

VOTE Defence Force

VOTE Defence Force

OVERVIEW

Appropriations sought for Vote Defence Force in 1998/99 total \$1,634.658 million, including GST. This is intended to be spent as follows:

- \$1,533.068 million (94% of the Vote) on the Army, Navy and Air Force which provides 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 defend New Zealand against low-level threats, such as incursions into our exclusive economic zone and terrorism, and to contribute to regional and global security efforts. These forces will also provide a range of services to other government departments and the community.
- \$6.131 million (0.4% of the Vote) on military policy development, coordination and advice to the Government.
- \$8.774 million (0.5% of the Vote) on the Miscellaneous Support Activities which include the Mutual Assistance Programme, support for New Zealand Cadet Forces, and the training of Limited Service Volunteers.
- \$12.023 million (0.7% of the Vote) on forces deployed on operations including commitments to the United Nations and other multinational agencies for peace support tasks agreed by the Government.
- \$35.197 million (2% of the Vote) for the provision of hydrographic services to Land Information New Zealand, oceanographic data collection and some research.
- \$39.465 million (2.4% of the Vote) on capital contributions for the purchase of the second ANZAC frigate.

The New Zealand Defence Force expects to collect \$63 million in third-party revenue.

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

Terms and Abbreviations Used

ADF	<i>Australian Defence Force</i>
CDF	<i>Chief of Defence Force</i>
DONZ 91	<i>Government White Paper - Defence of New Zealand 1991</i>
EEZ	<i>Exclusive economic zone</i>
FPDA	<i>Five Power Defence Arrangements</i>
KMA	<i>Key measurement areas</i>
KRA	<i>Key result area</i>
LFG	<i>(2 and 3) Land Force Group</i>
LINZ	<i>Land Information New Zealand</i>
BLOC	<i>Basic level of capability</i>
DLOC	<i>Directed level of capability</i>
OLOC	<i>Operational level of capability</i>
MAP	<i>Mutual Assistance Programme</i>
MFAT	<i>Ministry of Foreign Affairs and Trade</i>
NCS	<i>Naval Control of Shipping</i>
NZDF	<i>New Zealand Defence Force</i>
OPRES	<i>Operational Preparedness Reporting System</i>
RNZNVR	<i>Royal New Zealand Naval Volunteer Reserve</i>
SAS	<i>Special Air Service</i>
SRA	<i>Strategic result area</i>
TMG	<i>Truce Monitoring Group</i>
UN	<i>United Nations</i>

Footnote

Note 1	<i>Appropriations are stated GST inclusive (where applicable).</i>
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VOTE 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 and national security policy goals. These policy goals, together with the 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, armed forces may be 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
- contributions 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.

1991 Defence White Paper

The most recent full statement of the Government's defence policy is the White Paper *The Defence of New Zealand 1991* (DONZ 91).

The three principal elements of this policy are:

- *defending New Zealand* against low level threats such as incursions into our exclusive economic zone (EEZ) and terrorism
- *contributing to regional security*, which includes maintaining our key defence relationship with Australia and our Five Power Defence Arrangements (FPDA) partners - Australia, United Kingdom, Malaysia and Singapore
- being a good international citizen by *playing our part in global collective security* efforts, particularly peacekeeping.

Self-Reliance in Partnership is the strategy used for implementing this policy. Self-Reliance is essential for national tasks that any independent nation must carry out - resource protection, counter terrorism, and surveillance of our approaches. "Partnership" involves the protection of our wider security interests, such as the maintenance of international law and order, and freedom of the seas. This aspect is done in cooperation with countries that have similar interests.

Coalition Agreement

The Coalition Agreement states that:

"New Zealand First and National are committed to maintaining a skilled, professional and well equipped Defence Force to protect our nation's sovereignty, to provide national security and make an appropriate contribution to regional security".

1997 Defence White Paper

The Government's White Paper *The Shape of New Zealand's Defence*, which is based on the Defence Assessment completed in September 1997, concludes that DONZ 91 continues to provide the most appropriate policy framework to guide our defence effort. The 1997 White Paper sets out an investment path for the New Zealand Defence Force (NZDF) and outlines the expected evolution of the required force structure in the next decade and beyond. It takes into account fiscal restraint as well as the need for forces to maintain their professional standards and to be properly trained and equipped.

The rebuilding of New Zealand's capabilities will take shape over the next five years. Funding increases have been limited in the immediate term while other government priorities are addressed. The outcome will strengthen New Zealand's ability to contribute both to peacekeeping and other collective security operations. It will rectify the most pressing deficiencies in those capabilities likely to be needed in the short term - the Army's mobility and communications and the Air Force's air transport and maritime surveillance - while preserving the Defence Force's long-term capabilities against a less predictable future. At the same time, the operating tempo of the Defence Force will be lifted so professional standards can be maintained. Conditions of service for personnel will be improved so that sufficient people can be recruited, trained and retained, and the contribution that Service men and women make to the NZDF and through it to our country, can be appropriately recognised.

Primary Mission of the New Zealand Defence Force

The NZDF's mission statement is derived from the strategy of Self Reliance in Partnership contained in DONZ 91.

The primary mission of the NZDF is:

"to protect the sovereignty and advance the wellbeing of New Zealand by maintaining a level of armed forces sufficient to deal with small contingencies affecting New Zealand and its region, and capable of contributing to collective efforts where our wider interests are involved".

