

Vote Defence Force

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Defence (M22)

ADMINISTERING DEPARTMENT: New Zealand Defence Force

MINISTER RESPONSIBLE FOR NEW ZEALAND DEFENCE FORCE: Minister of Defence

Details of Appropriations

Details of Annual and Permanent Appropriations

| Titles and Scopes of Appropriations by Appropriation Type | 2007/08 | | |
|--|------------------------------|---|--------------------------|
| | Estimates Budget \$000 | Supplementary Estimates Budget \$000 | Total Budget \$000 |
| Departmental Output Expenses | | | |
| Fixed Wing Transport Forces (M22) Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community. | 196,380 | (18,357) | 178,023 |
| Land Combat Forces (M22) Provision of the capabilities of the Land Combat Forces (command, control, intelligence and manoeuvre force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. | 345,512 | (20,830) | 324,682 |
| Land Combat Service Support Forces (M22) Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements force elements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. | 126,257 | 8,877 | 135,134 |
| Land Combat Support Forces (M22) Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. | 183,200 | (11,546) | 171,654 |
| Maritime Patrol Forces (M22) Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community. | 154,156 | (4,420) | 149,736 |
| Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (M22) Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS RESOLUTION, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit. | 15,136 | 134 | 15,270 |
| Military Policy Development, Coordination and Advice (M22) Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence. | 11,390 | (1,186) | 10,204 |

| Titles and Scopes of Appropriations by Appropriation Type | 2007/08 | | |
|---|------------------------------|---|--------------------------|
| | Estimates Budget \$000 | Supplementary Estimates Budget \$000 | Total Budget \$000 |
| Mine Countermeasures (MCM) and MCM Diving Forces (M22) Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS MANAWANUI with HMNZS KAHU as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community. | 37,687 | (10,556) | 27,131 |
| Miscellaneous Support Activities (M22) Provision of the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications. | 13,689 | 606 | 14,295 |
| Naval Combat Forces (M22) Provision of the capabilities of the frigates, HMNZ Ships TE KAHA and TE MANA, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications. | 394,454 | (9,213) | 385,241 |
| Naval Helicopter Forces (M22) Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications. | 84,670 | (5,597) | 79,073 |
| Naval Patrol Forces (M22) Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ, in accordance with NZDF Output Plan specifications. Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed. | 85,221 | (23,309) | 61,912 |
| Naval Support Forces (M22) Provision of the capabilities of the Fleet Replenishment Ship, HMNZS ENDEAVOUR, and the Multi-Role Vessel, HMNZS CANTERBURY, prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces, in accordance with NZDF Output Plan specifications. This output expense also includes contributions to a range of services provided to Government and the community. | 95,502 | (2,825) | 92,677 |
| Rotary Wing Transport Forces (M22) Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications. | 114,472 | 4,387 | 118,859 |
| Special Operations Forces (M22) Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the provision of Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests, in accordance with NZDF Output Plan specifications. | 51,986 | (923) | 51,063 |
| Total Departmental Output Expenses | 1,909,712 | (94,758) | 1,814,954 |

| Titles and Scopes of Appropriations by Appropriation Type | 2007/08 | | |
|---|------------------------------|---|--------------------------|
| | Estimates Budget \$000 | Supplementary Estimates Budget \$000 | Total Budget \$000 |
| Other Expenses to be Incurred by the Department | | | |
| Asset Write-Offs (M22) | - | 2,700 | 2,700 |
| To provide for the expensing of capitalised items that have no ongoing utility. | | | |
| Total Other Expenses to be Incurred by the Department | - | 2,700 | 2,700 |
| Capital Expenditure to be Incurred by the Department | | | |
| New Zealand Defence Force - Capital Expenditure PLA (M22) | - | 412,152 | 412,152 |
| This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Defence Force, as authorised by section 24(1) of the Public Finance Act 1989 | | | |
| Total Capital Expenditure to be Incurred by the Department | - | 412,152 | 412,152 |
| Total Annual and Permanent Appropriations | 1,909,712 | 320,094 | 2,229,806 |

Details of Multi-Year Appropriations

| Type, Title, Scope and Period of Appropriations | Appropriation | \$000 |
|---|-----------------------------------|---------|
| Departmental Output Expenses | | |
| Operationally Deployed Forces (M22) | Original Appropriation | 66,999 |
| <p>The provision of force elements for routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government, in accordance with NZDF Output Plan specifications.</p> <p>Commences: 1 July 2005</p> <p>Expires: 30 June 2008</p> | Adjustments to 2006/07 | 71,179 |
| | Adjustments for 2007/08 | (7,311) |
| | Adjusted Appropriation | 130,867 |
| | Actual to 2006/07 Year End | 59,575 |
| | Estimated Actual for 2007/08 | 71,292 |
| | Estimated Actual for 2008/09 | - |
| | Estimated Appropriation Remaining | - |

