



Digital Economy and Communications briefing

Hon Dr David Clark
Minister for the Digital Economy and Communications

Title: **Profile of Incoming Onshore Digital/Cloud Capability:
Update November 2021**

Date: 30 November 2021

Key issues

- Government has a policy for the Public Service to prefer using Cloud services ahead of traditional on premises approaches to managing technology, to realise the significant benefits. Several issues have slowed government's Cloud adoption including concerns around storing government data offshore, and a lack of access to secure hyperscale Cloud in Aotearoa. Officials are working with security agencies on a joint Cabinet paper to support you and Minister responsible for GCSB to report in May 2022 on Government's Cloud adoption issues.
- Over the past 18 months local and global providers of Cloud services have either signalled or confirmed their intention to invest in establishing their Cloud services in New Zealand. Many are seeking your support as lead Minister for their plans.
- On 9 April 2021 and 26 August 2021 Officials provided you briefings on the known Cloud intentions profile at the time [*DEC202100134 and DEC202100300 refers*]. You asked for regular updates on the profile as material shifts occur.

Action sought

- **Note** the larger number of Cloud providers signalling their plans to invest in their services in Aotearoa, as indicated in the profile at Appendix A.
- **Note** that several new and existing Cloud providers have sought to engage with you as lead Minister, to share and seek your support for their plans.
- **Agree** to schedule meetings with DCI representatives before Christmas; and
- **Agree** to schedule a meeting with Microsoft and AWS in early 2022; and
- **Agree** to schedule meetings with CDC, Datagrid, Lake Parime/Simply Energy, Google Cloud, Salesforce, Catalyst Cloud, Datacom and CCL; by March 2022.
- **Note** that officials will brief you as engagements are scheduled; and are available to support you in the meetings if needed

Timeframe

6 December
2021

Contact for telephone discussions (if required)

Name	Position	Contact Number	Suggested 1 st contact
Ann-Marie Cavanagh	Deputy Government Chief Digital Officer	s9(2)(a) OIA	✓
Stella Ward	Executive Director Cloud Programme	s9(2)(a) OIA	

Return electronic document to:	Adrienne Moor: Adrienne.moor@dia.govt.nz
Cohesion reference	https://dia.cohesion.net.nz/Sites/AOG/MPRO/GCP/ENG/layouts/15/DocIdRedir.aspx?ID=EEJU23W3HNHT-2038787002-213
Ministerial database reference	DEC202100420

Purpose

1. To provide you with an updated forward profile of known investments in onshore Cloud capability, and recommendations to support your engagement with these initiatives.

Background

2. Local and global Cloud providers continue to express interest in providing their services in Aotearoa. Hyper and large-scale Cloud will soon be a reality in New Zealand, and when it's available, it will provide a robust foundation for our Digital Strategy for Aotearoa, and platform for our Digital Economy and Digital Public Service plans. And with this investment comes added security benefits, as the facilities and the data they hold will be provisioned from Aotearoa, where our laws and protections apply.
3. Global software companies like Microsoft and AWS have announced plans to establish their hyperscale Cloud services in Aotearoa, and these initiatives represent billions of dollars of investment in our digital capability. Several other global providers, including DCI, Datagrid and Lake Parime, have recently signalled plans to invest in their New Zealand service offerings. These are welcome developments that will enhance our already thriving ecosystem of Cloud innovators in New Zealand.

Cloud providers wish to engage with you as lead Minister to share their aspirations and plans and seek your support...

