



Cabinet

CAB Min (14) 25/9

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Minute of Decision

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Project CORTEX Business Case

Portfolio: Government Communications Security Bureau (GCSB)

On 28 July 2014, Cabinet:

Background

- 1 noted that countering advanced cyber threats is a government priority, as set out in the New Zealand Cyber Security Strategy (2011);
- 2 noted that in March 2012, the Cabinet Committee on State Sector Reform and Expenditure Control noted that Budget Ministers had agreed to set aside a tagged contingency of \$■ million over five years, including \$■ million for capital expenditure, to counter advanced cyber threats [SEC Min.(12) 4/1];
- 3 noted that in December 2013, the Minister Responsible for the GCSB wrote to the Minister of Finance with a proposal for use of the tagged contingency referred to above, and that it was agreed that the Government Communications Security Bureau (GCSB) would prepare a business case for the proposal (project CORTEX), in accordance with Treasury guidelines;
- 4 noted that in May and June 2014, the business case was reviewed by Joint Ministers comprising the Minister Responsible for the GCSB, the Minister of Finance, the Minister for Economic Development, the Minister for Communications and Information Technology, the Minister of Foreign Affairs, the Minister of Defence, and the Attorney-General;

Implementation

- 5 noted that project CORTEX:
 - 5.1 is consistent with and will contribute significantly to the overall objective of countering advanced cyber intrusions;
 - 5.2 will operate under the provisions of the amended Government Communications Security Bureau Act 2013 (the GCSB Act) and warrants and access authorisations approved by the Minister Responsible for the GCSB and the Commissioner for Security Warrants;
 - 5.3 will in all cases operate with the consent of the participating organisations;

6 agreed that the preferred option for the implementation of project CORTEX is Option 3 ('Active') as set out in the paper under CAB (14) 409;

7 directed the GCSB to implement the preferred option;

Resource

8 noted that the capital expenditure requirements to deliver the capabilities under Option 3 have been estimated as \$ [REDACTED] million¹;

9 noted that the incremental operating expenditure required to operate the capabilities in-service has been estimated as \$ [REDACTED] million over 5 years, with \$ [REDACTED] million outyear operating costs from 2017/18;

10 noted that \$ [REDACTED] million capital and \$ [REDACTED] million operating expenditure can be met from GCSB baselines;

11 agreed to increase expenditure to provide for costs associated with the proposal in paragraph 6 above, with a corresponding impact on the operating balance and debt:

Vote Communications Security and Intelligence Minister Responsible for the GCSB	\$m – increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & outyears
Operating impact	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Debt impact	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

12 approved the following changes to appropriations and net assets to give effect to the proposal in paragraph 6 above:

Vote Communications Security and Intelligence Minister Responsible for the GCSB	\$m – increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & outyears
Intelligence and Security Department Expenses ¹ and Capital Expenditure: Communications Security and Intelligence (funded by revenue Crown)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

13 agreed that the operating balance and debt impacts in paragraph 11 above of expenses and capital expenditure incurred under paragraph 12 above be charged against the Initiative 7418 tagged contingency established in March 2012, referred to in paragraph 2 above;

14 agreed that the changes to appropriations for 2014/15 above be included in the 2014/15 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

15 noted that it is anticipated that in future years beyond 2017/18, the GCSB will require Crown appropriations, limited by the value of depreciation funds returned from GCSB to the Crown, to replace and maintain project assets beyond 2017/18;

¹ This figure does not include any contingency funding for the project.

Contingency

- 16 agreed that the expiry date of the Initiative 7418 tagged contingency be extended to 31 January 2016;
- 17 agreed that the balance (\$ [REDACTED] million) required to fund Option 4 (Proactive) remain in the Initiative 7418 tagged contingency pending the outcome of the report back referred to in paragraph 19.2 below;

Reporting

- 18 directed the GCSB to:
- 18.1 consult the Minister for Communications and Information Technology on the proposal in Option 4 (as set out in the paper attached to CAB (14) 409), to involve an Internet Service Provider (ISP) in the project;
 - 18.2 report to the Minister Responsible for the GCSB and the Minister for Communications and Information Technology on the implications of including an ISP in the project as proposed in Option 4;
- 19 directed the GCSB to report to Cabinet (through the relevant Cabinet committee) by September 2015 on the:
- 19.1 progress of project CORTEX;
 - 19.2 subject to Ministers' consideration of the report referred to in paragraph 18.2 above, with an option to expand the scope of the project from Option 3 (Active) to Option 4 (Proactive).

Secretary of the Cabinet

Reference: CAB (14) 409

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