

Vote Defence

Baseline Alignment Proposal

3 March 2010

Submitted by:

Hon Dr Wayne Mapp

Section 1: Alignment to Government Priorities

1. Vote Defence (which is appropriated \$M10.7 in the current financial year plus \$M369 to meet contractual requirements for defence equipment currently under acquisition) covers three outputs:

- Policy advice and management of international defence relations;
- Managing the purchase, modification, or refurbishment of major items of defence equipment; and
- Undertaking audits and assessments of the New Zealand Defence Force and Ministry of Defence.

Over the 2010/11 and the next two financial years my key priorities will be:

- **the completion and implementation of the Defence Review:** We are undertaking a “deep” Review. This means the Government is critically examining how the Defence Force, in the future, can best meet New Zealand’s security needs. As a “deep” Review it will provide the basis for defence policy both in the medium term, but also over the longer term, taking into account the major capabilities that will be reaching the end of their lives within the next 20 years. The Review will establish a clear policy framework based on an assessment of our current and future security environment. This is critical to determining a capability mix and force structure that provides the Government with an appropriate set of options for meeting its security obligations, as well as delivering value for money.
- **ensuring that the New Zealand Defence Force (NZDF) remains effective and responsive:** The Government expects the Defence Force to be able to undertake a range of key tasks: from providing assistance to New Zealanders when required; to meeting obligations to our near neighbours in the South Pacific, for example responding to emergencies such as the recent natural disasters in Samoa, Tonga, and the Cook Islands; and to undertaking peacekeeping and nation building such as that in the Solomons, Timor Leste and Afghanistan.
- **consolidating the ANZAC relationship:** Our close relationship with Australia is creating new opportunities to work with Australia and develop genuinely complementary capabilities. I want to particularly focus in the following areas:
 - *Air transport*
 - *Response forces in the South Pacific*
 - *Closer capability development cooperation*
 - *Defence industry capability*

The Ministry of Defence will play a central role in developing and leading the implementation of closer ANZAC cooperation.

- **confirming a sound and balanced capital acquisition strategy for defence equipment within financial guidelines:** Past procurements have been expensive, problematic and subject to lengthy delays. This has created unplanned operating implications. The overall effect has been to lessen confidence in the procurement system and increase risk through programmes that do not deliver on time. Working with senior Defence personnel I am determined to change this.

- **putting in place an approach to defence management which ensures that the defence capabilities the Government needs are delivered:** It is clear that for the next few years we will be under considerable fiscal restraint. We need to review the way we operate in Defence and to ensure we are getting best value for money. The Ministry of Defence will work in concert with the Defence Force and central agencies in this regard.

In addition, there would be the continuing provision to me, by the Secretary of Defence, of reports of assessments and audits of the New Zealand Defence Force and the procurement activities of the Ministry of Defence, in accordance with the Defence Act.

2. *[Information deleted in order to maintain the effective conduct of public affairs through the free and frank expressions of opinions].*
3. Achieving my key priorities above will be substantially driven by the completion around April this year of the Defence Review being prepared by the Secretary of Defence, and around July this year of the Value for Money exercise being undertaken in conjunction with Treasury. Both of these will enable a Defence White Paper to be prepared. This will be a key outcome for the Government as it will enable the Government to put in place a strategy for giving effect to the priorities above.
4. The Defence Review and White Paper will be significant for the Government. The White Paper will be the first one since 1997 and will be balancing the Government's expectations of Defence at a time of tight fiscal stringency but with Defence Force deployments continuing, a range of new and upgraded equipment under acquisition, and the need to achieve the strengthened Defence Force required for the future. The key risk is around being able to achieve our ambition of a strengthened Defence Force within the funding available.
5. The direction that will be outlined in the White Paper takes a long-term view – out to 2030 by which time most of the current capabilities of the Defence Force either have to be replaced or substantially upgraded. But decisions on these can wait. There are immediate priorities that need to be addressed: some Defence Force capabilities need to be renewed now and the White Paper will need also to address the long-term financial sustainability of the Defence Force so that it can meet its ongoing commitments.
6. The White Paper will enable the Government to prioritise defence activities and decisions.

Section 2: Reprioritisation

Pending the release of the White Paper about September 2010, I am not proposing any changes to Vote Defence for the 2010-11 financial year. To do so, would be to pre-empt decisions which will be made as a result of the Defence Review.

For the 2011 and 2012 years, however, decisions taken by the Government as a result of the Defence Review may require changes to Vote Defence to align with changes in government priorities in the Defence area. I would expect that a key area in this regard will be the way in which major items of Defence equipment are bought for the Defence Force.

Section 3: Summary of Financial Movements

Baseline Alignment Proposal - Financial Summary Report

Vote:	Defence	2009/10	2010/11	2011/12	2012/13	2013/14
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Baseline (2009/10 FBU)		11,208	9,791	9,791	9,795	9,795
Share Allocation		0	0	0	0	0
Centralised Saving		0	0	0	0	0
Reprioritisation						
Total Reprioritisation		0	0	0	0	0
Transfers Outside Vote						
Total Transfers Outside Vote		0	0	0	0	0
Total Changes		0	0	0	0	0
Total Proposed Baseline		11,208	9,791	9,791	9,795	9,795