4. On 9 April 2021 and 26 August 2021 Officials provided you briefings on known Cloud intentions at the time [DEC202100134 and DEC202100300 refers], and you asked to be updated on further developments as they occur. Several new providers are signalling local investment intentions and this briefing provides you an updated profile and timeline, at November 2021. All the providers have sought to meet with you as lead Minister to share and seek your support for their plans.
5. Some providers have already shared with you their intentions, and others earlier in their journey are seeking to initiate dialogue with you:
 - 5.1 **Microsoft** – in May 2020 Microsoft confirmed its plans to invest ~\$1bn in building a Datacentre Region in Auckland; three high-availability, resilient, secure, distanced and environmentally supportive hyperscale datacentres. Microsoft are seeking your support and advocacy of their plans, and strategic dialogue on big issues of shared interest. Microsoft has invited you to meet their executive team and visit a build site in Auckland, and officials are working with your office to schedule the visit.
 - 5.2 **Canberra Datacentres (CDC)** – in May 2020 CDC, 48% owned by New Zealand company Infratil, confirmed its plans to invest \$300m+ to build two hyperscale datacentres in Auckland. Some of CDC's facilities will be used by s9(2)(b)(ii) OIA to host its Cloud-based services. CDC are seeking your support and advocacy of their plans, and strategic dialogue on big issues of shared interest including AU/NZ collaboration opportunities. CDC has also invited you to meet their executive and visit a build site.
 - 5.3 **Datagrid** – in April 2021 you joined Hons Woods and Nash in a meeting with Datagrid representatives to discuss their local plans [2021-2477 refers], which is to invest \$1bn a carbon-neutral large-scale (100MW) datacentre in Southland and an \$210m subsea cable between Southland and Sydney/Melbourne (with opportunities to include connections to Dunedin, Christchurch, Stewart Island

and Chatham Islands). On 29 October 2021 officials from DIA, MBIE and DPMC met with Datagrid to further discuss their proposal, during which they informed that they had been acquired by BW Digital, an affiliate of Singapore-based global maritime conglomerate BW Group. Datagrid are seeking your support and advocacy of their plans, and strategic dialogue on big issues of shared interest including growth opportunities for Southland in the wake of the Tiwai closure along with the international connectivity network (connecting Singapore, Australia, NZ and USA). Datagrid has invited another meeting with you as soon as it can be scheduled.

- 5.4 **DCI** – in June 2021 DCI, owned by major global asset management firm Brookfield, invited the Prime Minister to attend a ground-breaking event for their large-scale datacentre build in Auckland. DCI runs large scale Cloud datacentres in Australia and are looking to invest \$300m+ in similar capability in Aotearoa. Some of DCI's facilities will be used by ██████████ DCI has strong New Zealand interests with 50% ownership of Vodafone NZ and other NZ investments including C3 and Pedersen Group. DCI are seeking your support and advocacy of their plans, starting with amplification of their announcement. DCI has requested a meeting with you as soon as it can be scheduled.
- 5.5 **AWS** – in September 2021 AWS confirmed their \$7.5bn investment in their AWS New Zealand Region. Three high-availability, resilient, secure, distanced and environmentally supportive hyperscale datacentres in the Auckland region. AWS posed several requests as part of its investment commitment, and are seeking your support, advocacy and ongoing engagement with this work programme. AWS has requested a meeting with early in the New Year to share the outcomes of the work with officials.
- 5.6 **Lake Parime/Simply Energy** – Simply Energy (a subsidiary of Contact Energy) is engaging with UK Digital Infrastructure Company Lake Parime, on the potential for a for a high-volume Cloud datacentre powered by the Clyde Dam. Lake Parime builds digital (Cloud) infrastructure that uses clean energy and has engaged Simply Energy to look at how to utilise the Lower South Island windfarms to ensure 100% renewable energy for the Datacentre. Due diligence with the local Council is underway. On 1 December 2021 officials will meet with Simply Energy, to obtain more details of their investment intentions.
- 5.7 **Google Cloud** – Google Cloud has signalled interest in local investment but has no plans. It recently launched a point of presence in Auckland to connect customers to its Melbourne facilities. Negotiations for an all of government commercial arrangement between government and Google are underway.
- 5.8 **Salesforce** – Salesforce is an international software company that specialises in Cloud-based Customer Relationship Management (CRM) systems and are used broadly by in the Public Service, including Health that uses Salesforce to enable the National Contact Tracing System. Health has identified an opportunity for a whole-of-government approach, and whilst Salesforce holds a different view, officials consider there could be value for money benefits in a system approach. Salesforce is seeking support and advocacy of their plans and has invited a meeting with you as soon as it can be scheduled.