Strategic Result Areas

Of the nine Government strategic result areas (SRAs) for the public sector, the NZDF contributes to SRA number three - external linkages:

“Enhancing New Zealand’s position as a successful, open and secure trading nation by:

- strengthening economic linkages with international markets and countries*
- constructive involvement in the international community and*
- promoting New Zealand’s overall security”.*

Strategic Outcomes

The NZDF’s strategic outcomes indicate the areas in which NZDF outputs contribute to the wellbeing of the New Zealand community. They are a more detailed statement of SRA 3 above and incorporate the policy guidance of the 1997 Defence White Paper. The five strategic outcomes are:

- **Strategic Outcome 1.** *A secure, stable and prosperous New Zealand.*

National sovereignty requires that New Zealand assume the prime responsibility for direct national tasks such as the protection of our territory and citizens, the capability to monitor and protect resources in areas that are under New Zealand jurisdiction, the welfare of our people and our economic livelihood. Defence policy is one means of meeting these responsibilities. It does so: through the maintenance of a credible Defence Force and its conduct of everyday tasks such as maritime surveillance; through the deterrent effect which military capabilities may have on the aims of others; through public support tasks for other departments and the community; through the provision of a source of skilled personnel, most of whom leave the NZDF and join the national workforce at the end of their engagement; and ultimately by the provision of a Defence Force which continues to provide to the Government appropriate options for the application of military force.

- **Strategic Outcome 2.** *A strong national relationship with Australia to provide a secure and stable New Zealand/Australia area of strategic interest.*

There is a commonality of interest between New Zealand and Australia. That does not mean there is a complete strategic identity, but a serious threat to the security of one would be considered a threat to the other. Moreover, the two countries acting together and in synergy will be better able to influence events in the area of strategic interest than were they to act alone. Australia is New Zealand’s closest and most important partner.

- **Strategic Outcome 3.** *A secure and stable environment in the South Pacific in which South Pacific countries can develop.*

New Zealand's major interest in the South Pacific centres on the South Pacific states with which it has significant cultural, ethnic or historical ties, and in some cases constitutional obligations. Our interests are affected by the continuing ability of Pacific governments to provide a stable environment for economic growth and social development. Their success, or lack of it, will shape the region's stability, migration patterns and calls on New Zealand for economic or military assistance. Consequently we have a substantial interest in the South Pacific's stability and prosperity, its good governance, and in providing aid, disaster relief and assistance with the protection of its natural resources.

- **Strategic Outcome 4.** *A secure and stable regional environment which supports the development of free and open trade.*

The costs of any future trouble in the Asia Pacific region will be high, and the new interdependence of interests means these costs will be carried not only by those countries in dispute. As a beneficiary of a stable and secure environment, New Zealand must also bear some of the responsibility and cost of keeping it that way. Failure to contribute to the achievement of a secure and stable environment in the region could have a negative impact directly on our economic wellbeing. New Zealand's involvement in regional security activities is valued by regional partners and contributes to New Zealand's standing in the region.

- **Strategic Outcome 5.** *Constructive involvement in the international community to enhance New Zealand's image and standing and to strengthen economic linkages with international markets and countries.*

New Zealand expects to benefit from globalising trends in information, communications, commerce and technology. These benefits can be best secured when there is an environment of peace, stability and shared prosperity. Constructive involvement will not only ensure that New Zealand is a welcome participant in the benefits but will also contribute to New Zealand's image and standing in the world community. This will allow New Zealand to have a voice in those processes which shape international economic, diplomatic and security developments.

Operational Outcomes

The NZDF operational outcomes focus on the narrower elements of the strategic outcomes which are relevant for the Armed Forces. They are sourced from the 1997 Defence White Paper and also relate directly to the fifth Government outcome associated with SRA 3, viz:

“Maintaining a credible defence force which provides national security and makes an appropriate contribution to regional security and international peacekeeping”.

The Operational Outcomes for the Defence Force are as follows:

- **Operational Outcome 1.** *A secure New Zealand.*

The NZDF will contribute to this outcome by guarding the territorial security of New Zealand and its offshore islands, and its EEZ. The NZDF will deter unwanted intrusions by demonstrating its ability to operate throughout this region, and by being able to respond to what might amount to “insults to and tests of sovereignty”. The NZDF will also monitor activities in the predominantly maritime region to provide warning of any adverse developments, and maintain levels of preparedness to deal with contingencies that might arise. Within the capabilities maintained, the NZDF will provide any assistance that the civil power may require, including the countering of terrorist activities, and also provide a number of public services that may not be available from other sources. These capabilities and services are able to be provided as benefits through the outputs of the NZDF. They are intended to contribute to assuring and maintaining New Zealand’s sovereign integrity.

As a by-product of the outputs the NZDF will also provide transport, ceremonial and other support for national events, and support for ceremonies commemorating international events in which New Zealand participated.

Military advice to support national defence and security decision-making will also be provided.

- **Operational Outcome 2.** *A strong defence relationship with Australia.*

This outcome will be met through providing force elements which are capable of making a proportional contribution to the defence of Australia and New Zealand and able to participate in regional security cooperative and confidence-building measures, mainly in the form of combined exercises and planning with Australian forces. This will include close cooperation with Australia through the policy of Closer Defence Relations with the Australian Defence Force (ADF).

- **Operational Outcome 3.** *A close relationship with countries in the South Pacific.*

This outcome will be met through participation in regional security cooperative and confidence-building measures, mainly in the form of combined exercises and training support with, and within, South Pacific countries. The provision of training and development assistance throughout the region under the auspices of the Mutual Assistance Programme (MAP) also contributes to this outcome. Further contribution to this outcome will also be derived from assisting in the surveillance of EEZs of the South Pacific region, and assistance with relief in the event of any natural or other disasters in that region.

- **Operational Outcome 4.** *A secure Asia Pacific region.*

The NZDF will contribute to this outcome by providing military forces, maintained at specified levels of preparedness, which provide the Government with options for contributing to collective security operations in the region. This preparedness will be demonstrated by: exercises held under the aegis of the FPDA; bilateral training activities with the armed forces of the ASEAN countries; the exchanges or secondment of some key personnel with the Defence Forces of the Southeast Asian nations; and participation in the ASEAN Regional Forum.

