

VOTE Defence Force

VOTE Defence Force

OVERVIEW

Appropriations sought for Vote Defence Force in 1999/2000 total \$1,582.484 million, including GST. This is intended to be spent as follows:

- \$1,542.545 million (97% of the Vote) on the Army, Navy and Air Force which 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 defend New Zealand against low-level threats, such as terrorism, and to contribute to regional and global security efforts. These forces will also contribute a range of services to other government departments and the community.
- \$7.325 million (0.46% of the Vote) on military policy development, coordination, and advice to the Government
- \$10.063 million (0.64% of the Vote) on the Miscellaneous Support Activities which include the Mutual Assistance Programme, support for New Zealand Cadet Forces, the training of Limited Service Volunteers, and support to the 1999 APEC Meeting in New Zealand.
- \$11.636 million (0.73% 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.
- \$10.755 million (0.67% of the Vote) for the provision of hydrographic services to Land Information New Zealand.
- \$0.160 million (0.01% of Vote), GST exclusive, on capital contributions for the purchase of specialist equipment to support APEC 1999.

The New Zealand Defence Force expects to collect about \$34.664 million (GST exclusive) in third-party revenue (Revenue Department and Revenue Other) in 1999/2000.

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>
APEC	<i>Asia Pacific Economic Cooperation</i>
CDF	<i>Chief of Defence Force</i>
CDR	<i>Closer Defence Relations</i>
DONZ91	<i>Government White Paper - Defence of New Zealand 1991</i>
EEZ	<i>Exclusive Economic Zone</i>
ERMA	<i>Environmental Risk Management Authority</i>
FPDA	<i>Five Power Defence Arrangements</i>
GSF	<i>Government Superannuation Fund</i>
IEDD	<i>Improvised Explosive Device Disposal</i>
KMA	<i>Key Measurement Areas</i>
KPI	<i>Key Performance Indicators</i>
KRA	<i>Key Result Areas</i>
LFG	<i>Land Force Group</i>
LINZ	<i>Land Information New Zealand</i>
LOC	<i>Level of Capability</i>
BLOC	<i>Basic Level of Capability</i>
DLOC	<i>Directed Level of Capability</i>
OLOC	<i>Operational Level of Capability</i>
NLOC	<i>No 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>
UN	<i>United Nations</i>

Footnotes

Note 1	<i>Not applicable as Crown revenue is not appropriated.</i>
Note 2	<i>Appropriations are stated GST inclusive (where applicable).</i>

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 policy goals and national security outcomes. These goals and outcomes, together with the New Zealand Defence Force (NZDF) force structure to support their achievement, are established in a number of policy documents as outlined below.

Defence Act 1990

Under the Defence Act 1990, New Zealand's Armed Forces are raised and maintained for:

- the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere
- the contribution of forces under collective security treaties, agreements or arrangements
- the contribution of forces to the United Nations (UN) or other organisations or States for operations in accordance with the principles of the charter of the UN.

The Act also allows the Armed Forces to be made available for the performance of public services and assistance to the civil power in time of emergency, either in New Zealand or elsewhere.

1991 Defence White Paper

The defence policy set out in the 1991 White Paper (*The Defence of New Zealand 1991* (DONZ91)) guides the defence effort. 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, freedom of the seas, and securing the engagement of others to any other higher level defence contingency New Zealand may face in the future. This is achieved through a collective approach to the preservation of New Zealand's wider security interests.

1997 Defence White Paper

The Government's 1997 White Paper *The Shape of New Zealand's Defence* sets out an investment path for the New Zealand Defence Force and outlines the expected evolution of the required force structure in the next decade and beyond. It provides a blueprint for investing in defence and its people and establishes an affordable way forward for ensuring our security now and in an uncertain future.

Since the publishing of the 1997 White Paper, the ability to implement the rebuilding strategy has been significantly affected by the fall of the New Zealand dollar against major foreign currencies. Notwithstanding, the revised capital investment plan agreed by the Government in December 1998 substantially preserves the NZDF rebuilding strategy within the funding envelope pledged in the 1997 White Paper. The outcome will strengthen New Zealand's ability to contribute both to peacekeeping and other collective security operations. Over the next five years it will rectify the most pressing deficiencies in those capabilities likely to be needed in the foreseeable short term - the Army's protection, mobility and communications, upgraded air combat forces, and maritime surveillance - while preserving the Defence Force's capabilities against a longer term, less predictable future. The Government's intention is to replace the A-4K Skyhawk air combat force with F-16A/B aircraft on lease from the United States Government. At the same time, the process will continue to improve service conditions for personnel so that sufficient good quality people can be recruited, trained and retained, and to lift the operating tempo of the Defence Force so that professional standards can be maintained.

National Security Outcomes

National security outcomes describe the desired state of affairs for the wider security of New Zealand and its people. While the NZDF is constitutionally the sole provider of military forces, it is not the sole contributor to national security outcomes. The Ministry of Defence and Ministry of Foreign Affairs and Trade (MFAT) also contribute to these outcomes. The five national security outcomes (described in more detail in the NZDF Purchase Agreement) incorporate the policy guidance of the 1997 Defence White Paper, and are:

- a secure New Zealand including its people, land, territorial waters, EEZ, natural resources and critical infrastructure
- a secure and stable environment in the South Pacific that is supportive of New Zealand's national interests

- a strong relationship with Australia that supports a secure and stable New Zealand and Australian area of interest
- a secure and stable Asia Pacific region as part of an open global economy that welcomes New Zealand presence and trade
- a standing and position in international affairs that supports New Zealand's place in a stable, peaceful international security community, based on responsibilities of collective security enshrined in the United Nations Charter and which strengthens New Zealand's economic linkages with international markets and countries.

