

VOTE *Defence* *Force*

Defence Force

Overview

The annual appropriation sought for Vote Defence Force in 2006/07 totals \$1,708.319 million. It is intended that this be spent as follows:

- \$1,671.719 million (97.8% of the Vote) on the Navy, Army, and Air Force to provide the Government with a range of military forces to protect and advance the security and interests of New Zealand. These forces are held at appropriate levels of capability and preparedness to protect New Zealand's territorial sovereignty and to contribute to regional and global security efforts. Most of these forces will also contribute a range of services to other government departments and the community when not committed to operations. The breakdown by Service is as follows:
 - Navy - \$518.487 million (30.3% of the Vote).
 - Army - \$650.075 million (38.0% of the Vote).
 - Air Force - \$503.157 million (29.5% of the Vote).
- \$12.126 million (0.7% of the Vote) on military policy development, coordination and advice to the Government.
- \$12.568 million (0.8% of the Vote) on Miscellaneous Support Activities that include the Mutual Assistance Programme, support to the New Zealand Cadet Forces, the training of Limited Service Volunteers and the provision of Service Museums.
- \$11.906 million (0.7% of the Vote) for military hydrography, and the provision of hydrographic services to Land Information New Zealand (LINZ).

In addition to the above, Vote Defence Force contains a Multi-Year Appropriation (MYA) of \$65.500 million for the three-year period 2005/06 - 2007/08 to fund the expense of *Operationally Deployed Forces*. The MYA approach provides flexibility of funding for an output expense for which demand varies from year-to-year.

The NZDF expects to recognise about \$17 million in third party revenue (Revenue Department and Revenue Other) in 2006/07.

Details of how the appropriations are to be applied appear in Parts B, C and E of this Vote.

Terms and Definitions Used

AE	Aeromedical Evacuation
CBRE EOD	Chemical, Biological, Radiological, Explosive, Explosive Ordnance Disposal
DCARR	Defence Capability and Resourcing Review
DSI	Defence Sustainability Initiative
EEZ	Exclusive Economic Zone
HMNZS	Her Majesty's New Zealand Ship
HQ JFNZ	Headquarters Joint Forces New Zealand
HQ NZDF	Headquarters New Zealand Defence Force
IEDD	Improvised Explosive Device Disposal
IPCs	Inshore Patrol Craft
IPVs	Inshore Patrol Vessels
KP/s	Key Priority/ies
LAV	Light Armoured Vehicle (the LAV III)
LINZ	Land Information New Zealand
LOV	Light Operational Vehicle
LTDP	Long-Term Development Plan
MAO&T	Multi-Agency Operations and Tasks
MCM	Mine Counter Measures
MRV	Multi-Role Vessel
MYA	Multi-Year Appropriation
NZDF	New Zealand Defence Force
OLOC	Operational Level of Capability
OPVs	Offshore Patrol Vessels
RNZAF	Royal New Zealand Air Force
RNZN	Royal New Zealand Navy
UN	United Nations

Footnotes

Note 1	The total NZDF <i>Capital Charge</i> expense is relatively fixed, according to the accumulated single value of Tax Payers Funds; although affected by the rate changes (7.5% for 2006/07, and 8% for 2005/06 where savings were returned to the Government). However, the <i>Capital Charge</i> attracted by the separate Output Expenses varies as asset values change within each output activity from year to year. For 2005/06, a heavier weighting applied to the Naval Combat Forces due to the relative dominance of the value of the frigates. The introduction of the LAV and LOV fleets has now resulted in a higher proportion of the relatively stable total NZDF <i>Capital Charge</i> being attributed to Army Output Expenses for 2006/07. These movements result in increases in some areas matched by reductions in others.
Note 2	This is the value of expenditure that the Government currently expects it will have incurred against the appropriation by the time the appropriation expires at the end of June 2008.

Minister Portfolio Table

22	Minister of Defence
----	---------------------

Defence Force

VOTE MINISTER: Minister of Defence

ADMINISTERING DEPARTMENT: New Zealand Defence Force

The Minister of Defence is the Responsible Minister for the New Zealand Defence Force

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The primary objective for *Vote Defence Force* is to prepare an effective Defence Force capable of meeting the Government's defence policy goals. These goals and the NZDF force structure to support their achievement are established in a number of policy documents as outlined below.

