

# VOTE *Defence* *Force*

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## Defence Force

### Overview

The annual appropriation sought for Vote Defence Force in 2005/06 totals \$1,596.387 million. It is intended that this be spent as follows:

- \$1,573.151 million (98.5% 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 to a range of services to other government departments and the community when not committed to operations. The breakdown by Service is as follows:
  - Navy                   \$597.384 million (37.4% of the Vote)
  - Army                   \$565.551 million (35.4% of the Vote), and
  - Air Force            \$410.216 million (25.7% of the Vote).
- \$9.412 million (0.6% of the Vote) on military policy development, coordination, and advice to the Government.
- \$7.292 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.
- \$6.532 million (0.4% 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 new Multi-Year Appropriation (MYA) of \$67 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 \$16 million in third party revenue (Revenue Department and Revenue Other) in 2005/06.

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

## Terms and Abbreviations Used

ACF	Air Combat Forces
CB Response	Chemical and Biological Response
DCARR	Defence Capability and Resourcing Review
DFP	Defence Funding Package
EEZ	Exclusive Economic Zone
HMNZS	Her Majesty's New Zealand Ship
IEDD	Improvised Explosive Device Disposal
IPCs	Inshore Patrol Craft
IPVs	Inshore Patrol Vessels
KP/s	Key Priority/ies
LINZ	Land Information New Zealand
LTDP	Long-Term Development Plan
MAP	Mutual Assistance Programme
MCM	Mine Counter Measures
MRV	Multi-Role Vessel
MYA	Multi-Year Appropriation
NZDF	New Zealand Defence Force
NZ LAV	New Zealand Light Armoured Vehicle (the LAV III)
OLOC	Operational Level of Capability
OPVs	Offshore Patrol Vessels
PRT	Provincial Reconstruction Team
RNZNVR	Royal New Zealand Naval Volunteer Reserve
UN	United Nations

## Footnotes

Note 1	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.
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# *Defence Force*

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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 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*. Subsequent Government statements, such as those of 8 May 2001 and the Long-Term Development Plan (LTDP) of 11 June 2002 (and subsequent updates of that plan) added detail to the earlier strategic documents.

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.

### *Defence Outcomes*

The following main and intermediate *Defence Outcomes*, to which the NZDF has major contributions, have been identified:

- 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 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 2005/08, are detailed in the *NZDF Statement of Intent and NZDF Output Plan*.

## *Defence Capability and Resourcing Review (DCARR) and Defence Funding Package*

In past years the NZDF's annual funding (appropriations) has been based on a fixed baseline with additional funding being provided to remedy funding pressures and for approved new initiatives. The main purpose of the DCARR, conducted during 2004, was to identify the current and optimum capability configuration and resource requirements for the NZDF to undertake the roles and tasks prescribed by the Government, and to advise joint ministers on how the optimum capability of the NZDF can best be realised.

The DCARR identified significant funding opportunities for the delivery of NZDF outputs. Consequently, the Government has decided on a new funding plan, known as the Defence Funding Package (DFP), for the NZDF in the future, starting from FY 2005/06. In summary, this package will increase the NZDF's nominal baseline each year for the next 10 years and will provide the NZDF with a high degree of assurance on funding into the future. The NZDF is required to fund output delivery, capability development, capital acquisition (other than that covered in the LTDP) 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.

The DFP 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
- align some major weapons platforms 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
- significantly reduce the substantial backlog of maintenance and capital expenditure in the Defence Estate, over the longer term
- restore aspects of corporate management capability that are currently severely depleted.

Steps to responsibly manage the package allocation process and to ensure that the allocation remains sustainable over 10 years are being developed and implemented. The DFP is required to be reported on annually, and is subject to annual review and a formal review after five years. Further details are included in the *NZDF 2005 Statement of Intent*.