Primary Mission of the New Zealand Defence Force

The primary mission of the NZDF is derived from the strategy of self-reliance in partnership contained in DONZ91, and 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.”

NZDF Operational Outcomes

NZDF operational outcomes focus on the narrower defence related aspects of the national security outcomes. The functionally oriented operational outcomes are aligned with the geo-strategic regions that are the basis of the National Security Outcomes. They show how the everyday employment of the NZDF outputs across a spectrum of activities, over time and together with outputs from related government departments, contribute to the achievement of the national security outcomes. Therefore, they indicate the areas in which the NZDF outputs contribute to the well being of the New Zealand community. The operational outcomes are as follows:

- A secure New Zealand and its environs. The NZDF contributes to this outcome through the delivery of annual outputs that provide prime or major contributions to sovereignty protection, deterrence, incident or crisis response including counter-terrorism, and civil defence. The NZDF will seek to deter unwanted intrusions by demonstrating its ability to operate throughout New Zealand, its offshore islands, its Exclusive Economic Zone (EEZ) and the Southern Ocean, and being able to respond to tests of sovereignty. The NZDF will monitor activities in the predominantly maritime region to provide warning of any adverse developments and maintain levels of preparedness to respond to contingencies. These contingencies could include the countering of terrorism and acts of sabotage, explosives disposal, and mine countermeasures for the protection of ports and sea approaches. Within the capabilities maintained the NZDF will provide assistance that the civil power may require, and in the event of natural disasters will provide assistance to restore vital services and essential amenities. The NZDF contributes to this outcome by the deterrent effect of a credible Defence Force that provides a basis for responding should there be a serious change in New Zealand's strategic circumstance in the

longer term. This includes the maintenance of balanced capabilities sufficient to demonstrate to others a commitment to national defence and to secure the support of others. Such capabilities are maintained because the timeframe needed for their regeneration would be much longer than that within which they must be available. As a by-product of the outputs the NZDF accomplishes public support tasks for other departments and the community, and provides of a source of skilled personnel who join the national work force at the end of their engagement.

- A secure and stable environment in the South Pacific. The NZDF contributes to this outcome through the delivery of annual outputs that provide major contributions to regional engagement, security assistance, developmental assistance, resource protection, and disaster relief. The NZDF will effect regional engagement by participation in security cooperative and confidence-building measures through visits to, and exercises and activities 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 contributions to this outcome are derived from assisting in the surveillance of EEZs of the South Pacific region, civil aid activities and assistance with relief in the event of any natural or other disasters in the region. The NZDF also contributes to this outcome by the maintenance of the security of the Cook Islands, Niue, and Tokelau in accordance with constitutional obligations. It also maintains capabilities sufficient to respond to requests for assistance from South Pacific states in the event of a serious breakdown of law and order, and to protect New Zealanders in the South Pacific region.
- A strong relationship with Australia. The NZDF contributes to this outcome through the delivery of annual outputs that support regional security arrangements, and the maintenance of balanced military capabilities sufficient to demonstrate a commitment to the common security of the Australia-New Zealand strategic area. Sufficiency is demonstrated by capabilities that are interoperable with those of Australia and that can look after New Zealand's fair share of the defence burden. This is effected through combined exercises, personnel exchanges, and cooperation under the umbrella of Closer Defence Relations (CDR). CDR includes coordination of regional assistance, cooperation in operational planning, combined military missions, reciprocal force augmentation and collaborative logistic support.
- A secure and stable Asia-Pacific region. The NZDF contributes to this outcome through the delivery of annual outputs that provide major contributions to peacetime engagement including military-to-military contacts, military-to-diplomatic contacts, security assistance, confidence-building measures, support of regional security arrangements and conflict deterrence. The NZDF will effect regional engagement by multilateral exercises under the aegis of the FPDA by bilateral exercises with regional countries, and by participation in the ASEAN Regional Forum. Contributions to the outcome include Defence Liaison and Attaché Staffs at key New Zealand embassies and high commissions, visits by senior defence staff and port visits. The provision of training assistance under the auspices of the MAP also contributes to this outcome.

The NZDF also contributes to this outcome by the deterrent effect of balanced capabilities that are interoperable with other relevant armed forces and available as a contribution to the regional efforts aimed at deterring aggression. Such forces demonstrate to our partners the genuineness of our commitment to the region's security. High levels of preparedness and professionalism distinguish such deterrence capabilities.

- A standing and position in international affairs. The NZDF contributes to this outcome through the delivery of annual outputs that provide contributions to collective security operations, peace support, and peace-enforcement conducted by the UN and other relevant multinational agencies. The NZDF will provide the Government with options for contributing to collective security operations by maintaining forces at specified levels of preparedness. Interoperability (that is, the ability to interchange units and to operate effectively together) will be maintained through participation in international military standardisation and safety fora, multinational exercises, and the exchange of some key personnel with the armed forces of Australia, Canada and the United Kingdom. Qualified NZDF personnel are provided for initiatives such as de-mining, arms control support, and inspections that contribute to international order.

NZDF Outputs

All NZDF output classes contribute to at least one operational outcome, and a number contribute to all. While national security outcomes and NZDF operational outcomes are described within geo-strategic regions, the NZDF outputs are specified against NZDF force elements that are relevant to employment in a number or all geo-strategic regions.