Defence Act 1990

Under the *Defence Act 1990*, New Zealand's Armed Forces are raised and maintained for:

- the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere
- the contribution of forces under collective security treaties, agreements or arrangements
- the contribution of forces to the UN or other organisations or States for operations in accordance with the principles of the charter of the UN.

The Act also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand or elsewhere.

New Zealand's Defence Policy

The *Defence Policy Framework*, issued by the Government in June 2000, provides a framework for future decisions about military capabilities, resources and funding. It articulates the Government's goals and priorities for defence, and was substantially guided by, and builds on, the *Defence Beyond 2000 Report*. Subsequent Government statements, such as those of 8 May 2001 (*A modern sustainable Defence Force matched to New Zealand's needs*), the *Defence Long-Term Development Plan* (LTDP) of 11 June 2002 (and subsequent annual updates to that plan) and the *Defence Sustainability Initiative* (DSI) of 2 May 2005, added detail to the earlier strategic document.

The *Defence Policy Framework* sets out five key defence policy objectives, and appropriations are sought to support them. The defence policy objectives are to:

- defend New Zealand and to protect its people, land, territorial waters, EEZ, natural resources and critical infrastructure
- meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests
- assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours
- play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the Five Power Defence Arrangements

- contribute to global security and peacekeeping through participation in the full range of UN and other appropriate multilateral peace support and humanitarian operations.

Defence Outcomes

The following main and intermediate *Defence Outcomes*, to which the NZDF has major contributions, continue to be as follows:

- Main Defence Outcome: New Zealand secure and protected from external threats now and in the future.
- Intermediate Defence Outcomes:
 - Intermediate Outcome 1: Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure.
 - Intermediate Outcome 2: Reduced risks to New Zealand from regional and global insecurity.
 - Intermediate Outcome 3: New Zealand values and interests advanced through participation in regional and international security systems.
 - Intermediate Outcome 4: New Zealand is able to meet future national security challenges.

Primary Mission of the New Zealand Defence Force

The primary mission of the NZDF remains:

“To secure New Zealand against external threat, to protect our sovereign interests, including in the Exclusive Economic Zone, and to be able to take action to meet likely contingencies in our strategic area of interest”.

Link to Government’s Priorities

The NZDF mission is primarily linked to *Government Priority Number 3* - the theme of *National Identity* and the connotation that, as New Zealanders, we celebrate our identity in a world as people who support and defend freedom and fairness. This theme links with the Government policy to not only provide Defence Force contributions to the resolution of conflict and maintenance of stability, particularly the international roles of peacekeeping and humanitarian relief operations, but also to the wide range of assistance that is provided by the NZDF to the New Zealand community. Other less obvious links with the Government Priority themes of *Economic Transformation* and *Families - young and old*, related to the NZDF Key Priorities (KPs) for 2006/09, are detailed in the *NZDF Statement of Intent* and *NZDF Output Plan*.

Defence Capability and Resourcing Review and Defence Sustainability Initiative

In response to the results of the Government-commissioned Defence Capability and Resourcing Review (DCARR) conducted in 2004/early 2005, the NZDF has been set on a Government-approved course of recovery and growth. The plans for this come under the Defence Sustainability Initiative (DSI) launched in May 2005. This initiative provides the NZDF with a \$4.6 billion package over ten years, commencing from 2005/06, to develop NZDF military and organisational capability to a level that will ensure the Government’s defence policy objectives are met on a sustainable basis.

The DSI funding package will continue to increase the NZDF’s nominal baseline each year for the next nine years and will provide the NZDF with a high degree of assurance for funding into the future. The

NZDF is required to fund output delivery, capability development, some minor capital acquisition, and standard operational deployments from this package. Additional funding would need to be considered and appropriated for any major event or operational deployment of a scale greater than the normal operational tempo and funding, such as the scale of the deployment to Timor Leste.

In summary, the DSI funding package will provide the financial resources to:

- restore personnel numbers in the three services, HQ NZDF and HQ JFNZ to the levels required, over a period of time
- address the number and trained state in some trades deemed as critically deficient
- restore aspects of corporate management capability that were considered to be severely depleted
- replace and upgrade some major weapons platforms in accordance with the Government's intentions, through the LTDP
- raise the standard of some military equipment (other than major weapons platforms) that is currently beneath the required standard
- return contingency reserve stocks to acceptable levels
- reduce the substantial backlog of maintenance and capital expenditure in the Defence Estate, over the longer term.