Details of Projected Movements in Departmental Net Assets

New Zealand Defence Force

| Details of Net Asset Schedule | 2007/08 Estimates Projections \$000 | 2007/08 Supplementary Estimates Projections \$000 | Explanation of Projected Movements in 2007/08 |
|---|--|---|--|
| Opening Balance | 4,974,132 | 4,702,521 | Supplementary Estimates opening balance reflects the audited results as at 30 June 2007. |
| Capital Injections | 127,585 | 73,395 | The change recognises a transfer of \$54.190 million to 2008/09. |
| Capital Withdrawals | - | - | |
| Surplus to be Retained (Deficit Incurred) | - | 11,751 | The surplus includes unrealised foreign exchange gains of \$14.500 million recognised as at 29 February 2008 offset by a \$2.700 million asset write-off, should it be required. |
| Other Movements | 2,700 | 2,688 | To maintain the Net Asset value should a \$2.700 million asset write-off not be required. |
| Closing Balance | 5,104,417 | 4,790,355 | |

Information Supporting the Supplementary Estimates

Vote Defence Force

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Defence (M22)

ADMINISTERING DEPARTMENT: New Zealand Defence Force

MINISTER RESPONSIBLE FOR NEW ZEALAND DEFENCE FORCE: Minister of Defence

Part 1 - Summary of the Vote

Part 1.3 - Trends in the Vote

Summary of Financial Activity

| | 2007/08 | | | | |
|---|--------------------|---------------------------------------|---|--------------------------------|------------------|
| | Estimates \$000 | Supplementary Estimates | | | Total \$000 |
| | | Departmental Transactions \$000 | Non- Departmental Transactions \$000 | Total Transactions \$000 | |
| Appropriations | | | | | |
| Output Expenses | 1,985,030 | (98,784) | - | (98,784) | 1,886,246 |
| Benefits and Other Unrequited Expenses | - | N/A | - | - | - |
| Borrowing Expenses | - | - | - | - | - |
| Other Expenses | - | 2,700 | - | 2,700 | 2,700 |
| Capital Expenditure | - | 412,152 | - | 412,152 | 412,152 |
| Intelligence and Security Department Expenses and Capital Expenditure | - | - | N/A | - | - |
| Total Appropriations | 1,985,030 | 316,068 | - | 316,068 | 2,301,098 |
| Crown Revenue and Receipts | | | | | |
| Tax Revenue | - | N/A | N/A | - | - |
| Non-Tax Revenue | - | N/A | N/A | - | - |
| Capital Receipts | - | N/A | N/A | - | - |
| Total Crown Revenue and Receipts | - | N/A | N/A | - | - |

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Fixed Wing Transport Forces (M22)

Scope of Appropriation

Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community.

Reasons for Change in Appropriation

This appropriation will decrease by \$18.357 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$1.374 million for the capital charge and depreciation expense is no longer required, and
- a \$16.983 million transfer of operating savings to 2008/09.

Land Combat Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Land Combat Forces (command, control, intelligence and manoeuvre force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will decrease by \$20.830 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$9.638 million for the capital charge and depreciation expense is no longer required, and
- a \$11.192 million transfer of operating savings to 2008/09.

Land Combat Service Support Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements force elements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will increase by \$8.877 million mainly to reflect resource reprioritisation during 2007/08.

Land Combat Support Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will decrease by \$11.546 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$6.475 million for the capital charge and depreciation expense is no longer required, and
- resource reprioritisation transfers of \$5 million.

Maritime Patrol Forces (M22)

Scope of Appropriation

Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

Reasons for Change in Appropriation

This appropriation will decrease by \$4.420 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$2.386 million for the capital charge and depreciation expense is no longer required, and
- a \$2.034 million transfer of operating savings to 2008/09.

Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (M22)

Scope of Appropriation

Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS RESOLUTION, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.

Reasons for Change in Appropriation

This appropriation will increase by \$134,000 for 2007/08.

Military Policy Development, Coordination and Advice (M22)

Scope of Appropriation

Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.

Reasons for Change in Appropriation

This appropriation will decrease by \$1.186 million for 2007/08.

The decrease recognises operating savings moved to 2008/09 and other resource reprioritisation transfers during 2007/08.

Mine Countermeasures (MCM) and MCM Diving Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS MANAWANUI with HMNZS KAHU as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

Reasons for Change in Appropriation

This appropriation will decrease by \$10.556 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$2.415 million for the capital charge and depreciation expense is no longer required
- a \$1.188 million transfer of operating savings to 2008/09, and
- resource reprioritisation during 2007/08 of some \$7 million.