The NZDF will also contribute to New Zealand's national profile and commitment to collective security by its presence throughout New Zealand, the South Pacific, and Southeast Asia, during training activities and port visits.

The provision of training and development assistance throughout the region under the auspices of the MAP also contributes to this outcome.

- **Operational Outcome 5.** *Constructive military involvement in the international community.*

The NZDF will contribute to this outcome by providing military forces, maintained at specified levels of capability, which provide the Government with options for contributing to collective security operations including peacekeeping conducted by the UN and other relevant multinational agencies. The levels of interoperability (that is, the ability to interchange units and to operate effectively together) required to ensure that the force elements of the NZDF will be able to dovetail with others will be maintained through participation in international military standardisation and safety forums, multinational combined exercises, and the exchanges of some key personnel with the armed forces of Australia, Canada and the United Kingdom.

Contribution of Outputs to Outcomes

The NZDF is structured and prepared to achieve the Government's defence policy goals and security outcomes. The Government purchases from the NZDF military forces at specified levels of capability and preparedness which provide options for employment on operational tasks, given the necessary time for final preparation.

All of the NZDF's output classes contribute to at least one outcome, while a number contribute to all. These multiple linkages are illustrated in the outcome statements above.

NZDF Key Result Areas

Consistent with the Government's SRA 3, the NZDF will give priority to the achievement of five key result areas (KRAs) in 1998/99. These KRAs cover:

- the implementation of the improved military capabilities described in the 1997 Defence White Paper
- initiating opportunities for strengthening the defence relationship with Australia (Closer Defence Relations)

- improving NZDF documentation relating to output specification and performance measurement
- the Service 21 initiative aimed at improving the recruitment and retention of personnel
- furthering the development of Defence resource management practices and processes.

The KRAs are described in detail in the NZDF Purchase Agreement with the Minister.

Part A2 - Trends in Vote Defence Force

The table at the end of this Part A2 shows the trends in Vote Defence Force from 1993/94 to 1998/99.

Output Development

The development of the NZDF outputs has been evolutionary. Three early attempts to define the NZDF outputs did not produce results that fully met the needs of either the NZDF or the Crown. During 1996/97 a method for specifying the NZDF's outputs was developed which better met the requirements of both parties.

During 1997/98 output documentation was further refined to specify more precisely, particularly in terms of quantity and quality, what the NZDF was producing.

The output classes comprise the core military forces, at a prescribed level of capability, which the Government purchases to provide options for commitment to military and non-military tasks.

Departmental Outputs

Appropriations for the purchase of NZDF outputs in 1998/99 include \$14.625 million expense transfer from 1997/98 and the \$17.150 million increase announced in the 1997 Defence White Paper.

Changes made to 1997/98 appropriations during the past year include an additional appropriation approved by the Government to provide for the cost of the land revaluation, and the NZDF contribution to the Bougainville Truce Monitoring Group (TMG).

Other adjustments in 1998/99 recognise a reduction in Revenue resulting from the entry into service of the replacement Hydrographic Survey and Oceanographic Research Ship, HMNZ *RESOLUTION*, while increased revenue results from the intended charter of the Military Sea-Lift Ship, HMNZS *CHARLES UPHAM*.

Other Expenses: 1993/94 to 1998/99

Expenses peaked in 1993/94, mainly owing to adjustments to provisions for stock obsolescence, a one-time recalculation of inventory cost to bring it to a net realisable value that more accurately reflects the age and future demand for the inventory, and some asset write-offs.

Capital Contributions: 1993/94 to 1998/99

Two changes have occurred:

- Through 1993/94 the capital contributions offset the capital charge on the work-in-progress account for the ANZAC Ship Project.
- The Ministers of Finance and Defence agreed that the capital charge on capital contributions would be appropriated as Revenue Crown rather than as a separate contribution.

The significant increase in 1994/95 remedied an under-capitalisation of the NZDF at the commencement of accrual accounting, and relates to ANZAC Ship Project payments.

Analysis by Appropriation Type: 1998/99 and 1997/98 Compared

NZDF output classes

Output classes for 1998/99 are the same as those for 1997/98. The exceptions are the Naval Combat Force and the Naval Logistic Support Force where the quantity dimensions have been adjusted to reflect the government decisions to move to a three frigate Navy in mid-1998 and to put *HMNZS CHARLES UPHAM* out to charter for the next two or three years. The Hydrographic and Oceanographic Data Collection and Processing Output will also change to reflect the withdrawal of *HMNZS MONOWAI* and the introduction to service of *HMNZS RESOLUTION*.

Explanation of output cost variances

There are a number of changes to output costs since 1997/98. Savings come from equipment replacement and efficiency initiatives within the NZDF:

- the withdrawal of *HMNZS MONOWAI*
- *HMNZS CHARLES UPHAM* being made available for charter
- the withdrawal of the four remaining Andover aircraft
- improvements in support functions through measures such as commercialisation.

There are increased costs arising from:

- the introduction to service of *HMNZS TE KAHA*
- lifting the operating tempo of the NZDF
- improvements in service conditions for NZDF personnel.

The allocation of capital charge has been altered to reflect the long-term replacement cost of assets. This has resulted in some changes in output costs, both up and down.