Steps to responsibly manage the DSI funding package allocation process and to ensure that the allocation remains sustainable over 10 years have been developed and implemented, and will continue to be closely monitored. The DSI is required to be reported on annually (by 30 June each year), and is subject to annual review and a formal mid-term review (30 June 2010). Further details are included in the *NZDF 2006/09 Statement of Intent*.

Shaping and Rebuilding the NZDF

The *Government's Defence Policy Framework June 2000* sets the *Priorities for Rebuilding the NZDF*. It notes that sensible prioritisation of projects against available resources is essential and that priority will be given to the acquisition and maintenance of essential equipment. The core requirement is for well-equipped, combat-trained land forces which are also able to act as effective peacekeepers, supported by the Navy and Air Force. The greatest needs, as listed in the *Policy Framework*, are to:

- upgrade the Army's mobility, communications, surveillance, and fire support capabilities
- provide effective air and naval transport capabilities
- maintain effective maritime surveillance capabilities of the Air Force and Navy, within the New Zealand EEZ and the EEZs of Pacific Island States.

In follow up to its *Defence Policy Framework June 2000*, the Government announced major decisions in shaping and rebuilding the NZDF for the future (*A Modern, Sustainable Defence Force Matched to New Zealand's Needs: Government Defence Statement 8 May 2001*). These decisions will result in a high quality Defence Force which is able to keep abreast of technological developments, is affordable and can be sustained over the longer term. The decisions will ensure that resources are available to:

- continue with the modernisation of the Army
- meet both our civilian and military needs for long range maritime patrol
- renew the air transport fleet and utility helicopters

- develop a practical maritime surface fleet matched to our wide security needs.

The key decisions made in the Statement of 8 May 2001, including subsequent decisions and actions, are contained in the *NZDF 2006/09 Statement of Intent*.

On 11 June 2002, the Government released details of the Defence LTDP. The LTDP is a planning tool to enable decisions on defence acquisitions to be taken in the context of the Government's defence policy, the priority of projects and affordability. The LTDP has a rolling forward focus of 10 years and links the Government's defence policy objectives with the capability requirements announced in May 2001. It contains a comprehensive list of major capability/major capital projects, with preliminary costings, timings and priorities. The LTDP, expected to be updated in April/May 2006, continues to be a key planning document to support the decision-making processes required for shaping the future capabilities of the NZDF.

NZDF Key Priorities

The Government's ownership interests in the NZDF are addressed within the NZDF KPs for the period 2006/09, and are:

The Development of Military Capability (KP 1)

The aim is to build and develop the operational capability of the NZDF following a period of high levels of operational deployments, above average attrition rate and the introduction into service of new or upgraded equipment. The expected result of the Action Steps under this KP is a military capability that meets the Government's requirement, is combat viable, deployable, ready to be deployed and sustainable once deployed. In summary, the main Action Steps under this KP include:

- Delivery of the Joint Effect by:
 - defining Future Force joint concepts as a basis for future force capability development
 - developing the Defence Science and Technology Strategic Plan
 - developing a Defence Simulation Policy, Architecture and Analysis Tools to inform NZDF's future capability
 - developing a draft Defence Experimentation Framework
 - developing options and evaluating proposals to meet Intelligence, Surveillance and Reconnaissance requirements in a land environment
 - developing requirements for the acquisition and implementation of a Joint Command and Control System
 - continuing to develop Communications Interoperability
 - continuing to improve Information Technology Applications, including Data Management, Personnel and Coalition Network Interoperability systems to support operations
 - continuing to improve relationships with other Government departments/Agencies, especially those with which the NZDF is involved in Multi-Agency Operations and Tasks (MAO&T).
- Transformation of the Navy, restoration and modernisation of the Army, and implementing capability improvements in the Air Force. The detailed Action Steps incorporate all the new and upgraded equipment, for all three Services, that is expected to be introduced into service over the next few years.
- Continue to work towards consolidation of the RNZAF at Ohakea.

- Continue to work towards the development of a stand-alone, fully manned Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE/IEDD) organisation.
- Continue to enhance alliance and relationship management with our key allies and friends.