## *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 2005 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, last updated in November 2004, 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 2005/08, 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 brief, the main *Action Steps* under this KP include:
  - delivery of the *Joint Effect* by developing and evaluating new capability proposals, continuing to improve communications interoperability and information technology applications, and developing a joint command and control system
  - transformation of the Navy, modernisation of the Army, and implementing capability improvements in the Air Force
  - continue to work towards consolidation of the RNZAF at Ohakea
  - continue to develop a stand-alone, fully manned Improvised Explosive Device Disposal / Chemical and Biological Response 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:
  - implement 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
  - develop a corporate performance management system
  - continue a comprehensive review of the military justice system
  - develop a NZDF information management framework
  - implement a comprehensive human resources strategic plan
  - implement the Joint Logistic Support Organisation
  - implement a NZDF professional development framework
  - implement 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 Defence Force

### *Output Trends 2000/01 - 2005/06*

The table at the end of Part A2 shows the trends in Vote Defence Force from 2000/01 to 2005/06.

#### **Departmental outputs**

- While there were some increases in departmental output appropriations in 2001/02, there was an overall net decrease in funding of \$61 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%.
- 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 was an increase of \$62 million in 2004/05 by way of new initiatives and new funding, 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% resulting in a net increase of \$13 million in departmental output appropriations between 2003/04 and 2004/05.

#### **Other expenses**

- The expense appropriation 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.
- 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.
- A technical adjustment of \$25 million in 2004/05 that provides, should it be necessary, for the expensing of items that have been included in the NZDF Statement of Financial position.

## *Comparison of Departmental Output Expenses: 2004/05 and 2005/06*

### **Departmental outputs**

As recommended by DCARR and under the DFP, funding for Output Expense *Operationally Deployed Forces* has been placed under a Multi-Year appropriation (MYA). 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 DFP.

Revenue currently appropriated to Vote Social Development for payment of Defence Force Allowances will be appropriated to Vote Defence Force and be included in this MYA. 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 2006 include the following Cabinet-approved departmental output funding changes that were considered as either *New Initiatives* or *New Funding* during the 2005 Budget process:

#### **New Initiatives:**

- An increase of \$59.763 million in 2005/06 to provide for the operating impact requirements identified as part of the DCARR, and amalgamated into the new Defence Funding Package. The full value of the increase for 2006/07 and outyears will be on the basis of the Defence Funding Package as detailed in the NZDF 2005 Statement of Intent.
- An increase of \$5.214 million in 2005/06, \$31.497 million in 2006/07, \$60.527 million in 2007/08, and \$68.267 million in 2008/09 and outyears to provide for the operating impact requirements identified as necessary to prepare for and bring into service the seven new vessels that are to be acquired for the Navy under Project Protector.

#### **New Funding:**

- Increases of \$16.568 million in 2005/06 and \$5.303 million in 2006/07 were agreed during 2004/05 to fund a continuation of the NZDF Provincial Reconstruction Team (PRT) in Afghanistan in support of Operation Enduring Freedom until 30 September 2006. These amounts have been transferred to and are included in the new multi-year (three years) appropriation for *Operationally Deployed Forces* (see Part B2 Table).
- An increase of \$4.466 million in 2006/07 and \$1.680 million in 2007/08 and outyears to fund the operating costs in occupying the new Defence House accommodation.
- An increase of \$120,000 in 2006/07 to enable the NZDF to fund the additional fitout and leasing costs for alternative accommodation for NZDF personnel who will not have allocated floor space in the new Defence Building.

- An increase of \$960,000 in 2005/06 and \$30,000 in 2006/07 to fund the NZDF contribution to operations in the Solomon Islands. These amounts have been transferred to and are included in the new multi-year appropriation for *Operationally Deployed Forces* (see Part B2 Table).
- An increase of \$36,000 in 2005/06 to provide two Military Liaison Officers to, respectively, the United Nations Assistance Mission in Iraq and the United Nations Assistance Mission in Afghanistan. This amount has been transferred to and is included in the new multi-year appropriation for *Operationally Deployed Forces* (see Part B2 Table).

The following table explains the most significant expense differences between NZDF Output Expenses for 2005/06 (Main Estimates) and the 2004/05 Supplementary Estimates (based on GST Exclusive figures). It should be noted that the table takes the new funding package for Defence into account (designated within the table as DFP).

