

VOTE *Defence* *Force*

Defence Force

Overview

Appropriations sought for Vote Defence Force in 2003/04 total \$1,912.798 million, (GST Inclusive where applicable). This is intended to be spent as follows:

- \$1,590.391 million (83% of the Vote) on the Navy (\$600.168 million), Army (\$566.706 million), and Air Force (\$423.517 million) 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. These forces will also contribute to a range of services to other government departments and the community when not committed to operations.
- \$9.166 million (0.5% of the Vote) on military policy development, coordination, and advice to the Government.
- \$8.584 million (0.5% 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.
- \$12.466 million (0.6% 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.
- \$6.786 million (0.4% of the Vote) for the provision of hydrographic services to Land Information New Zealand.
- \$285.405 million (GST Not Applicable) - (15% of the Vote) of capital contributions to provide for, primarily, the purchase of replacement strategic jet aircraft (two Boeing 757-200) and for part of the funding required to purchase the NZ Light Armoured Vehicle (NZ LAV).

The New Zealand Defence Force (NZDF) expects to recognise about \$17 million (GST Exclusive) in third party revenue (Revenue Department and Revenue Other) in 2003/04.

Details of how the appropriations are to be applied appear in Parts B1, C1 and E1 of this Vote.

Terms and Abbreviations Used

CB Response	Chemical and Biological Response
CDF	Chief of Defence Force
DLOC	Directed Level of Capability
EEZ	Exclusive Economic Zone
ERMA	Environmental Risk Management Authority
FPDA	Five Power Defence Arrangement
IEDD	Improvised Explosive Device Disposal
HMNZS	Her Majesty's New Zealand Ship
ISAF	International Security Assistance Force
KP/s	Key Priority/ies
LINZ	Land Information New Zealand
LTDP	Long Term Development Plan (for Defence)
MAP	Mutual Assistance Programme
MCM	Mine Countermeasures
NCS	Naval Control of Shipping
NZDF	New Zealand Defence Force
NZ LAV	New Zealand Light Armoured Vehicle (the LAV III)
OLOC	Operational Level of Capability
RNZNVR	Royal New Zealand Naval Volunteer Reserve
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*. 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 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 (FPDA)
- 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 2003/04, are detailed in the *NZDF Departmental Forecast Report* and the *NZDF Output Plan*.

Shaping and Rebuilding the NZDF

The *Government’s Defence Policy Framework* also sets the scene in terms of 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, and
- 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 Departmental Forecast Report* for the year ending 30 June 2004.

On 11 June 2002, the Government released details of the Defence Long Term Development Plan (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 plan, which has a rolling forward focus of 10 years (within a 20-year planning horizon), 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, which will be updated as required, represents a significant milestone in the support of the decision-making processes required for shaping the future capabilities of the NZDF.

In addition to the structural changes already implemented or directed by the Chief of Defence Force over the last six months, the Cabinet-approved recommendations of the "Hunn Review" [covering the Defence organisation (NZDF and MoD) governance, accountability and responsibility structures, processes, leadership and culture change], as announced by the Government on 26 March 2003, will further enhance the "joint" approach desired and required by the Government.

NZDF Key Priorities

The Government's ownership interests addressed within the NZDF Key Priorities (KPs) for 2003/04 are as follows:

- **Defence Policy (KP 1).** A strategic-level NZDF organisation capable of:
 - providing advice to Government on all military aspects of national security that meets State Sector standards for advice
 - developing effective NZDF policies and plans to action the Government's investment and employment priorities for the NZDF
 - managing the effective actioning of Government's priorities for the NZDF.
- **Personnel (KP 2).** Ongoing capability to effectively deliver defence outputs with a defence team of service personnel, civilian staff and commercial partners. This KP incorporates steps that are consistent with the Government's social economic priorities by providing opportunities for training and rewarding careers.

- **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. This KP includes strong links with the recently developed NZDF LTDP.
- **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 Output Plan*.

Part A2 - Trends in Vote Defence Force

Output Trends 1998/99 – 2003/04

The table at the end of Part A2 shows the trends in Vote Defence Force from 1998/99 to 2003/04.