The Strengthening and Development of the NZDF's Organisational Capability (KP 2)

The aim is the development, deployment and sustainment of effective organisational capability; the upgrading of the ability of HQ NZDF to manage present and future challenges efficiently and effectively. Actions will focus on improved planning and decision-making. The expected result of the Action Steps under this KP is the regeneration and enhancement of the NZDF's organisational capability to ensure on-going effectiveness, and to pursue efficiencies wherever possible. In brief, the main Action Steps under this KP include the following:

- Implementation of the Government's direction for the recovery and regeneration of the NZDF (the results of the DCARR), including the development of a NZDF Strategic Plan.
- Development of a Defence Performance Management System.
- Continue a comprehensive review of the military justice system.
- Development of a NZDF information management framework.
- Implementation of a comprehensive human resources strategic plan.
- Implementation of the Joint Logistic Support Organisation.
- Implementation of a NZDF professional development framework.
- Implementation of a programme of initiatives to raise and enhance internal and external awareness of the NZDF's role and capabilities.

The above KPs are summarised in the *NZDF 2005 Statement of Intent* and specified in detail in the *2005/06 NZDF Output Plan*.

Part A2 - Trends in Vote

Output Trends 2001/02 - 2006/07

The table at the end of Part A2 provides a summary of financial activity trends in Vote Defence Force from 2001/02 to 2006/07.

Departmental Outputs

- There was a minor overall increase of \$4 million in departmental output appropriations between 2001/02 and 2002/03.
- The \$103 million overall increase in departmental output appropriations between 2002/03 and 2003/04 is explained primarily by: an increase in funding for the introduction into service of the NZ LAV; a targeted pay increase for Service personnel; new funding to provide for ongoing and new NZDF operational commitments, especially in the Arabian Sea region, Afghanistan, Iraq and the Solomon Islands; and funding for the impact of Capital Charge following the June 2003 revaluation.
- While there were funding increases in 2004/05, primarily to address Service personnel pay, the maintenance of effective Air Force personnel levels, continuation of New Zealand's commitment to the Provincial Reconstruction Team in Afghanistan and other overseas operational commitments, and operating implications and pre-acquisition funding for the Long-Term Development Plan (LTDP), this was offset by reductions in funding required for operational commitments (withdrawal of the battalion

group from Timor Leste and reduced commitments to Afghanistan and the Solomon Islands), a planned reduction in Navy personnel and operating expenses, and a reduction in the rate of Capital Charge from 8.5% to 8%. Subsequently, a decision was made to transfer \$19 million from 2004/05 to 2005/06 to provide early traction for the Defence Sustainability Initiative, resulting in an overall net decrease of \$7 million between 2003/04 and 2004/05.

- The total increase of \$113 million between 2004/05 and 2005/06 is primarily made up from: increases from the first year (2005/06) DSI funding package allocation and Project Protector operating costs of some \$64 million; the transfer from 2004/05 to 2005/06 of \$19 million; and asset revaluation of \$37 million; and a decrease from the transfer of \$7 million to the MYA Operationally Deployed Forces.

Other Expenses

- The expense appropriation of \$23.414 million in 2002/03 was provided to write-off the debit balance in Revaluation Reserve arising from the revaluation of Specialist Military Equipment.

Comparison of Departmental Output Expenses: 2005/06 and 2006/07

Departmental Outputs

As advised in the Estimates of Appropriations for 2005, the funding for Output Expense *Operationally Deployed Forces* has been placed under a three-year, Multi-Year Appropriation (MYA) for the period 2005/06 - 2007/08. This approach provides flexibility of funding for an output expense for which demand varies from year-to-year. If Government requires the NZDF to undertake a major operational deployment and the cost of this deployment cannot be managed within the MYA, the NZDF may request an additional appropriation from Cabinet for the incremental costs of this deployment. Any such appropriation would be additional to the funding package provided under the DSI.

Vote Defence Force will, by Fiscally Neutral Adjustments, fund Vote Social Development for the cost of the Defence Force Allowances until the NZDF is authorised to pay tax-free allowances directly to its personnel.

Appropriations for the purchase of NZDF outputs for the year ending 30 June 2007 include the following Cabinet-agreed departmental output funding change that was considered as a *New Initiative* during the 2006 Budget process:

- An increase of \$72.761 million in 2006/07, and outyears, being the second year funding package under the DSI. This increase in funding will go towards, primarily, recruitment of personnel, operating costs, depreciation impacts associated with new equipment, continuation of the maintenance upgrade of NZDF facilities and housing, and recruitment to fill additional positions in project planning and governance.