Output Expense	Explanation / Comment for Expense Increase / Decrease	Expense Increase or (Decrease) \$ million
Military Policy Development, Coordination and Advice	The decrease reflects a temporary reduction only prior to the full impact of the implementation of the DFP.	(2.0)
Naval Combat Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	31.3
Naval Support Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	1.6
Mine Counter Measures and MCM Diving Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	1.7
Naval Patrol Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	3.5
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	The decrease reflects a slight reduction in the services to LINZ.	(1.3)
Land Combat Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	19.0
Land Combat Support Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	7.5

<b>Output Expense</b>	<b>Explanation / Comment for Expense Increase / Decrease</b>	<b>Expense Increase or (Decrease) \$ million</b>
Land Combat Service Support Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	5.6
Specialised Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	1.9
Maritime Patrol Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	5.0
Fixed Wing Transport Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	6.7
Rotary Wing Transport Forces	The increase reflects a combination of the impact of DFP and capital charge expense associated with the increased investment necessary to provide for LTDP and infrastructure projects identified during the DCARR.	3.0
Operationally Deployed Forces	This output expense is now the subject of a three-year MYA starting in 2005/06, and previously appropriated annual values have been transferred to and incorporated into the MYA (see Part B2 Table).	(29)
<b>Total</b>		<b>55</b>
Operationally Deployed Forces	Indicative <i>annual cost</i> (one third of the three-year MYA of \$66 million)	22
<b>Total</b>		<b>77</b>

The total increase over 2004/05, in the main, is represented by:

Capital Charge increase associated with new Capital Investment	\$16 million
Defence Funding Package	\$60 million
Project Protector	\$5 million
Reduced Deployed Forces Operations	(\$4 million)
<b>Total</b>	<b>\$77 million</b>

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

- Output Expense *Naval Support Forces* now includes an output for Sea-Lift Forces based on the new Multi-Role Vessel (MRV) - once introduced into service.
- The Output Expense *Mine Counter Measures (MCM) and MCM Diving Forces* is an amended title to better reflect the link between the Navy's Operational Diving Team (ODT) with MCM operations, even though the ODT may be employed on independent diving tasks. The Inshore Patrol Craft (IPC) that come under this output in the past have been transferred to the new Output Expense *Naval Patrol Forces*.
- New Output Expense *Naval Patrol Forces*. This output expense will consist of the new Offshore Patrol Vessels (OPVs) and Inshore Patrol Vessels (IPVs) once they are introduced into service. Until then, only the IPC, transferred from the MCM Output Expense, will be under the output.
- Retitled Output Expense *Military Hydrography, and Hydrographic Data Collection and Processing for LINZ* to make it clear that there is a military hydrography requirement as well as the hydrography contact with LINZ.

### Other expenses

There are no Other Expenses for 2005/06.

### New Policy Initiatives and New Funding by Appropriation

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

## New Policy Initiatives by Appropriation

Initiative	Appropriations as shown in Part B	\$'000 increase/(decrease) (all GST Exclusive)				
		2004/05	2005/06	2006/07	2007/08	2008/09
Implementation of the Operating Funding Requirement for the Defence Capability and Resourcing Review (DCARR): Defence Funding Package (DFP)	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	422	312	316	471
	Departmental Output Expense - Naval Combat Forces	-	20,572	15,798	16,738	22,980
	Departmental Output Expense - Naval Support Forces	-	1,113	823	836	1,244
	Departmental Output Expense - Mine Counter Measures (MCM) and MCM Diving Forces	-	1,350	998	1,013	1,508
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	-	29	22	22	33
	Departmental Output Expense - Land Combat Forces	-	10,195	7,539	7,653	11,388
	Departmental Output Expense - Land Combat Support Forces	-	5,868	4,339	4,405	6,555
	Departmental Output Expense - Land Combat Service Support Forces	-	4,970	3,675	3,731	5,551
	Departmental Output Expense - Specialised Forces	-	1,762	1,303	1,323	1,968
	Departmental Output Expense - Maritime Patrol Forces	-	5,737	4,242	4,306	6,408
	Departmental Output Expense - Fixed Wing Transport Forces	-	6,951	5,140	5,218	7,765
	Departmental Output Expense - Rotary Wing Transport Forces	-	4,016	2,970	3,015	4,487