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

Types of Appropriation	1993/94	1994/95	1995/96	1996/97	1997/98		1998/99 Appropriations to be Used				
	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
						Annual \$000	Other \$000	Annual \$000	Other \$000		
Operating Flows											
Classes of Outputs to be Supplied	1,489,034	1,494,506	1,561,628	1,557,890	1,580,351	1,580,351	1,595,193	-	-	-	1,595,193
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	91,131	16,593	(100)	-	-	-	-	-	-	-	-
Capital Flows											
Capital Contributions	6,684	196,604	39,465	39,465	39,465	39,465	39,465	-	-	-	39,465
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	1,586,849	1,707,703	1,600,993	1,597,355	1,619,816	1,619,816	1,634,658	-	-	-	1,634,658
Total Crown Revenue and Receipts (see note 1)	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-

Part B - Statement of Appropriations

Part B1 - Details of 1998/99 Appropriations^(see note 2)

Appropriations	1997/98				1998/99		Description of 1998/99 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	5,692	-	5,692	-	6,131	-	Purchase of policy advice to the Minister of Defence on NZDF operational requirements, including military intelligence, and responses to ministerial correspondence and parliamentary questions.
D2 Naval Combat Forces	381,345	-	381,345	-	409,157	-	Purchase of the capabilities of HMNZ Ships <i>TE KAHA</i> , <i>WELLINGTON</i> and <i>CANTERBURY</i> for the conduct of maritime operations and to contribute support services to the community. This includes the provision of two frigates prepared for operational tasks, with a third available given longer preparation time.
D3 Naval Logistic Support Forces	38,253	-	38,253	-	24,455	-	Purchase of the capabilities of HMNZ Ships <i>ENDEAVOUR</i> and <i>CHARLES UPHAM</i> for the support of military operations and to contribute support services to the community. This includes the provision of the Fleet Tanker prepared for operational tasks. During 1998/99 the Military Sea-Lift Ship will be released to charter, pending modification.
D4 Mine Counter Measures, Diving and Diving Support Forces	34,033	-	34,033	-	32,627	-	Purchase of the capabilities of the Mine Countermeasures and Diving Forces for mine countermeasures operations, routine route survey tasks and to contribute support services to the community. This class includes the Inshore Patrol Craft, Diving Support Vessel and Operational Diving Team prepared for routine and operational tasks.

D5 Naval Control of Shipping Forces	3,867	-	3,867	-	3,580	-	Purchase of the capabilities of the Naval Control of Shipping Organisation to protect both Naval and civilian shipping, in times of threat, by providing the infrastructure for the direction and control of all shipping movement. This includes the provision of RNZNVR Naval Control of Shipping cells for key New Zealand ports.
D6 Hydrographic and Oceanographic Data Collection and Processing	40,777	-	40,777	-	35,197	-	Supply of the capabilities of the hydrographic/oceanographic research vessel (HMNZS <i>RESOLUTION</i>), the two inshore survey craft, the Hydrographic Office, and the support of the Defence Operational Technology Support Establishment for the maintenance of the Hydrographic Data Base and maritime charts, the collection of oceanographic data, the conduct of some research, and to provide services to LINZ and the community as appropriate.
D7 Force Troops	76,100	-	76,100	-	72,203	-	Purchase of the capabilities of Army's force troops for the provision of specialist support to units involved in land operations and to contribute support services to the community. This class includes special force elements for strategic reconnaissance, strategic communications, intelligence, movement control, and military police duties.
D8 Army Ready Reaction Forces	316,942	-	316,942	-	309,748	-	Purchase of the capabilities of Army Ready Reaction Forces, provided by 2 Land Force Group (2 LFG), for contributions of land forces of up to Battalion Group size, when a quick response is required, and to contribute support services to the community.
D9 Army Training and Rotation Forces	141,277	-	141,277	-	142,152	-	Purchase of the capabilities of Army Training and Rotation Forces, provided by 3 Land Force Group (3 LFG), to contribute round-out and reinforcement elements to the Battalion Group raised by 2 LFG for contingencies, and to provide support services to the community.

Part B1 - Details of 1998/99 Appropriations (Continued)

Appropriations	1997/98				1998/99		Description of 1998/99 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Continued)							
D10 Special Forces	5,258	-	5,258	-	5,422	-	Purchase of the specific capabilities of the Special Air Service (SAS) that are required for counter-terrorist operations. This includes the maintenance of specialist equipment and training in special skills that are not maintained for routine military operations.
D11 Air Combat Forces	210,269	-	210,269	-	226,188	-	Purchase of the capabilities of No 75 Squadron for the contribution of Skyhawk aircraft to maritime strike or close air support/interdiction operations, and support services to the community. This includes the provision of 10 Skyhawks prepared for deployed operational tasks. In addition, six Skyhawks with No 2 Squadron provide air-defence support flying in Australia for the ADF.
D12 Maritime Patrol Forces	90,081	-	90,081	-	99,459	-	Purchase the capabilities of No 5 Squadron for the contribution of Orion aircraft to surveillance and maritime air operations, and support services to the community. From the six aircraft available, this includes the provision of two Orions prepared for deployed operational tasks and one Orion on standby for search and rescue.

D13 Fixed Wing Transport Forces	139,901	-	139,901	-	140,610	-	Purchase the capabilities of No 40 Squadron for the contribution of strategic and tactical transport aircraft to air transport operations, and support services to the community. From the two Boeing and five Hercules aircraft available, this includes the provision of one Boeing 727 and two Hercules prepared for deployed operational tasks.
D14 Rotary Wing Transport Forces	67,408	-	67,408	-	67,467	-	Purchase of the capabilities of No 3 Squadron for the contribution of Iroquois helicopters to tactical air transport operations, counter-terrorist operations, and support services to the community. From the 14 Iroquois available, this includes the provision of six prepared for deployed operational tasks and two allocated permanently for emergency services in New Zealand.
D15 Miscellaneous Support Activities	8,306	-	8,306	-	8,774	-	Purchase the training infrastructure to deliver training and technical support for the MAP, the New Zealand Cadet Forces and for Limited Service Volunteer courses.
D16 Operationally Deployed Forces	20,842	-	20,842	-	12,023	-	Purchase of elements of the NZDF deployed on operations, including commitments to the UN and other multinational agencies for peace support tasks agreed by the Government.
Total Appropriations for Departmental Output Classes (Mode B Gross)	1,580,351	-	1,580,351	-	1,595,193	-	Refer to Part C1 for a full description.
Capital Contributions to the Department							
Capital Investment	39,465	-	39,465	-	39,465	-	
Total Appropriations for Capital Contributions to the Department	39,465	-	39,465	-	39,465	-	
Total Appropriations	1,619,816	-	1,619,816	-	1,634,658	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Introduction

The Defence Force output classes, in the main, comprise the military capabilities resident within the force elements of the Army, Navy and Air Force. The ability of these force elements to be committed to operations is a function of the preparedness state in which they are held.