Input Changes

The total increase of \$73 million in 2006/07 over 2005/06 is primarily represented by the following input-related changes that will provide for the increased outputs detailed in the Part B1 table - Details of Appropriations:

DSI Funding Package	\$73 million
Project Protector funding	\$26 million
New Defence House funding	\$5 million
Expense Transfer from 2004/05 to 2005/06	(\$19 million)
Operation Enduring Freedom funding transfer to MYA	(\$11 million)
Capital Charge adjustments for 2006/07, including rate reduction to 7.5%	(\$3 million)
2006/07 Capital Charge savings (rate-related)	\$2 million
Total	\$73 million

Operating/Capital Swap

Appropriations for the year ending 30 June 2007 include approval for an *Operating to Capital Swap* of \$2.445 million in 2006/07. This swap involves the transfer of depreciation savings from 2005/06 to provide for capital expenditure.

Notable changes in the funding of NZDF output expenses for 2006/07 are explained (under *Reason for Change*) in the *Scope* column at Part B1 Table - Details of Appropriations.

Cost-neutral Output Changes

Some adjustments have been made to the NZDF Output Expense structure to better describe what some of the outputs deliver and to reflect changes as a result of new assets coming into service over the next few years. In summary the main cost-neutral changes to the output structure are as follows:

- The Seasprite helicopters have been taken out of Output Expense Naval Combat Forces and included as a separate Output Expense - Naval Helicopter Forces. This has been done to recognise that the Seasprite helicopters support not only the ANZAC frigates but also the Multi-Role Vessel (MRV) and the Offshore Patrol Vessels (OPVs), once those vessels are accepted into service. In addition, the Seasprite helicopters, organisationally, are now incorporated as No 6 Squadron, RNZAF.
- The Output Specifications for the MRV, OPVs and IPVs under, respectively, Output Expenses Naval Support Forces and Naval Patrol Forces have been prepared in preparation for the introduction of those vessels into service; the MRV, one OPV and three IPVs in FY 2006/07.
- The Military Police force element output has been transferred from under Output Expense Land Combat Service Support Forces to Output Expense Land Combat Support Forces to more correctly recognise, doctrinally, the operational role of the Military Police.
- The Movements element under the Output Expense Land Combat Service Support Forces has been made an output in its own right. This separates the Movements capability from the Transport capability and better recognises the special Movements requirements of Strategic Movements, Air Dispatch and Terminal Operations.
- Output Expense Specialised Forces has been re-named Special Operations Forces to more correctly describe the roles of the outputs associated with this Output Expense and to align with accepted international military terminology. Changes to the output on the NZDF Chemical, Biological,

Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) capability and the formation of a CBRE Explosive Ordnance Disposal (EOD) Squadron, have been made to reflect the Government-approved establishment of the Squadron to support the whole-of-government response to domestic CBRE/IEDD and EOD incidents; CAB Min (05) 27/4 of 25 July 2005 refers.

- Output Expense Miscellaneous Support Activities now includes an output on Service Museums. Previously, the museums have been included as overheads to the outputs. However, for accountability and visibility purposes and to reflect the place that the museums have in preserving New Zealand's significant military heritage, a new output has been struck.
- There is no longer a requirement for Output Expense Operationally Deployed Forces to be sub-divided into two outputs. All deployments, regardless of size, will now come under the one generic Output Expense - *Operationally Deployed Forces*.

Capital injection

Funding for the year ending 30 June 2007 includes a Cabinet-agreed *Capital Injection* of \$300 million that was considered as a *New Initiative* during the 2006 Budget process. This capital funding will be applied to expenditure associated with the Defence Long-Term Development Plan and NZDF infrastructure planning (see Part E1).

Other expenses

There are no *Other Expenses* for 2006/07.