	Departmental Output Expense - Miscellaneous Support Activities	-	231	171	173	258
	Departmental Output Expense - Operationally Deployed Forces. [The Operationally Deployed Forces values newly appropriated for the three-year period 2005/06 - 2007/08 are now included in a MYA (see Part B2 Table)].	-	(3,453)	12,585	17,918	(3,949)
Project Protector Operating Costs	Departmental Output Expense - Naval Support Forces	-	1,840	11,113	21,355	24,086
	Departmental Output Expense - Naval Patrol Forces		3,374	20,384	39,172	44,181
Continuation of the Provincial Reconstruction Team in support of Operation Enduring Freedom, Afghanistan	Departmental Output Expense - Operationally Deployed Forces	1,085	16,568	5,303	-	-
Contribution to Solomon Islands post July 2004	Departmental Output Expense - Operationally Deployed Forces	614	960	30	-	-
Military Liaison Officer to United Nations Assistance Mission in Iraq (UNAMI)	Departmental Output Expense - Operationally Deployed Forces	48	18	-	-	-
Military Liaison Officer to United Nations Assistance Mission in Afghanistan (UNAMA)	Departmental Output Expense - Operationally Deployed Forces	48	18	-	-	-
New Defence House (operating costs in occupying new accommodation)	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	-	4,466	1,680	1,680
Defence Accommodation (Additional Funding for fitout and leasing costs)	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	-	120	-	-
<b>Total Initiatives</b>		<b>1,795</b>	<b>82,541</b>	<b>101,332</b>	<b>128,874</b>	<b>136,614</b>

## Trends in Vote Defence Force - Summary of Financial Activity

	2000/01	2001/02	2002/03	2003/04	2004/05		2005/06 Appropriations to be Used				2006/07	2007/08	2008/09	
	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				
<b>Appropriations</b>														
Output Expenses	1,483,263	1,422,511	1,426,895	1,529,740	1,542,520	1,542,520	1,596,387	-	-	-	1,596,387	1,627,561	1,655,103	1,685,176
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	103,965	-	23,414	-	25,000	25,000	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>1,587,228</b>	<b>1,422,511</b>	<b>1,450,309</b>	<b>1,529,740</b>	<b>1,567,520</b>	<b>1,567,520</b>	<b>1,596,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,596,387</b>	<b>1,627,561</b>	<b>1,655,103</b>	<b>1,685,176</b>
<b>Crown Revenue and Receipts</b>														
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	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B - Statement of Appropriations

### Part B1 - Details of Appropriations

Appropriations	2004/05				2005/06		Scope of 2005/06 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Military Policy Development, Coordination and Advice	11,452	-	11,452	-	<b>9,412</b>	-	Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.
Naval Combat Forces	498,859	-	498,859	-	<b>530,107</b>	-	Provision of the capabilities of HMNZ Ships TE KAHA and TE MANA and associated Seasprite helicopters prepared to conduct maritime operations and to contribute support services to the community.
Naval Support Forces	29,920	-	29,920	-	<b>31,510</b>	-	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. This output expense will also include the capabilities of the new multi-role vessel (MRV) once commissioned into service; until then the NZDF's military sea-lift capability will be by charter.
Mine Countermeasures (MCM) and MCM Diving Forces	30,662	-	30,662	-	<b>32,393</b>	-	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. The MCM Diving Forces, the Operational Diving Team, are prepared to support MCM operations and to conduct independent diving tasks. This output expense also includes some support services to the community.

## Part B1 - Details of Appropriations (continued)

	2004/05				2005/06		Scope of 2005/06 Appropriations
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General) - cont'd</b>							
Naval Patrol Forces	-	-	-	-	<b>3,374</b>	-	- This is a new output expense. Provision of the capabilities of vessels (OPVs, IPVs and IPCs) 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 commissioning into service of the OPVs and IPVs, the IPCs will undertake these roles to the limit of their capability. The IPCs will also be used in the training role.
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	7,862	-	7,862	-	<b>6,532</b>	-	- Provision of 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 that meets contractual commitments to LINZ. This output expense is supported by the Hydrographic Business Unit.
Land Combat Forces	242,434	-	242,434	-	<b>261,361</b>	-	- 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.
Land Combat Support Forces	134,927	-	134,927	-	<b>142,385</b>	-	- 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.
Land Combat Service Support Forces	113,921	-	113,921	-	<b>119,502</b>	-	- 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.