NZDF Key Result Areas

The NZDF will give priority to ensuring achievement of five Key Result Areas (KRAs) for 1999/2000. The Government's ownership interests addressed within the KRAs are:

- the recruitment and retention of well-trained, professional and committed people with high morale sufficient to maintain a credible defence force. This involves the implementation of personnel policies and practices that are competitive with the New Zealand employment market and that support the ability to deliver the NZDF outputs in the medium term
- the enhancement of balanced military capabilities in accordance with government policy. This involves the implementation of the capital acquisition projects and force structure changes identified in the 1997 Defence White Paper in accordance with the capital investment plan announced by the government in December 1998
- the development of NZDF external relationships with related departments and the public as stake-holders in defence and the NZDF. This involves the development and implementation of strategies to enhance public awareness of what the NZDF is and does, and how its activities contribute to New Zealand's national objectives

- the maintenance of defence relations and the demonstration of defence cooperation with regional countries. This involves the implementation of a regional engagement policy and continued enhancement of cooperation with Australia
- further development of structures, processes, strategic planning and management, to improve the efficiency and effectiveness of NZDF contributions to the Government. This involves continuation of the current Defence Management Review, finalisation of the NZDF Real Estate Strategy, and the completion of the NZDF “Year 2000” preparedness programme.

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

Part A2 - Trends in Vote Defence Force

The table at the end of Part A2 shows the trends in Vote Defence Force from 1994/95 to 1999/2000.

Output Development

The development of the NZDF outputs has been evolutionary. Earlier attempts to define the NZDF outputs did not produce results that fully met the needs of the NZDF and the Crown. During 1996/97 a method for specifying the NZDF’s outputs was developed which better met the requirements of both parties. During the period 1997 to 1999, output documentation has been further refined to better align with the NZDF Purchase Agreement with the Minister of Defence, take account of some regrouping and geographic relocations of force elements, and improve presentation.

NZDF Output Classes

The NZDF output classes listed in the table at Part 1B, with the exception of those listed at the end of this paragraph, comprise the military capabilities resident in the force elements of the Navy, Army and Air Force. The Government purchases these *operational* outputs to provide options for employment on military tasks. The exceptions are Military Policy Development, Coordination and Advice (output class D1), Hydrographic Data Collection and Processing for LINZ and Third Parties (output class D6), Miscellaneous Support Activities (output class D15), and Operationally Deployed Forces - that is, those force elements already deployed on Peace Support Operations (output class D16).

Departmental Outputs

Appropriations for the purchase of NZDF outputs in 1999/2000 include a reduction of \$36.075 million (GST inclusive) as a result of a rate change applied to the capital charge expense. Further reductions result from amended Government Superannuation Fund (GSF) contributions paid on behalf of employees who are members of the GSF scheme and from the impact of reduced contract levels obtained by the RNZN for the provision of hydrographic services.

The 1999/2000 appropriations reflect that the NZDF has taken over the national emergency response responsibility for the provision of Improvised Explosive Device Disposal (IEDD), as directed by the Government. The Government has approved a one-off appropriation of \$1.431 million for 1999/2000 to fund the NZDF support to APEC 1999. The Government has also approved an appropriation of \$10.851 million to compensate the NZDF for the adverse movement in foreign exchange rates; this is in advance of establishing an exchange rate compensation mechanism for the NZDF.

Other Expenses

Expenses for the NZDF peaked in 1993/94; this is due mainly 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 reflected the age and future demand for the inventory, was conducted. In addition, there were some asset write-offs.

An appropriation was provided in 1998/99 for the purpose of recognising additional long service leave expenses consistent with Audit Office and Treasury guidelines.

Capital Contributions

Four changes have occurred in recent years, including provision for a modest capital contribution in 1999/2000:

- 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.
- While the significant increase in capital contributions in 1994/95 remedied an under-capitalisation of the NZDF at the start of its operation under accrual accounting, its primary purpose was for ANZAC ship project payments.
- Capital funding of \$1.999 million (GST exclusive) was provided in 1998/99 to purchase new and upgrade existing equipment to support APEC 1999 and to support the NZDF's national IEDD emergency response role.
- Additional capital funding of \$0.160 million (GST exclusive) to fund the purchase of specialist equipment in support of APEC 1999 is included in the 1999/2000 appropriations.

Analysis by Appropriation Type: 1999/2000 and 1998/99 Compared

NZDF output classes: adjustments and explanation of cost variances

Compared with the 1998/99 NZDF output class appropriations, the most significant adjustments and expense variances for 1999/2000 are summarised in the following table:

NZDF Output Class	Explanation/Comment	Expense: Increase (+) Decrease (-) \$million
D1	Increase reflects, in the main, an increase in HQ NZDF staff costs and reallocation of expenses.	+1.317
D2	Decrease reflects a reduction in depreciation on ANZAC frigates.	-11.580
D3	Renamed as Naval Support Forces. Expenses continue to reflect, as in 1998/99, the Government's decision for HMNZS <i>Charles Upham</i> to remain on charter until October 2000.	N/A
D6	This output is now solely for Hydrographic Data Collection and Processing for LINZ and Third Parties to more correctly account for appropriations made for the hydrographic contract that the RNZN has with Land Information New Zealand (LINZ). There is a significant reduction in the expected LINZ contract revenue; based on original contract expectations.	-1.070
D7	The outputs (and costs) under Force Troops have been transferred to other output classes (mainly D8) as a result of regrouping and transfer of units from Auckland to Linton. While the transfer has resulted in an increase in expenses of D8, there is an overall net decrease reflecting efficiencies from mergers, including overhead and personnel reductions. (Detail in Part G.)	-61.256
D8	Increase in expenses as referred to in D7 above. (Detail in Part G.)	+52.873
D9	An overall decrease in expenses resulting from a unit disestablishment and reallocation of support expenses.	-4.471
D10	An overall increase in expenses for Specialised Forces reflecting higher operating costs for Counter-Terrorist Forces and the addition of the Government-directed national IEDD responsibility.	+10.714
D14	An increase in expenses reflects the allocation of more Iroquois helicopter flying hours, increased operating costs and higher overheads.	+7.086
D16	Decrease reflects the completion of contribution to UN missions and lower costs for NZDF contribution to Bougainville.	-3.879

The financial reconciliation associated with the transfer of outputs from output class D7 to other output classes is shown in Part G.

