

VOTE *Defence* *Force*

Defence Force

Overview

Appropriations sought for Vote Defence Force in 2001/02 total \$1,597.519 million, including GST. This is intended to be spent as follows:

- \$1,519.413 million (95% of the Vote) on the Army, Navy and Air Force that 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. These forces will also contribute a range of services to other government departments and the community.
- \$8.547 million (0.5% of the Vote) on military policy development, coordination, and advice to the Government.
- \$10.963 million (0.7% of the Vote) on Miscellaneous Support Activities that include the Mutual Assistance Programme, support for New Zealand Cadet Forces and the training of Limited Service Volunteers.
- \$49.107 million (3% of the Vote) on forces deployed on current operations including commitments to the United Nations and other multinational agencies for peace support tasks agreed by the Government.
- \$9.489 million (0.6% of the Vote) for the provision of hydrographic services to Land Information New Zealand.

The New Zealand Defence Force (NZDF) expects to recognise about \$22.005 million (GST exclusive) in third party revenue (Revenue Department and Revenue Other) in 2001/02.

Details of how the appropriations are to be applied appear in Parts B1 and C1 of this Vote.

Terms and Abbreviations Used

ADF	Australian Defence Force
CDF	Chief of Defence Force
EEZ	Exclusive Economic Zone
ERMA	Environmental Risk Management Authority
FPDA	Five Power Defence Arrangements
IEDD	Improvised Explosive Device Disposal
KP/s	Key Priority/ies
LFG	Land Force Group
LINZ	Land Information New Zealand
MAP	Mutual Assistance Programme
MCM	Mine Countermeasures
MFAT	Ministry of Foreign Affairs and Trade
NCS	Naval Control of Shipping
NZDF	New Zealand Defence Force
OLOC	Operational Level of Capability
RNZNVR	Royal New Zealand Naval Volunteer Reserve
SAS	Special Air Service
UN	United Nations

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 Defence Force

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 United Nations (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 highlights the Government's goals and priorities for defence, and was substantially guided by, and builds on, the *Defence Beyond 2000 Report*, which was prepared and released in 1999 by the Foreign Affairs, Defence and Trade Select Committee. Two supporting papers were issued with the *Defence Policy Framework*: "*Strategic Assessment 2000*" from the External Assessments Bureau, and "*New Zealand's Foreign and Security Policy Challenges*" from the Ministry of Foreign Affairs and Trade. These two papers, while not statements of Government policy, were taken into account in the formulation of the *Defence Policy Framework*.

The *Defence Policy Framework* sets out the five key defence policy objectives. These 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.

Primary Mission of the New Zealand Defence Force

The primary mission of the NZDF is:

“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 Goals

The NZDF mission is primarily linked to the Key Government Goal Number 1: “Strengthen National Identity - celebrate our identity in a world as people who support and defend freedom and fairness”. This goal links with the Government policy to provide Defence Force contributions to the resolution of conflict and maintenance of stability, particularly the international role of peacekeeping and humanitarian relief operations. Other specific links with the Key Government Goals, related to the NZDF Key Priorities (KPs) for 2001/02, are detailed in the *NZDF Departmental Forecast Report* and *NZDF Purchase Agreement*.

Shaping and Rebuilding the NZDF

The NZDF is undergoing change. The Government announced a number of decisions in early May that will reshape the NZDF. The result will be a high quality defence force which is able to keep abreast of technological developments, is affordable and can be sustained over the longer term. These 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 are:

- the organisational structure and operational orientation of the NZDF will continue to be developed to reflect a joint approach
- the Army will be maintained at its current strength, with an enhanced role for the Territorial Army, particularly to sustain operational commitments

- strategic sea-lift will be provided by charter and HMNZS Charles Upham disposed of
- the air combat force will be disbanded
- the P-3 Orions will be retained and progressively upgraded to handle a wide range of surface surveillance tasks
- the C-130 Hercules will be upgraded or replaced
- the B-727s will be replaced, possibly through leasing or charter arrangements
- the Iroquois helicopters will be upgraded or replaced
- in light of the findings of the Maritime Patrol Review, a further study of the maritime surface fleet will be completed by September 2001 to determine, against both the civilian and military requirements, the options for replacing HMNZS Canterbury, Charles Upham and the Navy's inshore patrol craft.
- a review will also be undertaken to determine if the Navy should continue to be the provider of hydrographic survey services for Land Information New Zealand (LINZ).
- with the disbandment of the air combat force a review will also examine the utilisation of Ohakea and Whenuapai and the feasibility of operating both facilities as joint military/civilian airfields. In any case, the Ohakea runway will be upgraded.

