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An Introduction to the Defence Portfolio

This briefing paper provides you with background information about your portfolio in the following key areas: policy, capability, operational commitments, legislation, roles and organisation, and Votes: Defence and Defence Force.

The defence portfolio has undergone considerable change since the beginning of the decade. Significant capability and resource investments have been managed against a backdrop of international strategic change, which has seen the emergence of changed threats, new adversaries, asymmetric tactics and different defence requirements. These developments have underlined the need for modern, flexible, adaptable and professional military forces.

Policy

New Zealand's major decisions on resourcing and capability have been undertaken on the basis of two core policy documents. *The Government's Defence Policy Framework* of June 2000 reaffirmed New Zealand's five areas of policy focus: the defence of New Zealand's Exclusive Economic Zone; a strong strategic relationship with Australia; fulfilling our responsibilities in the Pacific Islands; an expanding role in the security dialogue of Asia; and a global approach to multilateral peace support and humanitarian commitments.

This overarching policy was coupled in May 2001 with the *Government Defence Statement: A Modern Sustainable Defence Force Matched to New Zealand's Needs*. The Statement provided the basis for the primary force structure decisions needed to meet policy objectives. It directed reinvestment toward the rebuilding of a combat-capable Defence Force encompassing a motorised land force, a practical Navy, and a refocused and updated Air Force.

A further important capability enabler was the development of a joint approach within Defence to structure and operations.¹ At the

¹ The term "Defence" is used collectively to represent the Ministry of Defence and the New Zealand Defence Force.

strategic level the New Zealand Defence Force (NZDF) and Ministry of Defence have undergone organisational change aimed at enhancing cooperation and collaboration between the two organisations. The establishment of joint governance fora, a clearer definition of shared and separate accountabilities, and the integration of the NZDF and Ministry of Defence's policy branches, have sought to improve the effectiveness and delivery of the Government's defence objectives.

There has been much focus on improving 'jointness' within and among the three Services and ensuring the elimination of unnecessary duplication. Importantly, the creation of Headquarters Joint Forces New Zealand in June 2001 was the first major step towards enhancing 'jointness' at the operational level. Other initiatives have included opening a Joint Command and Staff College at Trentham and work on establishing a Joint Logistics and Supply Organisation.

Capability

A key initiative in meeting the objectives of the 2001 Defence Statement was the introduction in 2002 of the *Defence Long-term Development Plan* (LTDP). This was the mechanism for updating and replacing a range of capital equipment across the three Services, each of which has undergone a series of acquisitions designed to sustain and maximise its role in a joint environment:

- Seven new vessels are being acquired for the **Navy**. These include a multi-role vessel, two offshore patrol vessels and four inshore patrol vessels. The ships will enter service between 2006 and 2008. This enhanced naval capability will allow for other government agencies' interests to be met through improved maritime surveillance, fisheries and coast guard functions, and greater capacity for sealift.
- Modernisation and motorisation of the **Army** is well advanced. New light armoured vehicles and light operational vehicles have been delivered. Other Army re-equipment projects include the introduction of new radios, the completion of the very low-level air defence system project and the procurement of new medium range anti-armour weapons and some Special Operations equipment.

- The **Air Force** is part way through a significant period of reinvestment involving the updating or replacement of all its aircraft, as well as preparation for the consolidation of its operations at Ohakea. Two B757 strategic transport aircraft have been delivered into service and will shortly undergo a conversion for freight. The P-3K Orion fleet's mission, communication and navigation systems are being upgraded and the C-130 Hercules life extension project is underway. Proposals on the replacement of the Iroquois and Sioux helicopter fleets should be forwarded to Cabinet early next year.

The LTDP has provided the basis for ongoing capability decisions. An updated, reprioritised list of projects extending out to 2015 (the current LTDP goes to 2012) will be presented for Cabinet consideration soon.

The *Capability Management Framework* was introduced in 2004 to guide the acquisition and integrated management of Defence capital projects. It is currently being reviewed and updated to take account of lessons learned over the 18 months since its introduction.

Resourcing

Progressing the rebuilding of operational and organisational capability has been an important adjunct to the capital investment programme. In 2004, the Defence Capability and Resourcing Review (the DCARR) found that requirements in a number of areas were below what was required by policy. The DCARR subsequently established the basis for the Government's decision in 2005 to introduce a ten-year \$4.6 billion capability rebuilding programme known as the *Defence Sustainability Initiative: Building a long-term future for the New Zealand Defence Force* (DSI).

The DSI has been designed to provide for the staged recovery of personnel numbers, infrastructure, reserve stocks, and corporate planning capability. Implementing the DSI is a key focus of day-to-day management and planning within Defence. A progress report is being provided to Cabinet in November.

