non-legislative intervention has been tried). Officials consider that greater transparency over price and access terms will not in itself guarantee a competitive market.

On 4 February 2025 the Commerce Commission wrote to the Minister of Commerce and Consumer Affairs providing their views on ways to improve weather data access arrangements to better promote competition as a result of the merger. In particular, they recommended:

1. a stronger commitment to open data access would include **setting enforceable requirements for transparency of terms, pricing, and processes**, **and a published access policy**.
2. **requiring access terms and prices to be set at a level that supports competition and enables entry in downstream markets** is likely to better promote competition compared to a pricing approach that only allows an 'equally efficient competitor' to compete.
3. there should be **structural separation of the upstream, data-collection part of the merged entity from the arm that competes in downstream markets**, and that the latter face the same data access terms and prices as rivals.

MBIE and Treasury officials agree that greater public transparency over observational weather data access terms, pricing principles, and processes will benefit consumers and help mitigate competition concerns arising the merger. Specifically, enhanced transparency is expected to have the benefits of:

- Improved consumer trust and confidence in pricing and access arrangements.
- Enabling consumers to make more informed choices when accessing data.
- Increasing transparency through enhanced scrutiny of data access policies reducing the potential for monopolistic behaviours.

Both NIWA and MetService support increased transparency and are open to providing greater visibility of their data access policies.

Officials consider a legislative intervention requiring greater transparency over data access terms, pricing principles, and processes is justified. Including this requirement in legislation provides prominence to the importance of transparency, ensures accountability, and is a relatively low-cost intervention. On the balance, we consider that not all of the above benefits can be achieved with a non-legislative solution.

To avoid legislative overreach and unintended consequences, such as unmanageable implementation costs, ongoing access costs, foregone revenue impacts, and infrastructure investment trade-off, the intervention should be targeted as follows:

- **Scope:** Applies to observational weather data only;
- **Access terms:** the terms and conditions applying to the granting of data access, including the underlying access policies being applied by the merged entity;
- **Pricing principles:** the principles applied by the merged entity in setting prices for access to that data (but this does not require detailed pricing calculations);
- **Processes:** The processes for accessing data, this includes;
    - how data is stored, collected and shared.
    - the process for accessing paid data.

Currently, weather data access pricing is influenced by the cost of infrastructure to collect, hold and provide the data, the cost of staff associated with this, overhead costs, the nature of the user and the use to which the data will be put and a profit margin.

MBIE and Treasury officials do not recommend structural separation at this stage due to lack of substantive analysis on that option. No cost-benefit analysis has been conducted by the Commerce Commission, MBIE or the Treasury. Structural changes can be considered at a later point, following a report back and review within three years following the merger, and before any full amalgamation of NIWA and MetService occurs (in the event the merged entity proposes to do so).

As the reference to consideration of structural separation will not be part of this proposed legislative intervention, no reference is required to be made within the RIS on that option.

The improvements (and related government expectations) would ideally go beyond simply legal compliance with competition law, and we think the high-level proposal is tracking with that. The more granular aspects of NIWA's and MetService's improvement intentions can be worked through as shareholding Ministers 'expectations are set, and more detailed aspects of the parties' data access improvement intentions get worked through during the acquisition planning phase.

Treaty of Waitangi considerations

Consultation with MetService on the Crown's obligations under section 9 of the State-Owned Enterprises Act 1986 (SOE Act), which states "nothing in this Act shall permit the Crown to act in a manner that is inconsistent with the principles of the Treaty of Waitangi", has been undertaken.

As MetService will be moving to a legislative framework which has narrower Treaty of Waitangi protections, there is a risk that the Crown may be seen to be lessening its obligations. However, as this is an intra-Crown transfer, the Crown's overarching Treaty of Waitangi obligations will remain, as outlined below.

> ***Future land sales:*** Section 8A of the Treaty of Waitangi Act 1975 and section 27, 27A and 27B of the SOE Act mean the Paraparaumu land owned by MetService will remain protected under the statutory memorial scheme and the memorial on the title will remain, irrespective of who owns it, or whether MetService is controlled by another entity, or whether MetService is no longer a SOE.
>
> ***Access to weather stations on iwi land:*** MetService has Commercial inf existing contractual agreements in place with Māori/Iwi organisations relating to Commercial inf weather stations/radars on iwi land. These operating agreements have clauses relating to the partnership principle, acting reasonably, honourably, and in good faith. We consider it unlikely that MetService would act in a manner inconsistent with these principles and MetService will engage with the relevant Iwi during the transition period. NIWA has similar existing contractual arrangements in place with iwi for its own weather stations, and the weather stations are portable. These are long term agreements that will be in place until 2040. MetService has a further Commercial informatio on Department of Conservation (DOC) administered land where it is possible that Iwi may have an interest in some of this land in the future. However, in this case, it is DOC who hold the relationship with Māori. All these agreements will remain in place following the transition.