NZDF Key Priorities

The Government's ownership interests addressed within the NZDF Key Priorities (KPs) for 2001/02 are as follows:

- **Defence Policy (KP 1).** A defence capability blueprint and long-term plan that sets out the defence capabilities required to meet the Government's defence policy objectives, and the performance and tasks required of today's Defence Force to deliver defence policy results.
- **Personnel (KP 2).** Ongoing capability to effectively deliver defence outputs with a defence team of service personnel, civilian staff and commercial partners.
- **Military Capability (KP 3).** The development of long-term military capability to meet future security challenges to New Zealand and its interests in accordance with Government policy.
- **Defence Diplomacy (KP 4).** Enhanced and on going defence diplomacy and defence cooperation with regional countries.
- **Efficiency and Effectiveness (KP 5).** Improved matching of NZDF organisation and infrastructure with core operational requirements to reflect a *best practice* approach.

The above KPs are summarised in the *NZDF Departmental Forecast Report* and specified in detail in the *NZDF Purchase Agreement* with the Minister.

Part A2 - Trends in Vote Defence Force

Output Trends 1996/1997 – 2000/2001

The table at the end of Part A2 shows the trends in Vote Defence Force from 1996/97 to 2000/01.

Departmental outputs

- The minor change in appropriation level between 1996/97 and 1997/98 reflects, primarily, technical adjustments.
- The increases in appropriations between 1998/99 and 2000/01 reflect the Government's increased commitment to supporting international peace initiatives, such as in Bougainville, and more recently, in East Timor, and technical adjustments.
- The increase of \$25 million in 2000/01 provided in the Budget 2001 Supplementary Estimates is to address the increased costs of producing NZDF Outputs.

Other expenses

- An appropriation of \$5 million was provided in 1998/1999 for the purpose of recognising additional long service leave expenses consistent with Audit Office and Treasury guidelines.
- An expense appropriation, by way of technical adjustment, of a total of \$76.952 million was provided in 1999/00 to provide for expenses incurred on the transfer of land at *HMNZS Tamaki* for inclusion in the Hauraki Gulf Marine Park, reductions incurred as a result of a recalculation of the inventory obsolescence provision, and expenses resulting from a change in accounting policy for the treatment of inventory.

Capital contributions

- The capital contributions in 1996/97 to 1998/99 (inclusive) were primarily for ANZAC ship project payments.
- Capital funding of \$1.999 million was provided in 1998/99 to purchase new and upgrade existing equipment to support APEC 1999 and to support the NZDF's national IEDD emergency response role. Additional capital funding of \$160,000 to fund the purchase of specialist equipment in support of APEC 1999 was included in the 1999/00 appropriations.
- Capital funding of \$2.323 million was provided in 2000/01 to fund the purchase of static accommodation facilities and replacement vehicles for NZDF forces in East Timor.

Analysis of Output Class Costs: 2000/2001 and 2001/2002 Compared

Departmental outputs

Appropriations for the purchase of NZDF outputs for the year ending 30 June 2002 include the following Cabinet-approved funding changes (all GST inclusive) which were considered during the 2001 Budget process:

- An increase of \$33.883 million for NZDF's continuing contribution to the United Nations Transition Authority, East Timor (UNTAET) from 1 July 2001 to 31 May 2002. It is expected that this expense will be offset to some extent by future UN recoveries paid to the New Zealand Government in due course.