Miscellaneous Support Activities (M22)

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation will increase by \$606,000 for 2007/08.

Naval Combat Forces (M22)

Scope of Appropriation

Provision of the capabilities of the frigates, HMNZ Ships TE KAHA and TE MANA, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will decrease by \$9.213 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$1.606 million for the capital charge and depreciation expense is no longer required, and
- a \$7.607 million transfer of operating savings to 2008/09.

Naval Helicopter Forces (M22)

Scope of Appropriation

Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will decrease by \$5.597 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$2.959 million for the capital charge and depreciation expense is no longer required, and
- a \$2.638 million transfer of operating savings to 2008/09.

Naval Patrol Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ, in accordance with NZDF Output Plan specifications. Once in service the OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region and further afield when directed.

Reasons for Change in Appropriation

This appropriation will decrease by \$23.309 million for 2007/08.

The decrease consists mainly of savings transferred to 2008/09, including funding for the depreciation expense.

Naval Support Forces (M22)

Scope of Appropriation

Provision of the capabilities of the Fleet Replenishment Ship, HMNZS ENDEAVOUR, and the Multi-Role Vessel, HMNZS CANTERBURY, prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces, in accordance with NZDF Output Plan specifications. This output expense also includes contributions to a range of services provided to Government and the community.

Reasons for Change in Appropriation

This appropriation will decrease by \$2.825 million for 2007/08.

The decrease mainly recognises:

- asset revaluation where \$703,000 for the capital charge and depreciation expense is no longer required, and
- a \$2.122 million transfer of operating savings to 2008/09.

Operationally Deployed Forces (M22)

Scope of Appropriation and Expenses

| Title, Scope and Period of Appropriations | Appropriation | \$000 |
|--|-----------------------------------|---------|
| Operationally Deployed Forces (M22) The provision of force elements for routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government, in accordance with NZDF Output Plan specifications. Commences: 1 July 2005 Expires: 30 June 2008 | Original Appropriation | 66,999 |
| | Adjustments to 2006/07 | 71,179 |
| | Adjustments for 2007/08 | (7,311) |
| | Adjusted Appropriation | 130,867 |
| | Actual to 2006/07 Year End | 59,575 |
| | Estimated Actual for 2007/08 | 71,292 |
| | Estimated Actual for 2008/09 | - |
| | Estimated Appropriation Remaining | - |

Revenue

| | Budget \$000 |
|--|-----------------|
| Revenue from the Crown to end of 2008/09 | 129,918 |
| Revenue from Others to end of 2008/09 | 947 |
| Total Revenue | 130,865 |

Reasons for Change in Appropriation

This appropriation will decrease by \$7.311 million in 2007/08 to provide for a transfer of the residual Multi-Year Appropriation (MYA) amount to 2008/09.

Rotary Wing Transport Forces (M22)*Scope of Appropriation*

Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will increase by \$4.387 million mainly to reflect resource reprioritisation during 2007/08.

Special Operations Forces (M22)*Scope of Appropriation*

Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the provision of Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests, in accordance with NZDF Output Plan specifications.

Reasons for Change in Appropriation

This appropriation will decrease by \$923,000 for 2007/08.

The decrease mainly recognises asset revaluation where the capital charge and depreciation expense is no longer required.

Part 5 - Details and Expected Results for Other Expenses

Part 5.1 - Departmental Other Expenses

Asset Write-Offs (M22)

Scope of Appropriation

To provide for the expensing of capitalised items that have no ongoing utility.

Reasons for Change in Appropriation

This appropriation will increase by \$2.7 million for 2007/08. The increase represents a technical adjustment to provide should it be necessary, for the expensing of items that have been included in the New Zealand Defence Force (NZDF) Statement of Financial Position.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

New Zealand Defence Force - Capital Expenditure PLA (M22)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Defence Force, as authorised by section 24(1) of the Public Finance Act 1989

Capital Expenditure

| | 2007/08 | | |
|-------------------------------|--------------------|-------------------------------------|----------------|
| | Estimates \$000 | Supplementary Estimates \$000 | Total \$000 |
| Forests/Agricultural | - | - | - |
| Land | - | - | - |
| Property, Plant and Equipment | - | 404,682 | 404,682 |
| Intangibles | - | 7,470 | 7,470 |
| Other | - | - | - |
| Total Appropriation | - | 412,152 | 412,152 |

Reasons for Change in Appropriation

This appropriation was formerly in the NZDF Statement of Intent as forecast departmental capital expenditure and the change of \$176.528 million reflects:

- decreased Specialised Military Equipment (SME) related payments to the Ministry of Defence totalling \$131 million, and
- decreased payments of some \$45 million associated with NZDF managed capital project delays.