Given the changes to MetService and the future weather forecasting system, targeted consultation with relevant Iwi will be undertaken in early 2025, including with those in relation to MetService's land and that have existing contractual agreements for access to weather stations on Iwi land. Wider consultation was considered unnecessary given MetService's broad range of Māori stakeholders that will be engaged, and the wider science system reforms taking place that will also involve Māori consultation.

Treaty of Waitangi principles: Partnership and options, Active Protection and Redress

Existing Māori rights and interests that currently exist in the current arrangements will remain protected or enhanced under the new structure. Both entities are, and will remain committed, to operating in a manner that is consistent with the Treaty of Waitangi principles of: Partnership and options, Active Protection and Redress).

Partnership and options and Active Protection

- MetService are committed to engaging Māori to respond to severe weather events and ensure that its weather warnings are accessible to Māori communities. The importance of Weather Forecasting and climate related data messaging that is accessible and trusted by Māori communities is of a priority for both entities. MetService has a well-developed Māori engagement strategy to deliver these partnerships. MetService does not hold any Māori data or matauranga Māori, however there are contractual arrangements for sharing data with involved Iwi on specific MetService projects, which will remain following the transition.

- NIWA has a well-established Iwi / Māori engagement and Partnership unit (Te Kūwaha – National Centre for Māori Environmental Research). Te Kūwaha drives collaborative partnerships with

Māori in a way that reflects Māori values and scientific knowledge systems. This includes developing NIWA's networks with Māori, co-development of research priorities and developing science capability and capacity of the benefit of Māori and support for Māori-led research. Te Kūwaha also provides support in the execution and leadership of organisational strategies.

- The new weather forecasting system seeks to improve data access for all New Zealanders. The preferred approach is to develop a single platform for data access with improved ease of access and usability with one set of pricing and access. The range of data available for access will include rain radar data.

Redress

- The Crown has an obligation to recognise the past wrongs and provide the right of redress. This will need to be considered by MetService with particular interest to land holdings, for example, weather stations on Māori land or 'right of first refusal' arrangements. As above, land obligations will remain protected under the statutory memorial scheme for the Paraparaumu site and existing contractual arrangements.

Government Superannuation Fund entitlements

MetService has a small number of employees who are contributors to the Government Superannuation Fund (GSF). The appropriate policy result is for these entitlements to remain unaffected by the acquisition transaction.

A common approach to achieve this is to include a "transitional provision" in legislation to ensure this result. We note that this was also the approach taken in the amalgamation of AgriQuality and Asure, two SOEs in existence at that time, in the *State-Owned Enterprises (AgriQuality Limited and Asure New Zealand Limited) Act 2007*. Officials consider this to be the appropriate response in this case and that, to that end, enabling legislation should specify that the acquisition does not break those employees' Government service for the purposes of the GSF Act 1956.

Other operational matters

There is also a concern that the acquisition transaction could affect contractual agreements, deeds, arrangements, obligations, and rights through a change in the ownership of MetService. For example, it could be argued that the ownership change breaks an employee's continuity of service employment or that it gives rise to a claim for compensation for redundancy or a severance payment (unless the relevant Board specifically seeks to achieve such a specified result[4]).

There is also a concern that the acquisition could, in itself, cancel, trigger, or alter contractual rights and/or obligations (such as leases or debt instruments). This would also include the contract held by MetService with the Ministry of Transport, for provision of national weather forecasting services.

The appropriate policy result is that the acquisition does *not* in itself alter any contractual agreement, deed, arrangement, obligation, or right. Consequently, officials consider it appropriate that transitional provisions be included within enabling legislation to achieve this result. As above we note a similar approach was adopted in the *State-Owned Enterprises (AgriQuality Limited and Asure New Zealand Limited) Act 2007.*

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4 The appropriate policy result is that redundancies and severance payments are not triggered by the acquisition itself. However, it is possible that the Boards of the respective entities may decide that some consolidation of assets and/or capability is appropriate post-acquisition. This is a matter for the individual Boards.

Contractual agreements, deeds, arrangements, obligations, and rights

There is also a concern that the acquisition transaction could affect contractual agreements, deeds, arrangements, obligations, and rights through a change in the ownership of MetService. For example, it could be argued that the ownership change breaks an employee's continuity of service employment or that it gives rise to a claim for compensation for redundancy or a severance payment (unless the relevant Board specifically seeks to achieve such a specified result). There is also a concern that the acquisition could, in itself, cancel, trigger, or alter contractual rights and/or obligations (such as leases or debt instruments). This would also include the contract held by MetService with the Ministry of Transport, for provision of national weather forecasting services.