- An increase of \$18.450 million in 2001/02 and outyears for Service personnel remuneration.
- An increase of \$25 million in 2001/02, \$37 million in 2002/03, \$24 million in 2003/04, and \$16 million in 2004/05 to the NZDF operating baseline to meet the costs of producing NZDF Outputs.
- A decrease of \$79.963 million in Output Class D11 in 2001/02 as a result of the decision to disband the Air Combat Forces. Of this decrease, \$34.92 million is due to a reduction in *Capital Charge*, while the remainder (\$45.043 million) has been distributed to other output classes.
- A decrease of \$37.394 million in 2001/02 as a result of the reduction in the rate of capital charge from 10% to 9%. A reduction in Capital Charge does not affect the net funding available for the production of Outputs.

Other expenses

- An expense appropriation of \$96.841 million was provided in 2000/01 for the expense of asset revaluation associated with the decisions to retire the Air Combat Forces and to dispose of *HMNZS Charles Upham*.
- An appropriation of \$7.124 million was provided in 2000/01 being the write-off of the two A-4 Skyhawk combat aircraft that were lost in Australia in early 2001.
- There are no appropriations for other expenses in 2001/02.

Capital commitments

There are no appropriations for capital contributions in 2001/02.

Trends in Vote Defence Force - Summary of Appropriations and Crown Revenue

Types of Appropriation	1996/97	1997/98	1998/99	1999/2000	2000/01		2001/02 Appropriations to be Used				Total \$'000	
	Actual \$'000	Actual \$'000	Actual \$'000	Actual \$'000	Budget \$'000	Estimated Actual \$'000	By the Department Administering the Vote		For Non-Departmental Transactions			
							Annual \$'000	Other \$'000	Annual \$'000	Other \$'000		
Operating Flows												
Classes of Outputs to be Supplied	1,557,890	1,576,781	1,576,526	1,596,564	1,666,150	1,666,150	1,666,150	1,597,519	-	-	-	1,597,519
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	-	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	-	-	5,000	76,952	103,965	103,965	103,965	-	-	-	-	-
Capital Flows												
Capital Contributions	39,465	39,465	41,427	160	2,323	2,323	2,323	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	1,597,355	1,616,246	1,622,953	1,673,676	1,772,438	1,772,438	1,772,438	1,597,519	-	-	-	1,597,519
Total Crown Revenue and Receipts	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-

Part B - Statement of Appropriations

Part B1 - Details of 2001/02 Appropriations

Appropriations	2000/01			2001/02		
	Vote		Estimated Actual	Vote		Description of 2001/02 Appropriations
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)						
D1 Military Policy Development, Coordination and Advice	11,465	-	11,465	8,547	-	Purchase of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies. This includes military intelligence, and responses to ministerial correspondence, parliamentary questions, and Official Information Act inquiries.
D2 Naval Combat Forces	443,484	-	443,484	455,306	-	Purchase the capabilities of HMNZ Ships TE KAHA, TE MANA and CANTERBURY prepared to conduct maritime operations and to contribute support services to the community.
D3 Naval Support Forces	39,706	-	39,706	35,713	-	Purchase the capabilities of replenishment ship, HMNZS ENDEAVOUR, prepared to conduct operational and maritime logistic support for deployed military forces, and to contribute some support services to the community. The military sea-lift ship, HMNZS CHARLES UPHAM, is to be sold. Future NZDF sea-lift capability will be included as part of the study into the replacement of HMNZS CANTERBURY.
D4 Mine Counter Measures, Diving and Diving Support Forces	42,225	-	42,225	40,262	-	Purchase the capabilities of the Inshore Patrol Craft prepared to conduct mine counter measure (MCM) operations and route surveys in selected New Zealand ports, and the purchase of the Diving Support Vessel and Operational Diving Team prepared to support MCM operations and conduct independent diving tasks, and to contribute some support services to the community.
D5 Naval Control of Shipping Forces	4,990	-	4,990	5,302	-	Purchase the capabilities of the Naval Control of Shipping (NCS) Organisation prepared to conduct control of shipping in times of threat. This includes the provision of Royal New Zealand Naval Volunteer Reserve (RNZNVR) NCS Cells.