Other reasons for minor output cost variances include a reduction in the capital charge rate from 11% to 10% and savings from efficiency initiatives within the NZDF due to improvements in support functions through measures such as commercialisation. Some minor cost increases have arisen from lifting the operating tempo of the NZDF and improvements in service conditions for NZDF personnel.

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

Types of Appropriation	1994/95	1995/96	1996/97	1997/98	1998/99		1999/00 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	1,494,506	1,561,628	1,557,890	1,576,781	1,576,658	1,576,658	1,582,324	-	-	-	1,582,324
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	16,593	(100)	-	-	5,000	5,000	-	-	-	-	-
Capital Flows											
Capital Contributions	196,604	39,465	39,465	39,465	41,464	41,464	160	-	-	-	160
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	1,707,703	1,600,993	1,597,355	1,616,246	1,623,122	1,623,122	1,582,484	-	-	-	1,582,484
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 1999/2000 Appropriations (see note 2)

Appropriations	1998/99				1999/00		Description of 1999/00 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	6,012	-	6,012	-	7,325	-	- Purchase of policy advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies. This includes military intelligence, responses to ministerial correspondence, parliamentary questions, and Official Information Act 1982 inquiries.
D2 Naval Combat Forces	417,236	-	417,236	-	405,655	-	- Purchase the capabilities of HMNZ ships <i>Te Kaha</i> , <i>Wellington</i> and <i>Canterbury</i> prepared to conduct 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 Support Forces	26,375	-	26,375	-	25,156	-	- Purchase the capabilities of HMNZS <i>Endeavour</i> prepared to conduct operational and maritime logistic support for deployed military forces, and to contribute support services to the community. During 1999/00 the military sea-lift ship, HMNZS <i>Charles Upham</i> , will remain on charter.
D4 Mine Counter Measures, Diving and Diving Support Forces	34,640	-	34,640	-	37,330	-	- Purchase the capabilities of the inshore patrol craft, diving support vessel, and operational diving team prepared to conduct mine counter measure operations and route surveys for selected New Zealand ports, and to contribute some support services to the community.
D5 Naval Control of Shipping Forces	3,621	-	3,621	-	4,022	-	- Purchase the capabilities of the Naval Control of Shipping (NCS) Organisation prepared to conduct control of shipping in times of threat. This includes the provision of Royal New Zealand Naval Volunteer Reserve (RNZNVR) NCS cells.

D6 Hydrographic Data Collection and Processing for LINZ and Third Parties	11,825	-	11,825	-	10,755	-	Purchase the capabilities of HMNZS <i>Resolution</i> and two inshore survey craft to conduct hydrographic data collection and processing that meets contractual commitments to LINZ and third parties. This includes support by the Hydrographic Office.
D7 Force Troops	61,257	-	61,257	-	-	-	For 1999/00, the outputs and costs are transferred to other output classes. The description of the 1998/99 appropriation was: Purchase 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	306,578	-	306,578	-	359,451	-	Purchase the capabilities of army ready reaction forces provided by 2 Land Force Group (2 LFG) and the 1st NZ Special Air Service Group (1 NZSAS Gp) prepared to conduct land operations, and to contribute support services to the community. This class involves force elements to contribute to a battalion group and to the infrastructure of a brigade group.
D9 Army Training and Rotation Forces	142,139	-	142,139	-	137,668	-	Purchase the capabilities of army training and rotation forces, provided by 3 Land Force Group (3 LFG), prepared to contribute round-out and reinforcement elements to the battalion group and the infrastructure of the brigade group raised by 2 LFG, and to contribute support services to the community.
D10 Specialised Forces	6,109	-	6,109	-	16,824	-	Purchase the capabilities of specialised forces prepared for counter-terrorist operations, and the disposal of explosive devices that threaten the Government, community or national interests. This includes training in special skills and the maintenance of specialist equipment not provided for routine military tasks.
D11 Air Combat Forces	221,178	-	221,178	-	226,259	-	Purchase the capabilities of No 75 Squadron (Skyhawk aircraft) prepared for the conduct of maritime strike, close air support for ground operations and air interdiction, and to contribute some support services to the community. This class includes the provision of Skyhawk aircraft of No 2 Squadron for air defence support flying in Australia for the Australian Defence Force (ADF).
D12 Maritime Patrol Forces	100,384	-	100,384	-	104,788	-	Purchase the capabilities of No 5 Squadron (Orion aircraft) prepared for the conduct of maritime surveillance and maritime air operations, and to contribute support services to the community. This includes an aircraft on standby for search and rescue tasks.