Departmental outputs

- The increase of \$66 million in departmental output appropriations between 1999/2000 and 2000/01 reflects, in the main, the Government's increased commitment to supporting international peace initiatives, such as in Bougainville and Timor-Leste, and technical adjustments.
- While there were some increases in departmental output appropriations in 2001/02 for NZDF's continued contribution to existing operational commitments (Timor-Leste and Bougainville), new operational commitments (Operation *Concord*, Afghanistan and the *International Security Assistance Force* (ISAF), Service personnel remuneration, Medallic recognition, and for the NZDF operating baseline to meet the increased costs of producing outputs, there was a net decrease in funding of \$63 million between 2000/01 and 2001/02. This decrease reflected, primarily, the disbandment of the Air Combat Forces, including a reduction in capital charge on those forces, and a general reduction in the rate of *Capital Charge* from 10% to 9%.
- The \$11 million overall increase in departmental output appropriations between 2001/02 and 2002/03 is explained as follows:
 - the reduction in the 2002/03 capital charge rate from 9% to 8.5%, resulting in a decrease of \$12 million
 - the expenses and funding for the NZDF Timor-Leste deployment in 2001/02 covered a full 12 months, whereas for 2002/03 they only covered a five-month period (up to the withdrawal of the battalion group in November 2002), resulting in a comparative decrease of \$13 million
 - the sustainable baselines agreed as part of the 2001 Budget package provided for an increase in 2002/03 of \$11 million
 - an agreement to provide for a targeted pay increase in 2002/03, resulting in an increase of \$9.5 million
 - New funding to provide for an increased capital charge following a revaluation of NZDF land assets, resulting in an increase in 2002/03 of \$7.8 million
 - A transfer to the Ministry of Social development to provide for the payment of NZDF allowances, resulting in a \$1.2 million decrease
 - New funding to provide for the NZDF commitment to Operation Enduring Freedom, the International Security Assistance Force and other operations resulting in an increase of \$14 million
 - A decrease in Revenue Department/Other of \$5 million.

Other expenses

- The appropriation of \$5 million in 1998/99 was provided for the purpose of recognising additional long service leave expenses consistent with Audit Office and Treasury guidelines.

- The other expense appropriation of a total of \$76.952 million in 1999/2000, by way of technical adjustment, was provided 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.
- The expense appropriation of a total of \$103.965 million in 2000/01 was provided for the expense of asset revaluation associated with the decisions to retire the Air Combat Forces and to dispose of *HMNZS Charles Upham*, and to write-off the two A-4 Skyhawk combat aircraft that were lost in Australia in early 2001.

Capital contributions

- The capital contribution in 1998/99 was primarily for ANZAC ship project payments. Capital funding of \$1.999 million was also 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.
- The capital contribution of \$160,000 in 1999/2000 was to fund the purchase of specialist equipment in support of APEC 1999.
- The capital contribution of \$1.639 million in 2000/01 was to fund the purchase of static accommodation facilities and replacement vehicles for NZDF forces in Timor-Leste.
- The capital contribution of \$387,000 in 2001/02 was to support the requirements of deployed forces.
- The capital contribution of \$1.844 million in 2002/03 was to fund the purchase of basic equipment for the new NZDF capability of Chemical and Biological Response.

Comparison of Output Classes and Costs: 2002/03 and 2003/04

Departmental outputs

The new funding agreed to provide for 2003/04 expenses totals some \$24 million more than previously recognised for that year. However, the new funding does not represent a direct increase over the final 2002/03 baseline as annual appropriations are established independently.

Appropriations for the purchase of NZDF outputs for the year ending 30 June 2004 include the following Cabinet-approved funding changes (all GST inclusive) that were considered as *New Initiatives* during the 2003 Budget process:

- An increase of \$19 million in 2003/04 and out years to address market relativity in Service personnel pay.
- An increase of \$216,000 in 2003/04 for the NZDF's continuing commitment to the Headquarters International Security Assistance Force from 1 July 2003 to 31 December 2003.
- An increase of \$474,000 in 2003/04 for the NZDF's continuing commitment of a RNZN ANZAC frigate to Operation Enduring Freedom Maritime Interdiction Operations for the period 1 - 31 July 2003.