Military capability

The components of military capability are: *personnel*; the *trained state* of these personnel; *equipment*; and *equipment condition*. The costs of the personnel and equipment components of military capability make up a substantial part (85% to 95%) of the funding required for any force element and these costs can only be varied over periods much longer than a year - usually 5 to 10 years. It is the condition of the equipment and the trained state of the personnel that can be varied in the short term, ie, on an annual basis.

Within the Defence Force the concept of level of capability is used to establish the required equipment condition and personnel trained state for a force element.

Levels of capability

A force element can be held at differing levels of capability. The **Operational Level of Capability** (OLOC) is the degree of preparedness which designated force elements need to have achieved (fully ready, combat viable, deployable, and sustainable) before the commencement of operations in order to carry out their specified military tasks effectively and with the least risk to those involved. However, it is neither realistic nor necessary to maintain all of the elements of the Defence Force at OLOC, all of the time.

Each force element is therefore held at a period of notice, or "response time", for each of its plausible military tasks consistent with an assessment of the likelihood of it being committed. The response time allocated is the time within which a force element can be expected to be made ready to respond to an operational commitment, following a decision by the Government to commit that force element. This preparation time is used for the additional training, and other essential preparatory activities, necessary to generate the required operational standards - OLOC.

Therefore, individual force elements are held at the **Directed Level of Capability** (DLOC). This is the level of capability from which a force element can reach operational standards (OLOC) for a specific task within the prescribed response time. DLOC is derived from OLOC and knowledge of the essential preparatory activities that must be carried out within the specified response time. Holding force elements at DLOC avoids expenditure on special training and the associated resources until such time as it becomes necessary to generate and maintain the higher skill, safety and specialist equipment levels needed for particular operational tasks.

Some force elements may be held at the **Basic Level of Capability** (BLOC) for specified tasks because of financial, technical or personnel limitations. This is the minimum level of capability at which essential military capabilities have to be held if they are not to be lost. However, units at this level will not be expected to achieve OLOC for a designated task in less than six months, so will not generally be available for operational tasks.

The NZDF is funded to maintain force elements that can contribute to operational forces at a specified level of capability (DLOC, or BLOC when appropriate). In purchasing a level of military capability that is below the operational level (OLOC), the Government retains in the NZDF, in the most cost-effective way, the essential capacity from which operationally effective force elements can be drawn within an agreed preparation time. The activation of any force element, however, will require additional funding for the transition from DLOC to OLOC and to meet the additional costs incurred when the force element is committed to operations.

Classified Information

Some of the data pertaining to levels of capability of NZDF force elements is classified and for this reason is not included in the Estimates. Such detail is included in the NZDF Purchase Agreement, a formal agreement between the Minister of Defence and Chief of Defence Force (CDF).

NZDF Outputs

As discussed above, it is recognised that maintaining all of the force elements of the Defence Force in an operational state, ready-to-go at any time, is neither realistic nor necessary. The NZDF outputs thus define lower levels of capability that need to be funded (purchased) in order to make available to the Government, in a specified response time, competent armed forces capable of carrying out relevant military tasks.

In effect, the outputs express the cost to the Government of maintaining latent military capabilities which may be called upon for operational purposes and for use in the delivery of services to the community. Achieving and maintaining the agreed level of capability requires the Defence Force to train at a number of levels: the individual level; unit levels and higher; and collectively with other security forces. The training cycle includes planned deployments to Australia and the Asia Pacific region.

NZDF outputs have both quantitative and qualitative dimensions. Quantity concerns the force structure itself (ie, personnel and equipment) and quality manifests itself as the preparedness of the force element for specified military tasks.

The outputs include the costs associated with: the range of activities necessary to generate and maintain DLOC for each force element; the fixed and variable costs of maintaining the logistic, administrative, training and operating infrastructure of the NZDF; and a share of the overheads of both the Headquarters NZDF and the single Services.

Conducting the training activities for DLOC generates within the NZDF the capacity to deliver a range of services to other government departments and the community, for example, disaster relief, civil defence and fishery surveillance. This range of non-military services is a by-product of capabilities developed and maintained for military purposes.

In addition, the Minister will purchase policy advice, some miscellaneous support activities and the operationally deployed forces committed to regional and global security efforts.

Performance Measurement

The performance of a force element can only ultimately be measured when it is activated for an operational task. Notwithstanding, it is necessary to measure performance on a routine basis so that the value of government expenditure on Defence outputs can be demonstrated. The performance of each force element is assessed in four key measurement areas (KMAs): personnel; trained state; equipment and equipment condition. These KMAs are the four essential components of military capability; however, on their own they provide a somewhat static description of the ability of a force element to be operationally employed. This shortcoming is remedied by linking the KMAs with the four ingredients of preparedness: Readiness; Combat Viability; Deployability; and Sustainability. The resulting measurement of performance, therefore, covers both the quantitative and qualitative aspect of the output.

Key performance indicators have been developed which assess the level of capability achieved and retained by a force element in each KMA, including the preparedness dimension. This assessment is achieved through the Operational Preparedness Reporting System (OPRES). OPRES provides an effective mechanism for evaluating and reporting on output delivery by force elements. Underpinning OPRES is a broad regime of measurement devices, including: assessments carried out during military exercises and competitions; routine tests of achievement and proficiency; and operational, technical and administrative inspections. Whenever possible, external evaluation by members of allied forces is also arranged.