Part B1 - Details of 1999/2000 Appropriations (Continued)

Appropriations	1998/99				1999/00		Description of 1999/00 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross) (Continued)							
D13 Fixed Wing Transport Forces	138,017	-	138,017	-	142,483	-	Purchase the capabilities of No 40 Squadron (C 130 Hercules and Boeing 727 aircraft) prepared for the conduct of strategic and tactical air transport operations, and to contribute support services to the community.
D14 Rotary Wing Transport Forces	75,823	-	75,823	-	82,909	-	Purchase the capabilities of No 3 Squadron (Iroquois helicopters) prepared for the conduct of tactical air transport and counter-terrorist operations, and to contribute support services to the community.
D15 Miscellaneous Support Activities	9,949	-	9,949	-	10,063	-	Purchase the NZDF training infrastructure and planned support to regional defence forces and the New Zealand community. It includes support provided under the auspices of the MAP, support for the New Zealand cadet forces, training of Limited Service Volunteers, and, for 1999, support to the APEC meeting in New Zealand.
D16 Operationally Deployed Forces	15,515	-	15,515	-	11,636	-	Purchase of deployed force elements for military tasks, including the commitments agreed by Government under which the NZDF contributes to peace support operations conducted in support of the UN and other international agencies. It includes the provision of observers, advisors, instructors, headquarters staff, and complete force elements, when necessary, to peace support missions, and the conduct of any additional training required to meet any special conditions or the higher threat levels anticipated.
Total Appropriations for Departmental Output Classes (Mode B Gross)	1,576,658	-	1,576,658	-	1,582,324	-	Refer to Part C1 for a full description.

Other Expenses to be Incurred by the Department							
Provision for Retirement and Long Service Leave	5,000	-	5,000	-	-	-	
Total Appropriations for Other Expenses to be Incurred by the Department	5,000	-	5,000	-	-	-	
Capital Contributions to the Department							
Capital Investment	41,464	-	41,464	-	160	-	
Total Appropriations for Capital Contributions to the Department	41,464	-	41,464	-	160	-	
Total Appropriations	1,623,122	-	1,623,122	-	1,582,484	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Introduction

The NZDF outputs, in the main, include the military capabilities resident in the force elements of the Army, Navy and Air Force. The ability of the force elements of the NZDF to be employed on military tasks - the actual delivery of outputs - is a function of the preparedness state in which they are held. That is, force elements must be held at a level of capability from which they can be raised to an operational status within a specified time, then deployed for the conduct of a particular type of military task and be sustained for a specified period while engaged in that task.

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

The defence planning system uses plausible settings (employment contexts) to identify the likely military tasks that would need to be performed by NZDF force elements and, hence, determine the output parameters that need to be delivered in order to meet New Zealand's national security outcomes.

Preparedness

Using the employment contexts it is possible to establish the Operational Level of Capability (OLOC) that a force element needs to have reached in order to carry out its military tasks effectively. For a force element to be at its OLOC for a particular employment context means that it has the requisite preparedness state, ie, the force element is ready, combat viable, deployable and sustainable.

- **Readiness.** Readiness is the ability to conduct a range of activities, defined against a level of capability and employment context, that provide options for employment on military tasks within a specified response time.
- **Combat Viability.** Combat viability is the in-theatre ability of a force to achieve its military task or mission using current resources.
- **Deployability.** Deployability is the capacity of a force element to move to an operational level of capability, complete final preparations, and assemble for deployment within a specified time.
- **Sustainability.** Sustainability is the ability to support a designated force at operating tempo throughout the duration of an operation.

Level of Capability (LOC)

A force element can be held at differing levels of capability. The quantitative dimension, ie, force structure, cannot be varied on an annual basis given the long-term nature of defence investment decisions. However, the qualitative dimension can be varied by altering the preparedness at which the force element is held. For example, reducing the level of training activities to be undertaken in any one year will impact on the force element's readiness for military tasks to which it can contribute.

To hold a unit at OLOC on a routine basis is expensive. Accordingly, by estimating the likely time available to react effectively to the security event in a particular employment context, it is possible to establish the time that the force element will have before it must be deployed after commitment by the Government. This time, known as the response time, can be used to raise the level of capability of the force element from some lower level to OLOC.

Response times will vary depending on the employment context. For example, the response time for the counter-terrorist forces is very short, meaning that they must be immediately available for such tasks, whereas the response time for territorial force units of the Infantry Brigade Group is measured in years and their readiness is accordingly low. The longer response time that a force element has, the lower the level of capability that the force element has to routinely maintain.

Once the response time is set, it is possible to exclude the OLOC activities achievable in this time and establish the level of capability that must be held by the force element on a routine basis. This is known as the Directed Level of Capability (DLOC). It is the level of capability that the NZDF is funded to maintain in order to provide the Government with options for the commitment of military forces.

In purchasing this level of capability the Government retains in the NZDF the essential minimum capacity from which operationally effective force elements may be generated within agreed response times. If a force element is activated to perform a military task, additional funding will be required to enable that force element to transition from DLOC to OLOC (ie, to resource the additional training and stores), to deploy, and to sustain the force element for the expected duration of the operation.

In exceptional circumstances, the Chief of Defence Force (CDF) may specify a force element to maintain a lower level of capability than would normally be desirable. The lowest level of capability is Basic Level of Capability (BLOC). This is the minimum level at which military capabilities have to be held if they are not to be lost. At this level a force element could not reach an OLOC in less than six months, so will not generally be available for military tasks.

As a result of equipment replacement or commissioning, a force element may not be able to achieve a level of capability for a specified time. In this case it is classified as at No Level of Capability (NLOC) and would not be expected to be available for military tasks.

Classified Information

The requirements of OLOC for all operational force elements, including response times and sustainability periods, is classified and for this reason is not included in the Estimates. Such detail is included in a classified schedule of the NZDF Purchase Agreement between the Minister of Defence and CDF.

Performance Measurement of NZDF Outputs

The performance of a force element can only be fully measured when it is activated for a military 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. This is achieved through the Operational Preparedness Reporting System (OPRES). OPRES provides an effective mechanism for evaluating and reporting on output delivery by force elements.