Operations

The modernisation and re-investment in the Defence Force has had to be managed in an environment of continuing and concurrent operational deployments.

Recent contributions to Afghanistan and Iraq have seen the NZDF work within multi-national frameworks in high threat environments. New Zealand's ongoing commitment to Operation Enduring Freedom has thus far involved the deployment to Afghanistan of land combat and peace support forces and associated headquarters personnel, as well as frigates, P-3 Orions and C-130 Hercules to the Middle East and Central Asia.

In Solomon Islands, New Zealand contributed to the initial phase of the Regional Assistance Mission. New Zealand's current contribution consists of a staff officer, and, on rotation with the Australian and Pacific Island contributors, an infantry platoon. The NZDF has also continued to maintain a wide range of contributions to other international peace support operations, including those currently in Bosnia, Kosovo, Republic of Korea, and the Sinai Peninsula.

The United Nations (UN) continues to play a key role in New Zealand's decisions to deploy NZDF personnel overseas. Since 1999 all of the NZDF's major overseas deployments have been UN endorsed. Most could be characterised as UN mandated peace support operations.

Managing these varied operational commitments has been a balancing act in the context of handling a complex tri-Service acquisition programme, reinvesting in capability through the LTDP and DSI, and implementing organisational change. Meeting these concurrent challenges will continue to shape Defence priorities over the medium term.

Policy

The Government's Defence Policy Framework

The *DPF* identifies the goals and priorities for Defence. The *DPF* was substantially guided by, and builds on, the *Defence Beyond 2000 Report*, released in 1999 by Parliament's Foreign Affairs, Defence and Trade Committee. Two supporting official papers were issued alongside the *DPF*: *Strategic Assessment 2000* (External Assessments Bureau) and *New Zealand's Foreign and Security Policy Challenges* (Ministry of Foreign Affairs and Trade).

The key elements of the policy are:

- New Zealand's defence and security policies will be based on its own assessment of the security environment and the actions it considers to be in New Zealand's best interests.
- Defence is one aspect of New Zealand's foreign and security policy. A comprehensive approach to security is the best way to protect New Zealand's interests and to promote regional stability and global peace.
- The primary reason for maintaining a defence force is to secure New Zealand against external threats, to protect our sovereign interests, and to be able to take action to meet likely contingencies in our strategic area of interest.
- New Zealand will work collaboratively with like-minded partners. In this context, there is no strategic partnership closer than that with Australia. New Zealand will continue to meet its obligations as a member of the Five Power Defence Arrangements (FPDA).
- New Zealand has special obligations to Pacific neighbours to assist in maintaining peace, preserving the environment, promoting good governance and helping achieve economic well being.
- Peace support operations are important for maintaining security and stability. New Zealand will make as full a contribution to such actions as is reasonably possible. New Zealand's global engagement will be based on active support for, and participation in, United Nations (UN) and appropriate multinational peace support operations.

- The Government will continue to maintain a nuclear free New Zealand and protect the integrity of its nuclear free policy. It will also promote a nuclear free South Pacific.
- Except as part of peace support operations, New Zealand will not engage in military cooperation or exercises with the armed forces of states which sanction the use of their armed forces to suppress human rights.
- Effective contributions will be made by the NZDF through the three single services working together (jointness).
- Defence funding will be carefully targeted according to clear priorities.

The *DPF* sets out five key defence policy objectives in support of this overall approach. These are to:

- Defend New Zealand and to protect its people, land, territorial waters, EEZ, natural resources and critical infrastructure;
- Meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests;
- Assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours;
- Play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the FPDA; and
- Contribute to global security and peacekeeping through participation in the full range of United Nations (UN) and other appropriate multilateral peace support and humanitarian operations.

A Secure New Zealand

The first defence policy objective is a secure New Zealand, including its people, land, territorial waters, EEZ, natural resources and critical infrastructure. The NZDF is required to contribute to direct national tasks such as the protection of our territory and citizens, monitoring and protecting resources in areas that are under New Zealand jurisdiction, countering threats posed by terrorism or acts of sabotage and responding to civil defence emergencies and natural disasters.

The NZDF provides a deterrent effect by demonstrating its ability to operate and respond to threats to New Zealand's sovereignty throughout New Zealand, its offshore islands, its EEZ and the Southern Ocean and Ross Dependency. The NZDF monitors and provides warning of developments and maintains levels of preparedness to meet likely contingencies in this area. This includes the maintenance of capabilities sufficient to demonstrate to others a commitment to national defence and to secure the support of others. The need to conduct operations in New Zealand's immediate maritime environment and to support the efforts of government agencies such as the Ministry of Fisheries, Customs and Police were key determinants of the specifications for the Project Protector fleet and the upgrade of the Air Force P-3 Orions' mission, navigation and communication systems.