The appropriate policy result is that the acquisition does *not* in itself alter any contractual agreement, deed, arrangement, obligation, or right. Consequently, officials consider it appropriate that transitional provisions be included within legislation to achieve this result. As above we note a similar approach was adopted in the State-Owned Enterprises (AgriQuality Limited and Asure New Zealand Limited) Act 2007.

Other transitional, consequential or enabling provisions may be required

It is possible that the enabling legislation may need to include a number of minor and/or mechanical miscellaneous provisions to provide clarity or provide consistency or that are a natural consequence of removing MetService from the SOE Act. It is difficult to predict all of these with absolute certainty. An example could include whether Part 2 of Schedule 1 of the Ombudsmen Act 1975 should be amended by omitting MetService (as MetService would no longer be an SOE featured on that Schedule).

Another example might be to repeal section 3 of the State-Owned Enterprises (Meteorological Service of New Zealand Limited and Vehicle Testing New Zealand Limited) Amendment Act 1999 (SOE Amendment Act), which will be redundant following MetService's removal from the SOE Act.

Officials consider that many of these amendments may be identified during the drafting stage of the Bill. Shareholding Ministers could be provided delegated authority by Cabinet to decide on these minor transitional, consequential and enabling amendments. This approach may be necessary if Cabinet requires an expedited progression of legislation.

The Minister of Finance as a shareholding Minister of both NIWA and MetService

As a shareholding Minister of both entities, the Minister of Finance will be acting as both the seller and purchaser in the transfer of shares for NIWA to acquire MetService. Free and frank

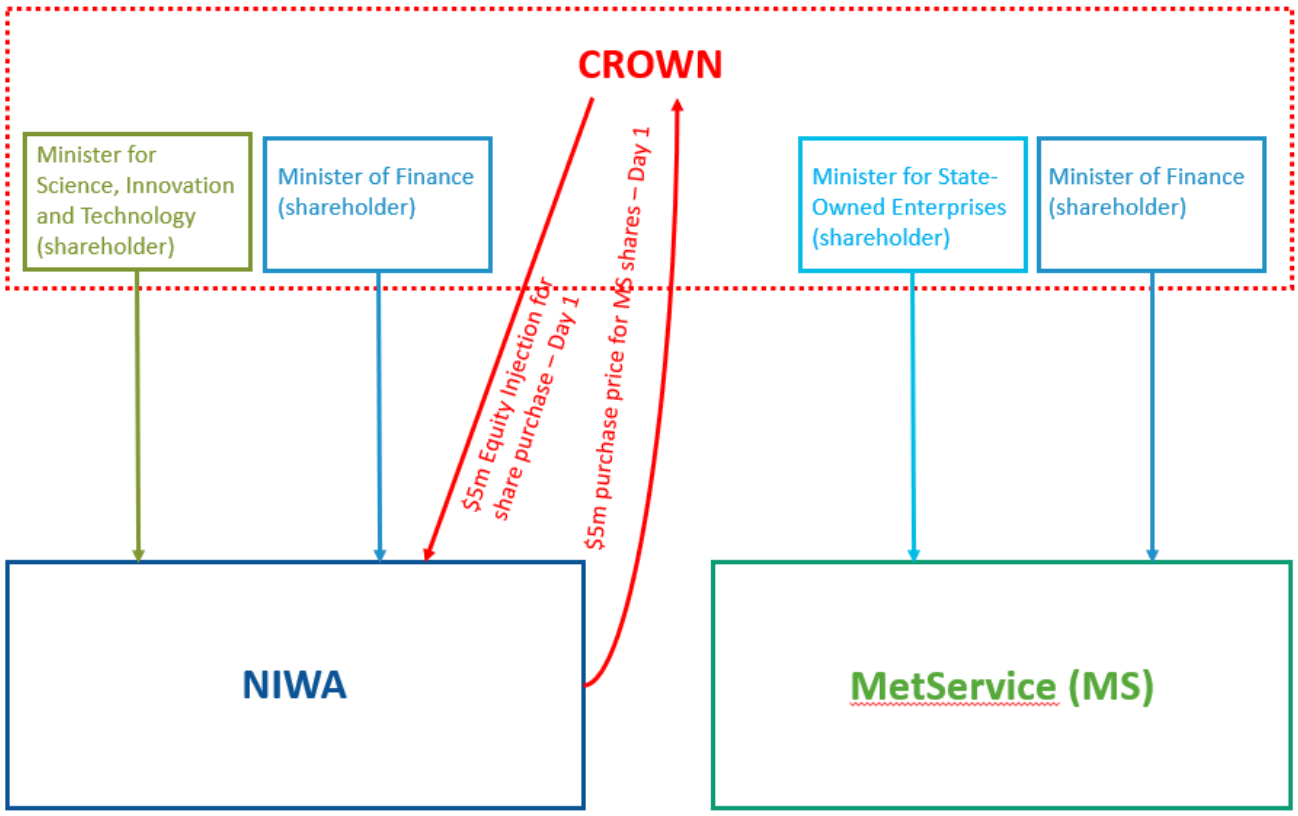
Acquisition transaction

In the event Cabinet agrees to the acquisition proposal, Officials consider that the acquisition transaction value be set at the value of the Crown's initial investment equity in MetService as reflected in Vote Finance, which is $5.0 million.