OPRES uses the four components of preparedness (readiness, combat viability, deployability and sustainability) as Key Measurement Areas (KMAs). The OPRES performance measurement framework involves Key Performance Indicators (KPIs) within each KMA, a performance rating scale of P-1 to P-4 to express force element preparedness relative to DLOC and, standards and measurement devices.

NZDF Output Classes

The output classes express the cost to Government of maintaining military capabilities that may be called upon for operational purposes. Achieving and maintaining the agreed level of capability requires the Defence Force to train at a number of levels: the individual level, unit level and higher, and collectively with security forces of other nations. The outputs include the costs associated with the range of training activities across all these levels 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, a share of the overheads of Headquarters NZDF and the single Services, and the depreciation and capital charge costs for Defence Force assets.

Conducting the training activities to achieve and maintain DLOC also 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, search and rescue, assistance to the NZ Police, ceremonial support, and so on. This range of non-military services is a by-product of the capabilities developed and maintained for military purposes.

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

NZDF Outputs for 1999/2000

Output Class D1 - Military Policy Development, Coordination and Advice

Description

Under output class D1 the Minister of Defence purchases 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 MFAT, or on proposed changes to legislation affecting the NZDF or its operations.
- Provide a range of policy papers, submissions to Cabinet, briefing papers, answers to ministerial correspondence and parliamentary questions, in the order of 850 to 1,070 separate items.
- Provide 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 Cabinet Office and other department 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 \$7.325 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
1999/00	7,325	6,511	6,511	6,494	17
1998/99	6,012	5,344	5,344	4,544	800

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

Collection, Collation and Dissemination of Military Intelligence	\$2,266,750
Development and Production of Military Policy	2,804,250
Operational Military Policy Advice	1,012,625
Ministerial Correspondence and Parliamentary Questions	1,241,375
	\$7,325,000

Output Class D2 - Naval Combat Forces

Description

Under output class D2 the Minister of Defence purchases the capabilities of the Naval Combat Forces prepared to conduct maritime operations. This class also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Quantity and quality

Two frigates with embarked helicopters, and a third frigate given longer preparation, will achieve and sustain a DLOC set by the OLOC requirements of preparedness and employment context abated by the response time for likely military tasks. To achieve this, the three frigates, HMNZ ships *Wellington*, *Canterbury* and *Te Kaha*, will spend, respectively, 122, 116, and 106 days at sea to conduct readiness training and combat viability exercises. 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 \$405.655 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
1999/00	405,655	360,582	360,582	357,003	3,579
1998/99	417,236	370,876	370,876	367,472	3,404

Output Class D3 - Naval Support Forces

Description

Under output class D3 the Minister of Defence purchases the capabilities of the naval support forces prepared to conduct operational and maritime logistic support of deployed military forces. This class also includes contributions by naval support forces to a range of services to the Government and the community.

Quantity and quality

The replenishment ship, HMNZS *Endeavour*, will achieve and sustain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. To achieve this the replenishment ship will spend approximately 122 days at sea to conduct readiness training and combat viability exercises. Some community support tasks will also be undertaken when the ship is not committed to operations.

The military sea-lift ship, HMNZS *Charles Upham*, will remain on charter until October 2000 pending modification and thus remains at NLOC.

Cost

This output class will be provided within the appropriated sum of \$25.156 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
1999/00	25,156	22,361	22,361	19,645	2,716
1998/99	26,375	23,444	23,444	20,780	2,664

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

Replenishment Forces	\$22,719,700
Sea-Lift Forces	2,436,750
	\$25,156,450

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

Description

Under output class D4 the Minister of Defence purchases the capabilities of the Mine Counter Measures, Diving and Diving Support Forces prepared to conduct mine counter measures operations, the conduct of route surveys of 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 RNZNVR.

Quantity and quality

The diving support vessel, the operational diving team and four inshore patrol craft will achieve and sustain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. To achieve this the diving support vessel, HMNZS *Manawanui*, will spend approximately 151 days at sea, the inshore patrol craft 30 days at sea, and the diving team will spend approximately 1400 hours on MCM training activities. Some community support tasks will also be undertaken by MCM, Diving and Diving Support Forces when not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$37.330 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
1999/00	37,330	33,182	33,182	32,740	442
1998/99	34,640	30,791	30,791	30,416	375

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

Mine Counter Measures Forces	\$19,926,875
Operational Diving Team	5,419,125
Diving Support Forces	11,984,150
	\$37,330,150

Output Class D5 - Naval Control of Shipping Forces

Description

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

Quantity and quality

The NCS organisation will achieve and sustain a DLOC, set by the OLOC requirements of preparedness abated by the response time, for naval control of shipping tasks. The NCS organisation will conduct between 25 and 50 days of training. NCS cells are established at the ports of Auckland, Tauranga, Wellington and Christchurch.

Cost

This output class will be provided within the appropriated sum of \$4.022 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
1999/00	4,022	3,575	3,575	3,534	41
1998/99	3,621	3,219	3,219	3,181	38

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

Description

Under output class D6 the Minister of Defence purchases the capabilities of the hydrographic survey vessels, specialist personnel and support infrastructure to conduct hydrographic data collection and processing which meets contractual commitments to LINZ and third parties.

Quantity and quality

The hydrographic ship, HMNZS *Resolution*, and two inshore survey craft, supported by the Hydrographic Office, are available, under contract, to support the LINZ hydrographic programme. The hydrographic ship will spend up to 130 days at sea, and the inshore survey craft up to 80 days at sea, on tasks for LINZ. During sea time under contract, the vessels will maintain sea operational efficiency for possible military tasks.