Defence has an important role to play in national security assessment, policy and planning. The Secretary of Defence and the Chief of Defence Force participate in the Officials' Domestic and External Security Committee, which is chaired by the Department of Prime Minister and Cabinet, and comprises the Chief Executives of security agencies. Defence also participates in a range of subsidiary groups, including interagency crisis watch groups.

A Strong Strategic Relationship with Australia

A strong strategic relationship with Australia in support of common interests for a secure and peaceful region is the second defence policy objective. Australia is New Zealand's closest and most important defence partner. There is a commonality of interest between New Zealand and Australia and a serious threat to the security of one would be considered a threat to the other. Moreover, the two countries acting together are better able to influence events in areas of mutual strategic interest, particularly in the South Pacific.

The relationship is formalised through Closer Defence Relations (CDR). CDR is underpinned by contact at a number of levels. Defence Ministers meet annually. The Secretaries of Defence and the Chiefs of Defence Force meet at the Australia New Zealand Consultative Committee (ANZCC), held immediately prior to the annual Defence Ministers' meeting. There are six-monthly meetings of the Australia New Zealand Defence Coordination Group (ANZDCG), following which senior officials report to Defence Ministers on progress made against the five CDR outcomes. The day-to-day management of the relationship takes place through a broad range of Defence fora, including frequent working-level meetings, regular joint exercises and training, and personnel exchanges.

Although the relationship is very close, this does not mean that Australia and New Zealand do not, at times, differ in views and approaches to issues. Australia's defence policy is influenced by its size, geography, and alliance with the United States. It places a high priority on protection of Australia from direct maritime approaches by hostile forces and on interoperability with United States' armed forces.

New Zealand shares a common commitment with Australia to regional security and the territorial integrity of the Southeast Asia-South Pacific region. This is reflected in our combined efforts in Timor Leste, Bougainville and Solomon Islands. The Timor Leste mission, in particular, underlined our ability to work together effectively in an operational environment and demonstrated that we have a reasonable degree of interoperability. There have also been efforts in recent years to better harmonise New Zealand and Australia's respective defence assistance programmes in the South Pacific.

The future direction of CDR was addressed in some detail at the June 2003 Defence Ministers' Meeting. Ministers agreed to a joint statement on CDR which provides a contemporary focus for the alliance and security partnership, and states clearly where our shared strategic interests lie.

At their May 2005 meeting, Ministers agreed that considerable progress had been made over the previous twelve months to help achieve CDR outcomes and tasked officials to continue to build on this progress. Ministers also discussed other key CDR issues including capability development; command, control and communications for combined operations; training; exercising; personnel development; and logistics cooperation.

The achievement of the highest possible levels of interoperability between the Australian Defence Force (ADF) and the NZDF remains a fundamental objective of CDR. The CDR organisational structure is designed to coordinate projects that help to achieve interoperability and working groups ensure that opportunities for collaboration are exploited to offer maximum benefit for both nations.

Levels of interoperability are satisfactory and are being improved. The establishment of HQ JFNZ has greatly enhanced ADF-NZDF interaction at the operational level. Some of the capability-based interoperability gaps that currently exist between Australia and New Zealand are being addressed under the LTDP.

Joint exercises are important for bridging any interoperability gaps. In addition to several regular bilateral exercises that are undertaken on an annual basis, two

new exercises have been developed. A bilateral Army field training exercise, Predators Gallop, was held for the first time in Australia in August 2004. This involved the deployment of a Light Armoured Vehicle (LAV) Company Group to Darwin to participate in an ADF exercise. A major exercise in 2008, Joint Kiwi, will involve a significant number of NZDF and ADF personnel and equipment.

A major impediment to interoperability lies in United States-imposed restrictions on access to Defence and intelligence information. This has led to the exclusion of NZDF personnel from certain exchange appointments in the ADF and hampered operational planning in some instances.

Responsibilities and Risks in the South Pacific

The South Pacific region is New Zealand's third defence policy objective and its second international defence relations priority after Australia. New Zealand has special obligations to its Pacific neighbours. These include assisting in maintaining peace, preserving the environment, promoting good governance and helping achieve economic well-being. Events in Solomon Islands and Bougainville have demonstrated that New Zealand has a role to play in helping keep the peace in our region. This role extends beyond the provision of military support and includes assisting peace processes through diplomacy and mediation. There is an international expectation that New Zealand will play a constructive role in the security of the South Pacific region.