Part B1 - Details of 2001/02 Appropriations (continued)

	2000/01			2001/02		
	Vote		Estimated Actual	Vote		Other \$000
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations						
Departmental Output Classes (Mode B Gross) – cont'd						
D15 Miscellaneous Support Activities	11,388	-	11,388	10,963	-	
D16 Operationally Deployed Forces	48,001	-	48,001	49,107	-	
						Description of 2001/02 Appropriations
						Purchase the NZDF training infrastructure and planned support to regional defence forces and the New Zealand community. It includes support provided under the auspices of the Mutual Assistance Programme, support for the New Zealand Cadet Forces and training of Limited Service Volunteers.
						Purchase of deployed force elements on military tasks, including the commitments agreed by Government under which the NZDF contributes to peace support operations conducted in support of the United Nations and other international agencies. It includes the provision of observers, advisers, instructors, headquarters staff, and complete force elements and contingents, when necessary, to peace support missions, and the conduct of any additional training required to meet any special conditions or the higher threat levels anticipated.
Total Appropriations for Departmental Output Classes (Mode B Gross)	1,666,150	-	1,666,150	1,597,519	-	
Other Expenses to be incurred by the Department						
Revaluation Losses	96,841	-	96,841	-	-	
Asset Write-Offs	7,124	-	7,124	-	-	
Total Appropriations for Other Expenses to be incurred by the Department	103,965	-	103,965	-	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes for 2001/2002

Performance Information

In all cases for the NZDF Output Classes described below, the performance information (quantity, quality, timeliness and cost) is detailed in the *2001/2002 NZDF Departmental Forecast Report* and the *2001/2002 NZDF Purchase Agreement*.

Output Class D1 - Military Policy Development, Coordination and Advice

Description

Under output class D1 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.

Output Class D2 - Naval Combat Forces

Description

Under output class D2 the Minister of Defence purchases the capabilities of the Naval Combat Forces (*HMNZ Ships TeMana, TeKaha and Canterbury* and associated Seasprite helicopters) prepared to conduct maritime operations. This class also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Output Class D3 - Naval Support Forces

Description

Under output class D3 the Minister of Defence purchases the capabilities of the Naval Support Forces (*HMNZS Endeavour* - the Fleet Replenishment Ship) prepared to conduct operational and maritime logistic support of deployed military forces. This class also includes contributions by Naval Support Forces to a range of services to the Government and the community. The Military Sea-lift Ship, *HMNZS Charles Upham*, is to be sold.

Output Class D4 - Mine Counter Measures, Diving and Diving Support Forces

Description

Under output class D4 the Minister of Defence purchases the capabilities of the Mine Countermeasures (MCM), Diving and Diving Support Forces. The MCM Force (*HMNZ Ships Moa, Kiwi, Wakakura and Hinau*) is prepared to conduct Q route surveys and conditioning of selected New Zealand ports. The Diving and Diving Support Forces (respectively the Operational Diving Team and *HMNZS Manawanui*) are prepared to support MCM Force operations and to conduct independent diving and diving support tasks. This class includes the provision of some support services to the community, when appropriate, and the provision of crews for the Inshore Patrol Craft by the Royal New Zealand Naval Volunteer Reserve (RNZNVR).

Output Class D5 - Naval Control of Shipping Forces

Description

Under output class D5 the Minister of Defence purchases the capabilities of the Naval Control of Shipping (NCS) Forces prepared to conduct control of shipping in times of a threat by providing the infrastructure for the direction and control of all shipping movement. This involves briefing ship's masters, directing the movement of shipping, and recording the passage, arrival and departure of all ships within New Zealand's area of responsibility. This class includes the provision of NCS elements by the Royal New Zealand Naval Volunteer Reserve (RNZNVR).

Output Class D6 - Hydrographic Data Collection and Processing for LINZ and Third Parties

Description

Under output class D6 the Minister of Defence purchases the capabilities of the hydrographic and oceanographic survey vessel (*HMNZS Resolution*), specialist personnel and support infrastructure to conduct hydrographic data collection and processing which meets contractual commitments to LINZ and third parties. This class is supported by the Hydrographic Office.