New Policy Initiatives by Appropriation

The following table shows the *New Policy Initiatives by Appropriations*:

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
Implementation of the second year of Operating Funding provided under the Defence Sustainability Initiative (DSI) Funding Package	Departmental Output Expense - Fixed Wing Transport Forces	-	7,002	7,002	7,002	7,002
	Departmental Output Expense - Land Combat Forces	-	12,584	12,584	12,584	12,584
	Departmental Output Expense - Land Combat Service Support Forces	-	4,971	4,971	4,971	4,971
	Departmental Output Expense - Land Combat Support Forces	-	8,102	8,102	8,102	8,102
	Departmental Output Expense - Maritime Patrol Forces	-	6,431	6,431	6,431	6,431
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	-	812	812	812	812
	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	516	516	516	516
	Departmental Output Expense - Mine Counter Measures (MCM) and MCM Diving Forces	-	1,408	1,408	1,408	1,408
	Departmental Output Expense - Miscellaneous Support Activities	-	535	535	535	535
	Departmental Output Expense - Naval Combat Forces	-	16,374	16,374	16,374	16,374
	Departmental Output Expense - Naval Helicopter Forces	-	3,572	3,572	3,572	3,572
	Departmental Output Expense - Naval Patrol Forces	-	1,114	1,114	1,114	1,114
	Departmental Output Expense - Naval Support Forces	-	2,883	2,883	2,883	2,883
	Departmental Output Expense - Rotary Wing Transport Forces	-	4,426	4,426	4,426	4,426
	Departmental Output Expense - Special Operations Forces	-	2,031	2,031	2,031	2,031
Sub Total		-	72,761	72,761	72,761	72,761
Defence Long-Term Development Plan and NZDF Infrastructure Planning	Impact on Net Asset Schedule (see Part E1)	-	300,000	-	-	-
Total Initiatives		-	372,761	72,761	72,761	72,761

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	1,422,511	1,426,895	1,529,740	1,522,510	1,635,403	1,635,403	1,708,319	-	-	-	1,708,319	1,767,948	1,798,021	1,798,087
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	23,414	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	1,422,511	1,450,309	1,529,740	1,522,510	1,635,403	1,635,403	1,708,319	-	-	-	1,708,319	1,767,948	1,798,021	1,798,087
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Fixed Wing Transport Forces (M22)	174,797	-	174,797	-	164,402		- Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community. Reason for Change: The decrease reflects the changing maintenance emphasis for aircraft type, from year to year, within the RNZAF.
Land Combat Forces (M22)	267,598	-	267,598	-	295,450		- Provision of the capabilities of the Land Combat Forces (command, control and intelligence, and infantry and reconnaissance force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The increase mainly reflects costs associated with operating the new LAV and LOV fleets and reallocation of the capital charge. (See Note 1).
Land Combat Service Support Forces (M22)	122,286	-	122,286	-	116,720		- Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The decrease mainly reflects a recognition of the costs of Military Police as a Combat Support Force rather than a Combat Service Support Force - as previously listed.
Land Combat Support Forces (M22)	145,574	-	145,574	-	190,215		- Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The increase mainly reflects costs associated with operating the new LAV and LOV fleets, reallocation of the capital charge (see Note 1), and a recognition of the costs of Military Police as a Combat Support Force rather than a Combat Service Support Force - as previously listed.

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Maritime Patrol Forces (M22)	142,667	-	142,667	-	150,986	-	<p>Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.</p> <p>Reason for Change: The increase reflects the changing maintenance emphasis for aircraft type, from year to year, within the RNZAF.</p>
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (M22)	6,727	-	6,727	-	11,906	-	<p>Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS RESOLUTION, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.</p> <p>Reason for Change: The increase reflects the inclusion of the cost of Military Hydrography within this expense.</p>
Military Policy Development, Coordination and Advice (M22)	8,928	-	8,928	-	12,126	-	<p>Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.</p> <p>Reason for Change: The increase primarily reflects the enhanced corporate governance to be provided within the NZDF as a result of the DSI funding package.</p>
Mine Countermeasures (MCM) and MCM Diving Forces (M22)	33,195	-	33,195	-	33,067	-	<p>Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS MANAWANUI with HMNZS KAHU as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.</p>