The hydrographic data and products provided to LINZ and third parties will comply with international standards and will be carried out to agreed contractual standards.

Cost

This output class will be provided within the appropriated sum of \$10.755 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
1999/00	10,755	9,560	9,560	0,000	9,560
1998/99	11,825	10,511	10,511	-	10,511

Output Class D7 - Force Troops

Description

This output class, previously entitled Force Troops provided specialist general support force elements in the areas of strategic reconnaissance, strategic communications, operational intelligence, strategic movement, and military police duties. As a result of regrouping and geographic relocation all outputs formerly appearing within this class have been retained but have been transferred to other output classes, mainly NZDF output class D8.

Cost

No funds will be appropriated for output class D7 Force Troops during 1999/2000.

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00	0	0	0	0	0
1998/99	61,257	54,450	54,450	54,356	94

Output Class D8 - Army Ready Reaction Forces

Description

Under output class D8 the Minister of Defence purchases the capabilities of the Army Ready Reaction Forces, provided by 2 LFG units and the 1st NZSAS Gp, prepared to conduct 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 and the land combat element of the 1st NZSAS Gp will achieve and sustain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. The Army Ready Reaction Forces can provide individual force elements, a force of up to battalion group size, and, given longer preparation time, the basis of a light infantry brigade group. The infrastructure for this light infantry brigade group is maintained at a BLOC.

Cost

This output class will be provided within the appropriated sum of \$359.451 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
1999/00	359,451	319,512	319,512	318,753	759
1998/99	306,578	272,514	272,514	272,089	425

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

Command, Control and Intelligence	\$10,883,450
2 LFG Combat Forces	135,359,550
2 LFG Combat Support Forces	115,143,800
2 LFG Combat Service Support Forces	75,097,250
SAS Forces	22,966,850
	\$359,450,900

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

Under output class D9 the Minister of Defence purchases the capabilities of the Army Training and Rotation Forces, provided by LFG, prepared to round out, reinforce and sustain the land combat elements of the Ready Reaction Forces raised by 2 LFG for the conduct of land operations. 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 maintain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks involving a requirement to round out, reinforcement and sustain 2 LFG. This involves elements to maintain a force of battalion group size and elements to contribute, given longer preparation time, to a light infantry brigade group. Elements for the brigade group are maintained at BLOC. The units of 3 LFG will also provide the framework required for all arms training.

Cost

This output class will be provided within the appropriated sum of \$137.668 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
1999/00	137,668	122,372	122,372	122,079	293
1998/99	142,139	126,346	126,346	126,148	198

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

3 LFG Combat Forces	\$92,697,425
3 LFG Combat Support Forces	17,015,150
3 LFG Combat Service Support Forces	27,955,850
	\$137,668,425

Output Class D10 - Specialised Forces*Description*

Under output class D10 the Minister of Defence purchases the capabilities of the NZSAS and special teams prepared to conduct counter-terrorist operations and to dispose of explosive devices that threaten the government, community or national interests.

Quantity and quality

The NZSAS and specialised teams will achieve and sustain an OLOC, set by the OLOC requirements of preparedness, for counter-terrorist and disposal of explosive devices operations. A Counter-Terrorist Group and IEDD/Explosive Ordnance Disposal Teams will be provided to meet national requirements. Explosive device disposal will be conducted in accordance with the Memorandum of Understanding between the NZDF, the NZ Police and the Environmental Risk Management Authority (ERMA).

Cost

This output class will be provided within the appropriated sum of \$16.824 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
1999/00	16,824	14,955	14,955	14,923	32
1998/99	6,109	5,431	5,431	5,422	9

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

Counter-Terrorist Forces	\$15,895,775
Explosive Devices Disposal Teams	928,700
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	\$16,824,475

Output Class D11 - Air Combat Forces*Description*

Under output class D11 the Minister of Defence purchases the capabilities of the Air Combat Forces prepared to conduct maritime strike operations, close air support for ground operations, and air interdiction tasks. This class also includes the provision of additional aircraft for air defence support flying for the ADF, and the provision of some support services to the Government and the community.

Quantity and quality

Air Combat Forces will achieve and sustain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. From the 19 Skyhawk aircraft available, 10 will be available for deployment on military tasks from New Zealand and six will provide air defence flying for the ADF. To maintain DLOC the aircraft will fly a total of 4,425 hours.

Cost

This output class will be provided within the appropriated sum of \$226.259 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
1999/00	226,259	201,119	201,119	189,269	11,850
1998/99	221,178	196,602	196,602	186,269	10,333

Output Class D12 - Maritime Patrol Forces

Description

Under output class D12 the Minister of Defence purchases the capabilities of the Maritime Patrol Forces prepared to conduct maritime surveillance and maritime air operations. This class also includes the provision of Orion aircraft for a range of support services to the Government and the community.

Quantity and quality

Maritime Patrol Forces will achieve and sustain a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. From the six Orion aircraft available, two aircraft will be available for deployment on military tasks and an additional aircraft will be on standby for search and rescue tasks. To achieve DLOC, the aircraft will fly a total of 2,498 hours. The Maritime Patrol Forces will also undertake other emergency support services for the Government and the community if not committed to operations.