Specialised Forces	40,417	-	40,417	-	<b>42,303</b>	-	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.
Maritime Patrol Forces	134,591	-	134,591	-	<b>139,512</b>	-	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 output expense also includes some support services to the community.
Fixed Wing Transport Forces	164,754	-	164,754	-	<b>171,489</b>	-	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.
Rotary Wing Transport Forces	96,155	-	96,155	-	<b>99,215</b>	-	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.
Miscellaneous Support Activities	7,368	-	7,368	-	<b>7,292</b>	-	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.
Operationally Deployed Forces	29,198	-	29,198	-	-	-	In the past this output expense was for the 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 included the provision of individuals, observers, advisers, instructors, headquarters staff, and complete force elements and contingents. This output expense has now been placed under a multi-year appropriation for three years (see Part B2).
<b>Total Appropriations for Departmental Output Expenses (General)</b>	<b>1,542,520</b>	<b>-</b>	<b>1,542,520</b>	<b>-</b>	<b>1,596,387</b>	<b>-</b>	

**Part B1 - Details of Appropriations (continued)**

	2004/05				2005/06		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2005/06 Appropriations
<b>Other Expenses to be incurred by the Department</b>							
Asset Write-Offs	25,000	-	25,000	-	-	-	
<b>Total Appropriations for Other Expenses to be incurred by the Department</b>	25,000	-	25,000	-	-	-	
<b>Total Appropriations</b>	1,567,520	-	1,567,520	-	1,596,387	-	

## Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Description of Appropriations
<b>Departmental Output Classes (Mode B Gross)</b>		
<b>Operationally Deployed Forces Term</b>		
	2005/06 to 2007/08	This new multi-year appropriation reflects the Crown's commitment to provide flexibility of funding for an output expense for which demand varies from year to year. It will provide the funding necessary for most routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government.
Original Appropriation	66,999	
Adjustments	-	
Total Appropriation	66,999	This was previously an annual appropriation (see Part B1 table)
Actual to date (February)	-	
Expected Actual to year end 2005/06	22,333	The appropriation will fund the 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 additional training required to meet any special conditions of the higher threat levels anticipated.
Remaining	44,666	
<b>Expected Outcome (see Note 1)</b>	<b>66,999</b>	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses for 2005/06

#### *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* and associated Seasprite helicopters) 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. *HMNZS Canterbury* has been decommissioned.

#### *Naval Support Forces*

Under this output expense 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 output expense will also include the capabilities of the new multi-role vessel (MRV) once that vessel has been purchased and introduced into service. Until the MRV is introduced into service the NZDF sea-lift requirement, if required, will be by charter. This output expense also includes contributions by Naval Support Forces to a range of services to the Government and the community.

#### *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 vessels (OPVs, IPVs and IPCs) 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 delivery of the new OPVs and IPVs the IPCs will undertake these roles to the limit of their capability. Until the new vessels are commissioned, the IPCs will also be used in a training role.

Once commissioned into 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 and communications 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 and movements, medical, supply, repair 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.

### *Specialised Forces*

Under this output expense 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.

### *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, 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 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 (B-757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation. 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 and counter-terrorist operations, including aeromedical evacuation. 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 training infrastructure, which 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 MAP, support for the New Zealand Cadet Forces and the conduct of training for Limited Service Volunteers.

### *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 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 OLOC and to meet any special conditions associated with threat levels anticipated when deployed.

### *Additional Funding for Unplanned Major Operations*

NZDF outputs contain appropriations for known activity levels. In the past no provision was made for unknown events - such as new requests for NZDF support to peace support operations. Under the recent Cabinet-approved Defence 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 Department Net Asset Schedules

Details of Net Asset Schedule for New Zealand Defence Force	Estimated Actual 2004/05 \$ million	Projected 2005/06 \$ million	Explanation of Projected Movements in 2005/06
Opening Balance	3,523	3,523	
Capital Injections	25	410	To provide for the capital outflows associated with Long Term Development Plan (LTDP) decisions already taken and NZDF infrastructure projects identified during the Defence Capability and Resourcing Review (DCARR) a capital injection of \$405 million to meet capital costs associated with Project Protector (new vessels for the Navy) and the C-130 Hercules and P-3 Orion upgrades during 2005/06. In addition, a capital injection of \$5 million will provide for the pre-sale rehabilitation of land at Hobsonville Air Base.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(25)	-	
Other Movements	-	-	-
Closing Balance	3,523	3,933	-