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General) - cont'd							
Miscellaneous Support Activities (M22)	7,307	-	7,307	-	12,568	-	- Provision of the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications. Reason for Change: The increase reflects a decision to disclose the cost of Service Museums as a specific Output rather than as an overhead.
Naval Combat Forces (M22)	546,737	-	546,737	-	391,591	-	- Provision of the capabilities of the frigates, HMNZ Ships TE KAHA and TE MANA, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. Reason for Change: The overall decrease reflects, primarily, the transfer of the costs of the Seasprite Helicopters to a new Output Expense (Naval Helicopter Forces) and changes to the capital charge attribution. (See Note 1).
Naval Helicopter Forces (M22)	-	-	-	-	83,861	-	- Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications. Reason for Change: This is a new Output Expense to separately recognise the Seasprite Helicopters that support more than one other Output Expense. The costs have been transferred from Naval Combat Forces.
Naval Patrol Forces (M22)	3,355	-	3,355	-	26,150	-	- Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ, in accordance with NZDF Output Plan specifications. Until the new IPVs are in service, the existing Inshore Patrol Craft (IPC) will undertake tasks to the limit of their capability. Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed. Reason for Change: The increase reflects the introduction into service, during the period, of one of the two OPVs and three of the four IPVs.

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Naval Support Forces (M22)	32,339	-	32,339	-	67,679	-	<p>Provision of the capabilities of the Fleet Replenishment Ship, HMNZS ENDEAVOUR and the new Multi-Role Vessel (MRV) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces, in accordance with NZDF Output Plan specifications. This output expense also includes contributions to a range of services provided to Government and the community. [Until the MRV has been accepted into service, the NZDF's sealift capability will be by charter].</p> <p>Reason for Change: The increase reflects, primarily, the introduction into service, during the period, of the new MRV.</p>
Rotary Wing Transport Forces (M22)	100,571	-	100,571	-	103,908	-	<p>Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications.</p> <p>Reason for Change: The increase reflects the changing maintenance emphasis for aircraft type, from year to year, within the RNZAF.</p>
Special Operations Forces (M22)	43,322	-	43,322	-	47,690	-	<p>Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and CBRE IEDD that threaten public safety or national interests, in accordance with NZDF Output Plan specifications.</p> <p>Reason for Change: The increase provides for an enhanced CBRE/IEDD/EOD capability and stand-alone organisation.</p>
Total Departmental Output Expenses (General)	1,635,403	-	1,635,403	-	1,708,319	-	
Total Appropriations	1,635,403	-	1,635,403	-	1,708,319	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Departmental Output Expenses		
Operationally Deployed Forces (M22)		
Original Appropriation	66,999	The provision of force elements for routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government, in accordance with NZDF Output Plan specifications.
Commences	1 July 2005	
Expires	30 June 2008	
Adjustments 2005/06	(1,538)	Reason for Change: The decrease adjustment of \$1.538 million represents a transfer of Defence Force Allowances to the Ministry of Social Development.
Appropriation	65,461	
Estimated Actual to 2005/06 Year End	24,886	
Estimated Actual to 2006/07 Year End (see Note 2)	65,461	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Military Policy Development, Coordination and Advice

Under this output expense the Minister of Defence purchases military advice on NZDF contributions to New Zealand's foreign policy and military responses to contingencies. Also included is the provision of military intelligence, responses on behalf of the Minister to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence.

Naval Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Combat Forces (*HMNZ Ships Te Mana and Te Kaha*) prepared to conduct maritime operations. This output expense also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Naval Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Support Forces (the Fleet Replenishment Ship *HMNZS Endeavour* and the new Multi-Role Vessel) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces. This output expense also includes contributions by Naval Support Forces to a range of services to the Government and the community. Until the MRV is introduced into service the NZDF sea-lift capability, if required, will be by charter.

Mine Counter Measure (MCM) and MCM Diving Forces

Under this output expense the Minister of Defence purchases the capabilities of the MCM, and MCM Diving Forces. The MCM Force (*HMNZS Manawanui* with *HMNZS Kahu* as backup) is prepared to conduct Q route surveys and conditioning of selected New Zealand ports. The MCM Diving Forces, the Operational Diving Team, are prepared to support MCM Forces operations and to conduct independent diving tasks. This output expense includes the provision of some support services to the community, when appropriate.

The use of *HMNZS Resolution* and Survey Motor Boat *Adventure* to deliver the MCM output will continue to be explored, commensurate with primary output expense (Hydrography) tasking.

Naval Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ. Until the new IPVs are in service, the existing Inshore Patrol Craft (IPC) will undertake tasks to the limit of their capability.

Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed.