Cost

This output class will be provided within the appropriated sum of \$104.788 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
1999/00	104,788	93,145	93,145	92,385	760
1998/99	100,384	89,230	89,230	88,884	346

Output Class D13 - Fixed Wing Transport Forces

Description

Under output class D13 the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces prepared to conduct 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 a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. From the two Boeing 727 and five C130 Hercules aircraft available, one Boeing and two Hercules will be prepared for deployment on military tasks. To achieve DLOC, the Boeing aircraft will fly a total of 931 hours, and the

Hercules 2,489 hours. Fixed Wing Transport Forces will also provide aircraft for Government and 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 \$142.483 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
1999/00	142,483	126,651	126,651	124,775	1,876
1998/99	138,017	122,682	122,682	121,487	1,195

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

B727 Transport Force	\$37,800,600
C130 Transport Force	104,682,275
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	\$142,482,875

Output Class D14 - Rotary Wing Transport Forces

Description

Under output class D14 the Minister of Defence purchases the capabilities of the Rotary Wing Transport Forces prepared to conduct 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 an OLOC for counter-terrorist contingencies, and a DLOC, set by the OLOC requirements of preparedness and employment context abated by the response time, for likely military tasks. From the 14 Iroquois helicopters available, six will be prepared for deployment and a further two will be allocated for use in emergency situations within New Zealand. To achieve DLOC, the helicopters will fly a total of 5,183 hours. Community support services include land-based emergency search and rescue and casualty evacuation.

Cost

This output class will be provided within the appropriated sum of \$82.909 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
1999/00	82,909	73,697	73,697	72,629	1,068
1998/99	75,823	67,399	67,399	66,929	470

Output Class D15 - Miscellaneous Support Activities*Description*

Under output class D15 the Minister of Defence purchases planned support to regional defence forces and the New Zealand community that is provided by identified elements of the NZDF. It includes support provided under the auspices of MAP, for the New Zealand Cadet Force, for the training of Limited Service Volunteers, and NZDF support to APEC 99.

Quantity and quality

The NZDF will meet the agreed commitments in accordance with the MAP schedule, the New Zealand Cadet Forces support programme, the demand for Limited Service Volunteer courses, and Government's requirements for the NZDF support to APEC 1999. Performance will be assessed from the degree of satisfaction expressed by the organisations being supported and formal reporting.

Cost

This output class will be provided within the appropriated sum of \$10.063 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
1999/00	10,063	8,945	8,945	7,665	1,280
1998/99	9,949	8,844	8,844	7,560	1,284

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

Mutual Assistance Programme	\$3,732,850
New Zealand Cadet Forces Support	2,716,975
Limited Service Volunteer Training	2,122,975
Support to 1999 APEC Meeting	1,489,700
	\$10,062,500

Output Class D16 - Operationally Deployed Forces

Description

Under output class D16 the Minister of Defence purchases the capabilities of 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 United Nations and other relevant multinational agencies. This includes the provision of observers, advisors, instructors, headquarters staff, and complete force elements when necessary, 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. Performance is assessed from the reports submitted by the host organisations.

Cost

This output class will be provided within the appropriated sum of \$11.636 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
1999/00	11,636	10,343	10,343	9,952	391
1998/99	15,515	13,791	13,791	12,935	856

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

Observer/Sub-Unit Contributions	\$11,635,750
Unit Contributions	-
	\$11,635,750

Note: Additional Funding for Unplanned Initiatives

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

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

Part 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 \$0.160 million to purchase specialist equipment in support of APEC 1999.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 1999 \$ million	Forecast Net Worth 2000 \$ million
New Zealand Defence Force	30 June	3,206.671	3,206.831

The difference between the 1999 and 2000 net worth is the \$0.160 million capital contribution appropriated in 1999/2000.

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 G - Statement of Reconciliations

Part G1 - Changes in Appropriation Categories

For 1999/2000 there have been some changes to appropriations, including:

Departmental Output Classes

- Separately identifying the provision of hydrographic services to LINZ (under contract), under output class D6.
- Transfer of all 1998/99 outputs under output class D7 (Force Troops) to other output classes, mainly output class D8 (Army Ready Reaction Forces).
- Separately identifying the requirements for national responsibility for the disposal of explosive devices and including this as a separate output under output class 10 - Specialised Forces.
- Separately identifying the provision of NZDF support to APEC 1999 as a one-off separate output under output class D15 - Miscellaneous Support Activities (for 1999/2000 only).

Non-Departmental Output Classes

- Nil.

Benefits and Other Unrequited Expenses

- Nil.

The following table provides the reconciliation of the transfer of outputs under output class D7 to output classes D8 and D10.

Part G - Statement of Reconciliations

Reconciliation of Transfer of Outputs under Output Class D7 to Output Classes D8 and D10

1998/99 Vote Defence Force in 1998/99 Structure	\$000	Structure Changes	\$000	1998/99 Vote Defence Force in 1999/00 Structure	\$000
Departmental Output Class					
D7 Force Troops		To D8 Army Ready Reaction Forces and D10 Specialised Forces		D7 (Reserved)	
				D8 Army Ready Reaction Forces	
7.1 Strategic Reconnaissance Force	33,617	To D8.5 Special Air Service Forces	32,168	D8.1 Command, Control and Intelligence	3,891
		To D10.1 Counter-Terrorist Forces	1,449	D8.3 2 LFG Combat Support Forces	14,834
				D8 4 2 LFG Combat Service Support Forces	19,860
7.2 Strategic Communications Force	14,834	To D8.3 2 LFG Combat Support Forces	14,834	D8.5 Special Air Service Forces	32,168
7.3 Strategic Movements Force	12,654	To D8.4 2 LFG Combat Service Support Forces	12,654		70,753
7.4 Force Intelligence	3,891	To D8.1 Command Control and Intelligence	3,891	D10 Specialised Forces	
7.5 Force Military Police	7,206	To D8.4 2 LFG Combat Service Support Forces	7,206	D10.1 Counter-Terrorist Forces	1,449
Total Expenditure (GST inclusive)	72,202		72,202	Total Expenditure (GST inclusive)	72,202