Local providers are also seeking to protect and grow their market share

- 5.9 **Catalyst Cloud** – Catalyst Cloud is a New Zealand owned and operated Cloud provider that is particularly seeking to grow its share of government digital services supply. Negotiations for an all of government commercial arrangement between government and Catalyst are progressing positively. Catalyst are seeking your support, advocacy and ongoing engagement with their aspirations.
 - 5.10 **Datacom** – Datacom are on Government's (Digital) Infrastructure Panel and are a key local partner to global Cloud providers. Datacom are seeking to broaden its strategic relationship with the Government.
 - 5.11 **CCL (Revera)** – Revera are also on Government's (Digital) Infrastructure Panel and key local partner for global Cloud providers. **CCL Leaven** is the speciality Cloud practice. CCL are also seeking to broaden their strategic relationship with the Government.
6. Taken together, these initiatives represent several billions of dollars investment in coming years in New Zealand-based digital/Cloud infrastructure and will be some of the largest uplifts ever in our digital maturity. The increases in Cloud storage, processing and analytical capabilities create significant potential for new insight, growth opportunity, innovation and different ways of problem solving. An indicative view of the incoming capacity is included at Appendix One.

...and most have expressed interest in your draft Digital Strategy for Aotearoa.

7. Many providers have shown interest in and support for your developing Digital Strategy for Aotearoa and may have provided views as part of your recent public consultation. We observe that providers are generally supportive of the thinking and keen to assist.
8. Officials consider that Cloud adoption will strongly support the Strategy's trust and growth themes. Cloud adoption is considered, in pending Cyber proposals, as a way of supporting uplift government's security capability swiftly and at scale. Cloud capabilities are an important part of the Digital ITP. Programme officials are connecting with the Strategy's cross-agency working group, to drive alignment in direction, work planning and measurement.

You may wish to consider a programme of engagement with Cloud providers over coming months, to discuss areas of shared interest

9. As noted at paragraph five most Cloud providers have signalled interest in meeting with you as soon as possible to discuss their plans, opportunities and ongoing engagement. Noting the investment scale and potential for value creation for the Digital Strategy for Aotearoa, officials recommend that you consider the following engagement approach:
 - 9.1 Before Christmas: DCI
 - 9.2 Early 2022: Microsoft
 - 9.3 By March 2022: CDC, Datagrid, Lake Parime/Simply Energy, Google Cloud, Salesforce, Catalyst Cloud, Datacom and CCL
10. Officials will brief you more fully on the initiatives and key issues for the meeting, closer to the meeting time. Officials are also available to join you in the meetings, should you require further support.

Recommendations

- **Note** the larger number of Cloud providers signalling their plans to invest in their services in Aotearoa, as indicated in the profile at Appendix A.
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- **Agree** to schedule meetings with DCI representatives before Christmas; and Yes/No
- **Agree** to schedule a meeting with Microsoft and AWS in early 2022; and Yes/No
- **Agree** to schedule meetings with CDC, Datagrid, Lake Parime/Simply Energy, Google Cloud, Salesforce, Catalyst Cloud, Datacom and CCL; by March 2022. Yes/No
- **Note** that officials will brief you as engagements are scheduled; and are available to support you in the meetings if needed