Military Hydrography, and Hydrographic Data Collection and Processing for LINZ

Under this output expense the Minister of Defence purchases the capabilities of the hydrographic and oceanographic survey vessel (*HMNZS Resolution*), specialist personnel and support infrastructure to conduct military hydrography, and hydrographic data collection and processing which meets contractual commitments to LINZ. This output expense is supported by the Hydrographic Business Unit as part of the Joint Geospatial Support Facility.

Land Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Forces, consisting of command, control and intelligence elements and manoeuvre force elements (infantry and reconnaissance) prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Support Forces, consisting of artillery, engineer, communications and military police force elements, prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Service Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Service Support Forces, consisting of transport, medical, supply, repair and movements force elements, prepared to support land operations. This output expense also includes contributions to a range of services to the Government and the community.

Special Operations Forces

Under this output expense the Minister of Defence purchases the capabilities of the Special Operations Forces prepared to conduct special operations in support of land operations and counter-terrorist operations. Also purchased are the capabilities of the NZDF CBRE IEDD/EOD organisation prepared to dispose of chemical, biological, radiological, explosive, improvised explosive devices that threaten public safety or national interests. These forces will not usually be available for other community support tasks.

Naval Helicopter Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Helicopter Forces (*Seasprite SH-2G*) prepared to conduct maritime operations in support of the *Naval Combat Forces*, *Naval Support Forces* and *Naval Patrol Forces*, and to conduct limited independent operations. This output expense may also include the provision of naval helicopter forces for a range of support to the Government and the community, when required.

Maritime Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Maritime Patrol Forces (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, search and rescue missions, and maritime air operations. This output expense also includes the provision of Orion aircraft for a range of support services to the Government and the community.

Fixed Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces (B757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation (AE). This output expense also includes the provision of air transport aircraft for a range of support services to the Government and the community.

Rotary Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Rotary Wing Transport Forces (Iroquois helicopters) prepared to conduct tactical air transport operations, including AE, and counter-terrorist operations. This output expense also includes the provision of helicopters for a range of support services to the Government and the community, land search and rescue in particular.

Miscellaneous Support Activities

Under this output expense the Minister of Defence purchases the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications.

Operationally Deployed Forces

Under this output expense the Minister of Defence purchases the capabilities of deployed NZDF force elements on operations, including the commitments agreed by the Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other relevant multinational agencies. This includes the provision of individuals, observers, advisors, instructors, headquarters staff, and complete force elements and contingents, when necessary, to operational missions. Also included is the conduct of any additional training required to bring force elements to the operational level of capability (OLOC) and to meet any special conditions associated with threat levels anticipated when deployed. This Output Expense is subject to a MYA; see Part B2.

It is projected that the total three-year funding appropriated for this MYA will have been expended by the end of the second year; \$24.886 million being the expected actual as at year end 2005/06, and \$40.575 being budgeted for 2006/07. This projection is based on predicted commitments to operational deployments in 2006/07.

Additional Funding for Unplanned Major Operations

The NZDF Output Expenses contain appropriations for known activity levels. Until 2005/06, no provision was made for unknown events - such as new requests for NZDF support to peace support operations. Under the Government-approved Defence Sustainability (DSI) funding package the NZDF is

required to fund new operational missions up to the level of normal operational tempo and funding. Should the Government decide to activate a larger contribution to an operation, such as a battalion group (as was deployed to Timor Leste), the additional costs associated with generating the OLOC required, the deployment, and the sustainment of the force for the duration of the task, will need to be considered separately. In such circumstances funding will be provided by a reprioritisation of existing expenditure and by further appropriation, as necessary. Funding proposals for major unplanned initiatives, including trade-offs against existing activities, will be considered on a case-by-case basis within agreed Cabinet procedures.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for New Zealand Defence Force	Estimated Actual 2005/06 \$000	Projected 2006/07 \$000	Explanation of Projected Movements in 2006/07
Opening Balance	3,853,701	4,052,905	
Capital Injections	200,000	553,207	A \$300 million capital injection has been agreed for 2006/07. The balance of \$253.207 million is made up from an agreed capital transfer of \$250.762 million from 2005/06 and an agreed Operating to Capital Swap of \$2.445 million from 2005/06. This capital funding will be applied to expenditure associated with the Defence Long-Term Development Plan and NZDF infrastructure planning.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	(796)	-	This reduction represents a final adjustment to the 30 June 2005 revaluation of physical assets.
Closing Balance	4,052,905	4,606,112	