Output Class D7 - Land Combat Forces

Description

Under output class D7 the Minister of Defence purchases the capabilities of the Land Combat Forces, consisting of command, control and intelligence elements and manoeuvre force elements (infantry, armour and reconnaissance) prepared to conduct land operations. This class also includes contributions to a range of services to the Government and the community.

Output Class D8 - Land Combat Support Forces

Description

Under output class D8 the Minister of Defence purchases the capabilities of the Land Combat Support Forces, consisting of artillery, engineer and communications force elements, prepared to conduct land operations. This class also includes contributions to a range of services to the Government and the community.

Output Class D9 - Land Combat Service Support Forces

Description

Under output class D9 the Minister of Defence purchases the capabilities of the Land Combat Service Support Forces, consisting of transport/movements, medical, supply, repair and military police force elements, prepared to conduct land operations. This class also includes contributions to a range of services to the Government and the community.

Output Class D10 - Specialised Forces

Description

Under output class D10 the Minister of Defence purchases the capabilities of the New Zealand Special Air Service prepared to conduct special operations in support of land operations and counter-terrorist operations. Also purchased are the capabilities of three NZDF Improvised Explosive Device Disposal (IEDD) Teams prepared to dispose of explosive devices that threaten public safety or national interests - in accordance with the Memorandum of Understanding between the NZDF, NZ Police and the Environmental Risk Management Authority (ERMA). These forces will not usually be available for other community support tasks.

Output Class D11 - Air Combat Forces

Description

Under output class D11 in the past, the Minister of Defence has purchased the capabilities of the Air Combat Forces (A-4K Skyhawk aircraft) prepared to conduct maritime strike operations, close air support for ground operations, and air interdiction tasks. This class also included the provision of additional aircraft for air defence support flying for the Australian Defence Force (ADF). The Government has decided that the Air Combat Forces will be disbanded by late 2001. This output class will be deleted in 2002/03.

Output Class D12 - Maritime Patrol Forces

Description

Under output class D12 the Minister of Defence purchases the capabilities of the Maritime Patrol Forces (P-3K Orion aircraft) prepared to conduct, as a priority, maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean and search and rescue missions, and maritime air operations. This class also includes the provision of Orion aircraft for a range of support services to the Government and the community.

Output Class D13 - Fixed Wing Transport Forces

Description

Under output class D13 the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces (B-727 Boeing and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation. This class also includes the provision of air transport aircraft for a range of support services to the Government and the community.

Output Class D14 - Rotary Wing Transport Forces

Description

Under output class D14 the Minister of Defence purchases the capabilities of the Rotary Wing Transport Forces (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations. This class also includes the provision of helicopters for a range of support services to the Government and the community, land search and rescue in particular.

Output Class D15 - Miscellaneous Support Activities

Description

Under output class D15 the Minister of Defence purchases the NZDF training infrastructure, that is provided by identified elements of the NZDF, and planned support to regional Defence Forces and the New Zealand community. It includes support provided under the auspices of the Mutual Assistance Programme (MAP), support for the New Zealand Cadet Forces and the conduct of training for Limited Service Volunteers.

Output Class D16 - Operationally Deployed Forces

Description

Under output class D16 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 tasks 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 peace support 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.

The appropriation for this output class includes \$17.332 million to sustain the operational commitment to East Timor until 31 May 2002. This amount is net of the expected UN reimbursement.

Additional Funding for Unplanned Initiatives

NZDF outputs contain appropriations for known activity levels. There is no provision made for unknown events - such as new requests for NZDF support to peace support operations.

Should the Government decide to activate force elements as part of an unplanned initiative, 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 met. These additional costs will be appropriated under Output Class D16 for the remainder of the financial year. Funding will be provided by a reprioritisation of existing expenditure and by further appropriation, as necessary. Funding proposals for 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 Appropriations for Capital Flows

Part E1 - Capital Contributions

There are no appropriations for Part E1.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2001 \$ million	Forecast Net Worth 2002 \$ million
New Zealand Defence Force	30 June	2,962.102	2,962.102