- An increase of \$4.097 million in 2003/04 to fund the deployment of a RNZAF P3-K Orion aircraft to Operation Enduring Freedom Maritime Interdiction Operations for the period 1 July 2003 to 30 September 2003, or, given possible delays, a three month period.
- An increase of \$120,000 in 2003/04, as part of a MFAT Cross-Vote Budget Initiative, to support the Pacific Island Forum Meeting to be conducted in August 2003.
- An increase of \$275,000 in 2003/04 for the NZDF's continuing commitment to HQ CJTF Operation Enduring Freedom from 1 July 2003 to 30 April 2004.

The following table shows the most significant expense differences between NZDF output classes for 2003/04 (Main Estimates) and the 2002/03 Supplementary Estimates totalling some \$16 million:

Output Class	Explanation / Comment for Expense increase / decrease	Expense Increase (+) Decrease (-) \$ million
D2	The increase in expenses reflects, in the main, the costing to this output class of the Naval Control of Shipping function (D5) and a redistribution of Seasprite helicopter costs from the Rotary Wing Transport Forces (D14).	+14.2
D3	Expenses for this output class in 2002/03 recognised costs associated with a major maintenance requirement for HMNZS <i>Endeavour</i> . This will not be a requirement in 2003/04.	-1.6
D5	This output class was for Naval Control of Shipping (NCS). The NCS support function has been transferred to HQ JFNZ and costed mainly to Output Class D2 (Naval Combat Forces) and other Navy output classes.	- 4.9
D7	The increase in expenses reflects, in the main, the introduction into service of the NZ LAV in 2003/04.	+22.4
D8	The increase in expenses reflects, in the main, the introduction into service of the NZ LAV in 2003/04 (as for D7 above).	+5.8
D9	The increase in expenses reflects, in the main, the agreement to address pay relativity.	+3.0
D12	The increase reflects a resource reprioritisation necessary to ensure that the Maritime Patrol Forces continue to meet the requirements of the NZDF Output Plan, and the agreement to address pay relativity.	+1.9
D13	The increase reflects a resource reprioritisation necessary to ensure that the Fixed Wing Transport Forces continue to meet the requirements of the NZDF Output Plan and includes the impact of depreciation expenses associated with the introduction of the two Boeing 757-200 aircraft.	+3.9
D14	The decrease relates, in the main, to a redistribution of Seasprite helicopter costs to Output Class D2 (Naval Combat Forces).	-3.9
D16	This variance mainly reflects the withdrawal of the Battalion Group from Timor-Leste.	-24.733
Total		+16.5

Note: All output classes, except Output Class D16, include an adjustment that recognises the agreement to address pay relativity.

The following cost-neutral NZDF Output Class/Output change has been made for the 2003/04-year:

- Output Class D5 - *Naval Control of Shipping* (NCS) - has been deleted as an Output Class and transferred as a support function to HQ JFNZ and costed against other Navy outputs; mainly Output Class D2 - *Naval Combat Forces*. Maintaining NCS as a separate output class, given its relatively low expense, could not be justified, and NCS is now regarded as a *support function* rather than a “military capability”.

Capital commitments

A 2003/04 capital contribution of \$285.405 million has been agreed to provide for, the purchase of replacement strategic jet aircraft (two Boeing 757-200), and for part funding of the purchase of the NZ LAV.

Reconciliation of New Initiatives to Appropriations

The following table provides the reconciliation of New Initiatives to Appropriations:

Reconciliation of New Initiatives to Appropriations

Initiative	Appropriations as shown in Part B	\$000 increase/(decrease)				
		2002/03	2003/04	2004/05	2005/06	2006/07
Address Market Relativity - Service Personnel Pay	Output Class D1 – Military Policy Development Coordination and Advice	-	156	156	156	156
	Output Class D2 – Naval Combat Forces	-	3,944	3,944	3,944	3,944
	Output Class D3 – Naval Support Forces	-	278	278	278	278
	Output Class D4 – MCM, Diving and Diving Support Forces	-	362	362	362	362
	Output Class D6 – Hydrographic Data Collection and Processing for LINZ and Third Parties	-	115	115	115	115
	Output Class D7 – Land Combat Forces	-	4,112	4,112	4,112	4,112
	Output Class D8 – Land Combat Support Forces	-	2,615	2,615	2,615	2,615
	Output Class D9 – Land Combat Service Support Forces	-	2,177	2,177	2,177	2,177
	Output Class D10 – Specialised Forces	-	589	589	589	589
	Output Class D12 – Maritime Patrol Forces	-	1,514	1,514	1,514	1,514
	Output Class D13 – Fixed Wing Transport Forces	-	1,834	1,834	1,834	1,834
	Output Class D14 – Rotary Wing Transport Forces	-	1,156	1,156	1,156	1,156
	Output Class D15 – Miscellaneous Support Forces	-	149	149	149	149