Many of the support services provided to the community, such as search and rescue or disaster relief assistance, are demand driven and are met by the nearest available units with appropriate skills. The forecasting of likely annual levels of activity for these tasks is therefore based on historical data. Performance in the delivery of such services is measured by the appropriate achievement of task and effective delivery. Although not a direct measure of output delivery, post-activity reports from NZDF commanders and the “clients”, ie, those in receipt of the goods and services, can provide an indication of the trained state of the force elements involved and thus contribute to the measurement process.

NZDF Outputs for 1998/99

Output Class D1 - Military Policy Development, Coordination and Advice

Description

Under output class D1 the Minister of Defence will purchase policy advice on military contributions to New Zealand's foreign policy and military responses to contingencies. Also included is the provision of military intelligence and responses on behalf of the Minister to ministerial and parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence.

Quantity

- Advice on defence issues when the Minister seeks it, or the CDF feels the need to offer it. This will depend mainly on the external situation and the initiatives of the Ministry of Foreign Affairs and Trade (MFAT), or on proposed changes to legislation affecting the NZDF or its operations.
- A range of policy papers, submissions to Cabinet, briefing papers, answers to ministerial correspondence and parliamentary questions, to the order of 820 to 1,050 separate items.
- A range of intelligence products which will depend on the number of strategic events that are of interest to the Government.

Quality

- Papers to be delivered within the deadlines set out in standing orders or statute, or within 20 days of receipt of requests if not otherwise specified.
- All papers and responses to conform with the seven characteristics of quality advice as detailed in the *Treasury Purchase Agreement Guidelines*.
- Intelligence advice will be as accurate as is possible from the sources available and will be provided in a timely manner.

Cost

This output class will be provided within the appropriated sum of \$6.131 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	6,131	5,450	5,450	4,650	800
1997/98	5,692	5,059	5,059	4,259	800

The cost of outputs to be supplied within this class are:

	\$
Military Intelligence Advice	2,069,000
Military Policy Advice	2,103,000
Operational Policy Advice	1,458,000
Ministerial Correspondence	501,000
	<u>6,131,000</u>

Output Class D2 - Naval Combat Forces

Description

Under output class D2 the Minister of Defence purchases Naval Combat Forces at a degree of preparedness to provide options to the Government for the commitment of forces to maritime operations. This class also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Quantity and quality

Three frigates, two of which will have embarked helicopters, will achieve and sustain a DLOC set by relevant response times and sustainment factors for likely operational tasks. The Naval Combat Forces will also contribute to some community support tasks, such as EEZ surveillance, search and rescue and ceremonial support, when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$409.157million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST exc \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	409,157	363,695	363,695	357,675	6,020
1997/98	381,345	339,053	338,342	332,971	5,371

Output Class D3 - Naval Logistic Support Forces

Description

Under output class D3 the Minister of Defence purchases elements of the Naval Logistic Support Forces at a degree of preparedness to provide the Government with options for the commitment of vessels to the logistic support of deployed military forces. This class also includes contributions by Naval Logistic Support Forces to a range of services to the Government and the community.

Quantity and quality

The fleet tanker will achieve and sustain a DLOC set by relevant response times and sustainment factors for replenishment at sea and strategic deployment tasks. Some community support tasks will also be undertaken when logistic support ships are not committed to operations.

The capability of strategic transportation of heavy equipment and stores required to support deployed forces will not be available for at least two years. During 1998/99 the Military Sea-Lift Ship will be released to charter to reduce costs pending the approval of funding for modification.

Cost

This output class will be provided within the appropriated sum of \$24.455 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	24,455	21,738	21,738	18,773	2,965
1997/98	38,253	34,010	33,944	32,989	955

The cost of outputs to be supplied within this class are:

	\$
Replenishment Forces	21,745,000
Sea-Lift Forces	2,710,000
	<u>24,455,000</u>

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

Under output class D4 the Minister purchases the Mine Countermeasures and Diving Forces at a degree of preparedness to provide options to the Government for the commitment of forces to Mine Countermeasures operations, the conduct of route surveys for selected New Zealand ports and to provide some support services to the community when appropriate. This class also includes the provision of crews for the inshore patrol craft by the Royal New Zealand Naval Volunteer Reserve (RNZNVR).

Quantity and quality

The Diving Support Vessel, the Operational Diving Team and four Inshore Patrol Craft will achieve and sustain DLOC set by relevant response times and sustainment factors for mine countermeasures and lead-through operations. Access routes will also be established for selected major ports (this process will take up to five years) and thereafter periodically updated. Some community support tasks will also be undertaken when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$32,627,000 (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	32,627	29,002	29,002	28,283	719
1997/98	34,033	30,260	30,188	29,644	544

The cost of outputs to be supplied within this class are:

	\$
Mine Countermeasures Forces	17,587,000
Operational Diving Team	5,060,000
Diving Support Forces	9,980,000
	<u>32,627,000</u>

Output Class D5 - Naval Control of Shipping Forces*Description*

Under output class D5 the Minister purchases the Naval Control of Shipping (NCS) organisation at a degree of preparedness required, in times of a threat to shipping, to brief merchant ship masters, to direct the movement of merchant ships, and record the passage, arrival and departure of these ships within New Zealand's area of responsibility. This class includes the provision of NCS elements by the RNZNVR.

Quantity and quality

The NCS organisation will achieve and sustain a DLOC set by relevant response times and sustainment factors for NCS operations and will provide NCS staff for nominated ports.