We expect there to be no net fiscal implications to the Crown as the acquisition would be an intra-Crown transaction. Officials consider a Multi-Year Capital Appropriation (ie an MYA) to facilitate the funding for NIWA to purchase MetService's shares is preferred, ideally covering the 2025/26 and 2026/27 financial years, due to uncertainty over the exact timing of the passage of legislation permitting the transaction.

We also recommend that the purchase price of shares be funded by a $5 million capital injection being provided to NIWA. NIWA would then immediately return that sum to the Crown by way of the price paid for MetService's shares. This could be net of any taxes as income tax (ie. it is not income to NIWA) and GST (as this would be an exempt supply) are unlikely to apply to equity investments.

The illustration below highlights the transaction at a high level:



Acquisition process

Legislation will be required to permit the transaction, including removing MetService from the SOEs Act along with a number of enabling, transitional and consequential provisions. Once the acquisition of MetService is legally permissible a formal acquisition process could progress.

This process would involve, *inter alia*, NIWA performing a due diligence process in advance of any acquisition to understand the benefits, costs and risks, and following approval by NIWA's Board, NIWA would seek shareholding Ministers' approval for the acquisition of MetService's shares. In practice, this process will begin long before the permitting legislation passes.

While the decision to acquire MetService (once legally permissible) is ultimately a decision for NIWA's Board, we understand that NIWA is interested in pursuing the acquisition as they have a sound understanding of MetService's business, they see the synergies and efficiency benefits that could be achieved through greater integration, and of the additional value a business combination with MetService can provide to the wider weather forecasting system.

If Cabinet agrees, NIWA and MetService will work with MBIE and Treasury officials on implementing the transaction, including the instruments necessary to execute it.

How will the new arrangements be monitored, evaluated, and reviewed?

If Cabinet agrees, Officials would be involved in advising on any minor and residual policy and technical issues that need addressing and on the drafting of legislation to achieve the implementation of the acquisition. Officials would support Ministers in taking forward legislation through the House and in any other matters that require addressing.

Monitoring arrangements post-acquisition and during integration

As NIWA will own MetService post-acquisition, the monitoring of MetService will formally transfer from Treasury to MBIE as lead Monitor.

Initially, MBIE will be particularly focused on monitoring the progress of the transition where the two entities work through the integration of the improved weather forecasting functions and improved weather data access arrangements. This is on the basis that the merger process is typically a period of elevated risks to both merging entities. Post-merger, and following assessment and ownership risks in the steady state, MBIE will likely refocus its attention on the parent entity, although MBIE will reserve the ability to engage with MetService directly if this is considered necessary.

The new monitoring arrangements will be met within agencies' existing baselines, although the budget for monitoring MetService will need to be agreed between MBIE and Treasury.

Wider Science, Innovation and Technology System Reform

On 16 December 2024, Cabinet considered changes to the wider science, innovation and technology system, which included the establishment of four public research organisations (PROs) by merging or repurposing existing CRIs [CAB-24-MIN-0504.02 refers].

Cabinet agreed, in-principle, subject to more detailed policy work to:

- an earth sciences PRO through merging GNS Science and NIWA, noting that NIWA's acquisition of MetService is also being worked on; and
- that PROs will be constituted as *Crown agents* to give effect to government policy.

If, following further work and final Cabinet decisions, PROs are constituted as Crown agents, there is a risk some commercial revenue associated with MetService will be lost, as it would move further away from being a profit-driven entity (which is an underlying a feature of the State-Owned Enterprise model).

Further, there is a concern that any cost savings from the MetService and NIWA integration would be redirected to support the broader science system integration, diluting the funding available to best support New Zealand's weather forecasting system.

To address these concerns MBIE and Treasury officials recommend Cabinet agree to Joint shareholding Ministers setting expectations on NIWA and MetService to:

- deliver the outcomes sought from the changes to the weather forecasting system, including the optimal weather forecasting system state as set out in this RIS;
- deliver an effective and efficient acquisition process with respect to MetService becoming a subsidiary of NIWA;
- deliver appropriate financial efficiencies from the acquisition, and recycling these back into the weather forecasting system for a period of at least three years, and in doing so ensuring

MetService is able to continue to earn commercial income to support being retained as a brand as New Zealand's authorised meteorologist;

- provide greater public transparency in weather data access pricing and terms of access; and
- ensure a joined-up weather forecasting service during the acquisition planning period and throughout the acquisition transition period, particularly in respect of severe weather events.