NZDF's continuing commitment of four staff officers to the Force Headquarters of the International Security Assistance Force (HQ ISAF) to 31 December 2003	Output Class D16 - Operationally Deployed Forces	-	216	-	-	-
NZDF's continuing commitment of an ANZAC frigate to Operation Enduring Freedom.	Output Class D16 - Operationally Deployed Forces	-	474	-	-	-
The deployment of a RNZAF P3-K Orion aircraft to Operation Enduring Freedom	Output Class D16 - Operationally Deployed Forces	-	4,097			
NZDF's continuing commitment to HQ CJTF, Operation Enduring Freedom.	Output Class D16 - Operationally Deployed Forces		275			
Support to MFAT for Pacific Island Forum Meeting (Cross-Vote budget bid submitted by MFAT)	Output Class D14 - Rotary Wing Transport Forces	-	120	-	-	-
Total Initiatives		-	24,183	19,000	19,000	19,000

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

Types of Appropriation	1998/99	1999/2000	2000/01	2001/02	2002/03		2003/04 Appropriations to be Used				2004/05	2005/06	2006/07	
	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				
Operating Flows														
Classes of Outputs to be Supplied	1,576,526	1,596,564	1,663,105	1,600,371	1,611,435	1,611,435	1,627,393	-	-	-	1,627,393	1,644,245	1,643,179	1,643,179
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	5,000	76,952	103,965	-	-	-	-	-	-	-	-	-	-	-
Capital Flows														
Capital Contributions	41,427	160	1,639	387	1,844	1,844	285,405	-	-	-	285,405	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Total Appropriations	1,622,953	1,673,676	1,768,709	1,600,758	1,613,279	1,613,279	1,912,798	-	-	-	1,912,798	1,644,245	1,643,179	1,643,179
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B - Statement of Appropriations

Appropriations	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Military Policy Development, Coordination and Advice	9,420	-	9,420	-	9,166	-	- Provision 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, responses to ministerial correspondence, parliamentary questions, and Official Information Act inquiries.
D2 Naval Combat Forces	520,936	-	520,936	-	535,181	-	- Provision of the capabilities of HMNZ Ships TE KAHA, TE MANA and CANTERBURY, and associated Seasprite helicopters, prepared to conduct maritime operations and to contribute support services to the community.
D3 Naval Support Forces	31,470	-	31,470	-	29,850	-	- Provision of the capabilities of the Fleet 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. Until a multi-role vessel is commissioned, the NZDF's military sea-lift capability will be by charter.
D4 Mine Counter Measures, Diving and Diving Support Forces	33,362	-	33,362	-	35,137	-	- Provision of the capabilities of the Inshore Patrol Craft prepared to conduct mine counter measure (MCM) operations and route surveys in selected New Zealand ports, and coastal patrols, and the provision of the capabilities 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	4,893	-	4,893	-	-	-	- This output class was for the provision of the Naval Control of Shipping (NCS) Organisation prepared to conduct control of shipping in times of threat. This output class has been transferred, as a support function, to HQ JFNZ with costs attributed to other Navy outputs. The NCS support function at HQ JFNZ will continue to be staffed by members of the Royal New Zealand Naval Volunteer Reserve (RNZNVR).

Part B - Statement of Appropriations (continued)