Ann-Marie Cavanagh
Deputy Government Chief Digital Officer

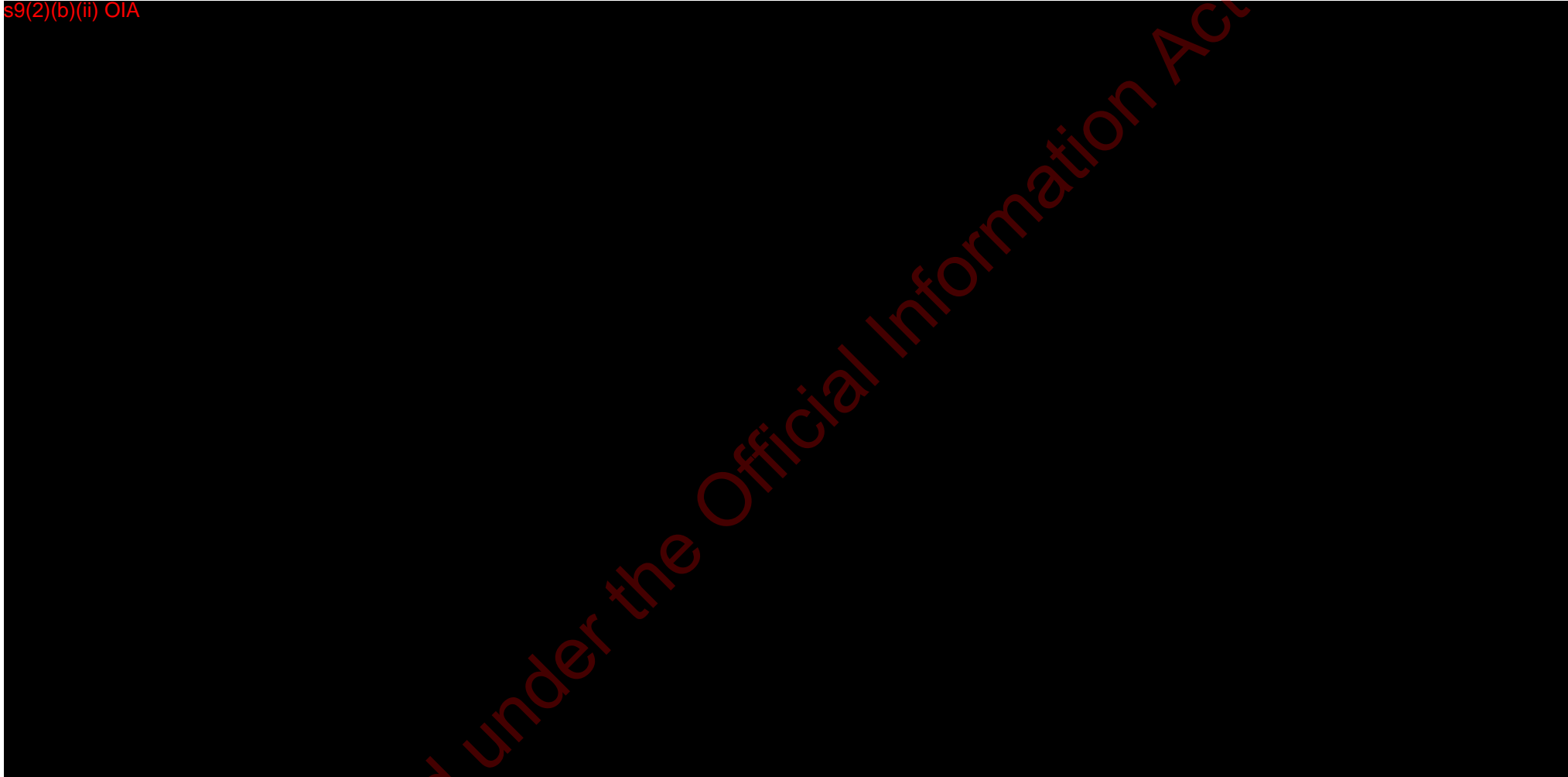
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Appendix A: estimated scale of incoming storage and processing capacity

s9(2)(b)(ii) OIA



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