Cost

This output class will be provided within the appropriated sum of \$3.58 million (inclusive GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	3,580	3,182	3,182	3,141	41
1997/98	3,867	3,439	3,431	3,393	38

Output Class D6 - Hydrographic and Oceanographic Data Collection and Processing

Description

Output class D6 provides the capabilities of the hydrographic/oceanographic vessels, specialist personnel and infrastructure, which enable hydrographic and oceanographic data collection and processing for the New Zealand and the South Pacific region that meets contractual commitments to Land Information New Zealand (LINZ) for hydrographic survey, other national requirements, and New Zealand's international obligations and commitments. The hydrographic and oceanographic vessels will also contribute to a range of services to the Government and the community.

Quantity and quality

The assets employed for hydrography and oceanography include the dual role hydrographic survey and oceanographic research ship, two Inshore Survey Craft, the Hydrographic Office and the support of the Defence Operational Technology Support Establishment for specified projects and research tasks. The ships and crews will also contribute to some community support tasks when not committed to operations.

The hydrographic and oceanographic data provided will comply with international standards and hydrographic survey will be carried out to the contracted standard as agreed with LINZ.

Cost

This output class will be provided within the appropriated sum of \$35.197 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	35,197	31,286	31,286	000	31,286
1997/98	40,777	36,247	36,247	000	36,247

Output Class D7 - Force Troops

Description

Under output class D7 the Minister of Defence purchases Army's Force Troops at a degree of preparedness to provide options to the Government for the commitment of forces to land operations. These force elements provide specialist general support to operational forces involved in land operations, including strategic reconnaissance, strategic communications, operational intelligence, strategic movement and military police duties. They also provide support services to the community appropriate to their roles.

Quantity and quality

The Force Troops units will achieve and sustain the DLOC set by relevant response times and sustainment factors for the support of land operations involving a force of up to a Battalion Group size, when a quick response is required. They will also maintain the BLOC for the support of a light Brigade Group.

Units will also contribute to a range of government and community support tasks when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$72.203 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	72,203	64,180	64,180	64,058	122
1997/98	76,100	67,667	67,458	67,438	20

The cost of outputs to be supplied within this class are:

	\$
Strategic Reconnaissance Force	33,618,000
Strategic Communications Force	14,834,000
Strategic Movements Force	12,655,000
Force Intelligence	3,890,000
Force Military Police	<u>7,206,000</u>
	72,203,000

Output Class D8 - Army Ready Reaction Forces*Description*

Under output class D8 the Minister of Defence purchases the Army Ready Reaction Forces, provided by 2 LFG units, at a degree of preparedness to provide options to the Government for the commitment of forces to land operations. This class also includes contributions by 2 LFG units to a range of services to the Government and the community.

Quantity and quality

The units of 2 LFG will achieve and sustain the DLOC set by relevant response times and sustainment factors for land operations involving Ready Reaction Forces of up to Battalion Group size. Included is an operational headquarters appropriate to task and the framework required for all arms training. Units will also maintain the BLOC for contributions to a light Brigade Group, and contribute to some community support tasks when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$309.748 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	309,748	275,332	275,332	274,798	534
1997/98	316,942	281,824	280,942	280,873	69

The cost of outputs to be supplied within this class are:

	\$
Command and Control	6,565,000
2 LFG Combat Forces	177,871,000
2 LFG Combat Support Forces	53,270,000
2 LFG Combat Service Support Forces	72,042,000
	<u>309,748,000</u>

Output Class D9 - Army Training and Rotation Forces*Description*

Under output class D9 the Minister of Defence purchases Army Training and Rotation Forces, maintained by 3 LFG, to provide reinforcement elements at a degree of preparedness necessary for the round-out and sustainment of the Army Ready Response Units that are raised by 2 LFG to meet a contingency. This class also includes contributions by 3 LFG units to a range of services to the Government and the community.

Quantity and quality

Units of 3 LFG will achieve and sustain the DLOC set by relevant response times and sustainment factors for land operations involving forces of up to Battalion Group size and the BLOC for contributions to a light Brigade Group. The units of 3 LFG will provide the framework required for all arms training and contribute to some community support tasks when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$142.152 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	142,152	126,357	126,357	126,108	249
1997/98	141,277	125,622	125,236	125,207	29

The cost of outputs to be supplied within this class are:

	\$
3 LFG Land Combat Forces	88,022,000
3 LFG Combat Support Forces	7,622,000
3 LFG Combat Service Support Forces	<u>46,508,000</u>
	142,152,000

Output Class D10 - Special Forces*Description*

Under output class D10 the Minister of Defence purchases the capability of the SAS to conduct counter-terrorist operations within a specified response time for tasks in New Zealand, and in the South Pacific when requested by the appropriate government. This includes the provision of specialist personnel for the Counter Terrorist Group, the provision of specialist equipment, and the additional training necessary for the conduct of counter-terrorist tasks.

Quantity and quality

These special forces will achieve and sustain the OLOC for counter-terrorist contingencies.

Cost

This output class will be provided within the appropriated sum of \$5.422 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	5,422	4,820	4,820	4,811	9
1997/98	5,258	4,675	4,660	4,659	1

Output Class D11 - Air Combat Forces*Description*

Under output class D11 the Minister of Defence purchases Air Combat Forces at a degree of preparedness to provide options for the commitment of Skyhawk aircraft to maritime strike operations, close air support for ground operations, and air interdiction. This class also includes the provision of additional aircraft for air defence support flying for the ADF and some support services to the Government.

Quantity and quality

Air Combat Forces will achieve and sustain the DLOC set by relevant response times and sustainment factors for both maritime and land operations and will provide, from the 14 aircraft available in New Zealand, 10 Skyhawk aircraft prepared for deployed operational tasks. An additional six aircraft will be provided for air defence support flying in Australia for the ADF. Support services to the Government will include ceremonial support and the interdiction of vessels infringing New Zealand's EEZ as necessary.