Appropriations	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross) - cont'd							
D6 Hydrographic Data Collection and Processing for LINZ and Third Parties	7,910	-	7,910	-	6,786	-	- Provision of the capabilities of the hydrographic and oceanographic survey ship, HMNZS RESOLUTION, to conduct hydrographic data collection and processing that meets contractual commitments to LINZ and third parties. This output class is supported by the Hydrographic Business Unit.
D7 Land Combat Forces	229,797	-	229,797	-	252,233	-	- Provision of the capabilities of the Land Combat Forces (command, control and intelligence, and infantry, armoured and reconnaissance force elements) prepared to conduct land operations, and to contribute support services to the community.
D8 Land Combat Support Forces	147,135	-	147,135	-	152,945	-	- Provision of the capabilities of the Land Combat Support Forces (artillery, engineers and communications force elements) prepared to conduct land operations, and to contribute support services to the community.
D9 Land Combat Service Support Forces	123,061	-	123,061	-	125,990	-	- Provision of the capabilities of the Land Combat Service Support Forces (transport and movements, medical, supply, repair and military police) prepared to conduct land operations, and to contribute support services to the community.
D10 Specialised Forces	36,416	-	36,416	-	35,538	-	- Provision of the capabilities of the Specialised Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the disposal of explosive devices and neutralisation of chemical and biological devices that threaten public safety or national interests.
D12 Maritime Patrol Forces	141,973	-	141,973	-	143,920	-	- Provision of the capabilities of No 5 Squadron (P-3K Orion aircraft) prepared to conduct, in priority, 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. This class also includes some support services to the community.

D13 Fixed Wing Transport Forces	199,389	-	199,389	-	203,312	-	Provision of the capabilities of No 40 Squadron (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, and to contribute support services to the community.
D14 Rotary Wing Transport Forces	80,215	-	80,215	-	76,285	-	Provision of the capabilities of No 3 Squadron (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community.
D15 Miscellaneous Support Activities	8,259	-	8,259	-	8,584	-	Provision of 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 to the New Zealand Cadet Forces and training of Limited Service Volunteers.
D16 Operationally Deployed Forces	37,199	-	37,199	-	12,466	-	Provision of deployed force elements on military tasks, including the commitments agreed by Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other international agencies. It includes the provision of individuals, 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)	1,611,435	-	1,611,435	-	1,627,393	-	
Capital Contributions to the Department							
Capital Investment	1,844	-	1,844	-	285,405	-	The 2003/04 capital contribution is to provide for, primarily, the purchase of replacement strategic jet aircraft (two Boeing 757-200), and for part payment of the funding required to purchase the NZ LAV (Light Armoured Vehicle).
Total Appropriations for Capital Contributions to the Department	1,844	-	1,844	-	285,405	-	
Total Appropriations	1,613,279	-	1,613,279	-	1,912,798	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes for 2003/04

Output Class D1 - Military Policy Development, Coordination and Advice

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

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

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. Until a multi-role vessel is purchased the NZDF sea-lift requirement, if required, will be by charter.

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

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 (Reserved)

Under this output class the Minister of Defence previously purchased 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 shipping movement. NCS has been transferred, as a support function, to under HQ JFNZ and costed against other Navy outputs, mainly Output Class D2 (Naval Combat Forces). The NCS function at HQ JFNZ will continue to be staffed by members of the Royal New Zealand Naval Volunteer Reserve (RNZNVR). This output class will be retired in 2004/05.

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

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 Business Unit.

While Cabinet has not taken final decisions on the *Tanner Review*, it is expected that the existing LINZ / NZDF (RNZN) contract will be maintained in its current form until 2005. Arrangements post-2005 will be the subject of further work and Ministerial report back to Cabinet in mid-2003.

Output Class D7 - Land Combat Forces

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, armoured 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

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

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

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 the NZDF Improvised Explosive Device Disposal / Chemical and Biological Response (IEDD/CB Response) Teams prepared to dispose of explosive devices and neutralise chemical and biological devices that threaten public safety or national interests. These forces will not usually be available for other community support tasks.

Output Class D11 –(Reserved)

This output class, originally for Air Combat Forces, has now been retired.

Output Class D12 - Maritime Patrol Forces

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

Under output class D13 the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces (B-757-200 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

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. Funding for 2003/04 includes support to the Pacific Island Forum Meeting.

Output Class D15 - Miscellaneous Support Activities

Under output class D15 the Minister of Defence purchases the NZDF training infrastructure, which 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

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.

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 (*Operationally Deployed Forces*) 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

Appropriations for 2003/04 include an agreed capital contribution of \$285.405 million to provide for, primarily, the purchase of replacement strategic jet aircraft (two Boeing 757-200 aircraft), and for part funding of the purchase of the NZ LAV.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2003 \$ million	Forecast Net Worth 2004 \$ million
New Zealand Defence Force	30 June	3,081.493	3,366.898