Cost

This output class will be provided within the appropriated sum of \$226.188 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	226,188	201,056	201,056	190,866	10,190
1997/98	210,269	186,959	186,474	176,602	9,872

Output Class D12 - Maritime Patrol Forces

Description

Under output class D12 the Minister of Defence purchases Long Range Maritime Patrol Forces at a degree of preparedness to provide options for the commitment of Orion aircraft to surveillance and maritime air operations. This class also includes the provision of Orion aircraft for a range of community services such as search and rescue, disaster relief, and EEZ surveillance.

Quantity and quality

Long Range Maritime Patrol Forces will achieve and sustain the DLOC set by relevant response times and sustainment factors for maritime air operations, and will provide, from the six Orions available, two prepared for deployed operational tasks and a further aircraft on standby for search and rescue. The Orions will also undertake other emergency services for the Government and the community if not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$99.459 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	99,459	88,408	88,408	88,112	296
1997/98	90,081	80,104	79,819	79,584	235

Output Class D13 - Fixed Wing Transport Forces

Description

Under output class D13 the Minister of Defence purchases Fixed Wing Transport Forces at a degree of preparedness to provide options for the commitment of aircraft to air transport operations. This class also includes the provision of air transport aircraft for a range of support services to the Government and the community.

Quantity and quality

Fixed Wing Transport Forces will achieve and sustain the DLOC set by relevant response times and sustainment factors for air transport operations and will provide, from the two Boeing and five Hercules available, one Boeing 727 and two C130 Hercules prepared for deployed operational tasks. Fixed Wing Transport Forces will also provide suitable aircraft for community support tasks such as disaster relief, civil defence, Antarctic Programme support, medical evacuation and VIP transport, when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$140.610 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	140,610	124,987	124,987	123,921	1,066
1997/98	139,901	124,400	124,009	123,211	798

The cost of outputs to be supplied within this class are:

	\$
B727 Transport Force	44,600,000
C130 Transport Force	96,010,000
	<u>140,610,000</u>

Output Class D14 - Rotary Wing Transport Forces

Description

Under output class D14 the Minister of Defence purchases Rotary Wing Transport Forces at a degree of preparedness to provide options for the commitment of forces to tactical air transport and counter-terrorist operations. This class also includes the provision of helicopters for a range of support services to the Government and the community.

Quantity and quality

Rotary Wing Transport Forces will achieve and sustain OLOC for counter-terrorist contingencies and the DLOC for other tasks as set by relevant response times and sustainment factors for land operations, and will provide, from the 14 helicopters available, six Iroquois prepared for deployed operational tasks and a further two helicopters permanently allocated for use in emergency situations within New Zealand. Community support services will also be undertaken when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$67.467 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	67,467	59,971	59,971	59,598	373
1997/98	67,408	59,938	59,763	59,372	391

Output Class D15 - Miscellaneous Support Activities*Description*

Under output class D15 the Minister of Defence purchases the planned support to other Defence Forces and the community that is provided by identified elements of the NZDF. It includes support provided: under the auspices of the MAP; for the New Zealand Cadet Force; and for the training of Limited Service Volunteers.

Quantity and quality

The NZDF will meet the agreed commitments in accordance with the MAP schedule, the New Zealand Cadet Forces support programme and the demand for Limited Service Volunteer courses.

Performance will be assessed from the degree of satisfaction expressed by the organisations being supported.

Cost

This output class will be provided within the appropriated sum of \$8.774 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	8,774	7,799	7,799	6,515	1,284
1997/98	8,306	7,383	7,383	6,056	1,327

The cost of outputs to be supplied within this class are:

	\$
Mutual Assistance Programme	4,023,000
New Zealand Cadet Forces Support	2,748,000
Limited Service Volunteer Training	2,003,000
	<u>8,774,000</u>

Output Class D16 - Operationally Deployed Forces

Description

Under output class D16 the Minister of Defence purchases the forces deployed on operations including the commitments agreed by the Government under which the NZDF contributes to peace support tasks conducted in support of the UN and other relevant multinational agencies. This includes the provision of observers, advisors, instructors, headquarters staff, and force elements to peace support missions. Also included is the conduct of any additional training required to bring force elements to OLOC and to meet any special conditions associated with threat levels anticipated when deployed.

Quantity and quality

The NZDF will meet all standing commitments, and any new commitments agreed by the Government during the year, by providing the most suitably qualified personnel with appropriate military experience for each task, as defined by the requesting organisation.

Cost

This output class will be provided within the appropriated sum of \$12.023 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1998/99	12,023	10,687	10,687	10,300	387
1997/98	20,842	18,526	18,526	16,839	1,687

The cost of outputs to be supplied within this class are:

	\$
Observer/Sub-Unit Contributions	8,648,000
Unit Contributions	3,375,000

Note: Additional Funding for Unplanned Initiatives

NZDF outputs contain appropriations for known activity levels; there is no provision made for unknown events.

Should the Government decide to activate force elements as part of an unplanned initiative, the additional costs associated with generating the OLOC required, the deployment, and the sustainment of the force for the duration of the task, will need to be met. These additional costs will be appropriated under output class D16 for the remainder of the financial year. Funding will be provided by a reprioritisation of existing expenditure and by further appropriation, as necessary. Funding proposals for unplanned initiatives including trade-offs against existing activities will be considered on a case-by-case basis within agreed Cabinet procedures.

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

There are no appropriations for Part D1.

Part D2 - Borrowing Expenses

There are no appropriations for Part D2.

Part D3 - Other Expenses

There are no appropriations for Part D3.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

The NZDF has been appropriated \$39.465 million for the funding of payments for the ANZAC frigates.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 1998 \$ million	Forecast Net Worth 1999 \$ million
New Zealand Defence Force	30 June	3,270.614	3,310.079

Part E2 - Purchase or Development of Capital Assets by the Crown

There are no appropriations for Part E2.

Part E3 - Repayment of Debt

There are no appropriations for Part E3.

Part F - Crown Revenue and Receipts

Nil - Not applicable to the New Zealand Defence Force.