New Zealand's responsibilities to the region reflect the depth of New Zealand's historical, constitutional, political, cultural and family links with the South Pacific. Constitutional obligations for the defence of the Cook Islands, Niue and Tokelau entail an obligation to cooperate with, and assist, these countries with their national defence and security. New Zealand's Treaty of Friendship with Samoa, for instance, brings with it an obligation to consider sympathetically requests for defence assistance. The NZDF provides assistance to regional police and defence forces through the Mutual Assistance Programme. New Zealand has additional international obligations including coordination of search and rescue and undertaking hydrography tasks when requested.

New Zealand's membership of the Pacific Islands Forum also brings with it regional responsibilities for security and defence, including support for relevant Forum declarations. Defence participates in the annual Forum Regional Security Committee meeting. As a member of the Forum Fisheries Agency, New Zealand has a responsibility to provide maritime surveillance and assistance with fisheries protection of South Pacific states' EEZs. New Zealand is also a member of the

Convention on Highly Migratory Fish Stocks in the Central and Western Pacific (2000), which entails a responsibility to provide additional fisheries protection capability when appropriate. New Zealand has assumed responsibility for providing support for emergency and disaster relief. This is reflected in the disaster relief/search and rescue agreement involving Australia, France and New Zealand (FRANZ).

Since the release of the *DPF* in 2000, there has been an appreciable increase in non-traditional security challenges in the South Pacific. These pose potential risks to New Zealand interests. Civil instability creates risks to the safety of the large number of New Zealand citizens travelling or residing in the region. The rise in international criminal activity, including illegal fishing, illegal migration, drug smuggling and financial crime, threatens to undermine New Zealand's security. While these challenges are not the primary preserve of Defence, there is an increasing requirement to provide military capabilities in the region for maritime patrol, disaster relief, peace support and reconstruction. There is a clear need to work with other New Zealand agencies, including MFAT, Police, border agencies, and the intelligence community.

The NZDF regularly conducts exercises in the South Pacific. Most recently, these have included: the deployment of Army engineers to Niue in May 2005 to conduct humanitarian assistance tasks (Tropic Twilight); two Air Force exercises held concurrently in Fiji in July and August 2005; a helicopter exercise (Tropic Astra); and a communications exercise (Tunex Astra).

The NZDF gains professional benefit from its close relationship with French forces in New Caledonia. This in turn has resulted in increasingly close co-ordination on responses to natural disasters, maritime surveillance and other emergencies in the region.

An Appropriate Role in the Asian Security Dialogue

The fourth defence policy objective is to play an appropriate role in the maintenance of security in Southeast and North Asia consistent with New Zealand's interests and capabilities. New Zealand's economic well-being is tied to the stability of Asia. Inter-state conflict in the region, or intra-state political and economic instability, can affect important New Zealand interests. Bilateral and multilateral defence relations underpin political and economic ties and the security of the region as a whole. New Zealand has a part to play in regional confidence building through maintaining a network of military links, crisis management, and active participation in regional security fora.

New Zealand's two major bilateral security relationships in the region are with Singapore and Malaysia. These relationships are enhanced by the Five Power Defence Arrangements (FPDA), a consultative arrangement which provides the basis for continuing defence cooperation among Australia, Malaysia, New Zealand, Singapore and the United Kingdom.

Our defence relationship with Singapore - the second most active after Australia - is increasingly strong and balanced. A significant development was Singapore's decision to send combat troops overseas for the first time as part of the New Zealand battalion-group in Timor Leste. The NZDF also assisted with the deployment of Singaporean Armed Forces' helicopters to Timor Leste.

There has also been renewed engagement in the defence relationship with Malaysia. With Singapore and Malaysia, New Zealand conducts annual policy and operational meetings; there are well-developed Mutual Assistance Programmes; and we conduct a range of naval, army, and air force training, exercises and exchanges.

The ASEAN Regional Forum (ARF) was set up to provide a forum for working on problems that could threaten regional stability. New Zealand is an active member and is represented by Foreign Affairs and Defence officials at regular meetings. We support greater ARF involvement in the management of regional conflict, but acknowledge that this must proceed at a pace with which other ARF members are comfortable. There is now a welcome understanding of the concepts and principles of preventive diplomacy, and a growing programme of practical confidence building measures. Dialogue amongst defence officials has now been formalised as part of the ARF process.

Since the release of the *DPF*, an important focus has been on the consequences of international terrorism for Southeast Asia and the Pacific. The discovery of terrorist cells with regional links and a purported connection to al Qaeda in Singapore was significant, as was the 2002 Bali bombing. Southeast Asian countries condemned the 11 September 2001 terrorist attacks in the United States and have participated actively in various international responses. But there remain differences of emphasis in their responses.

New Zealand's defence engagement with North Asia has grown considerably in line with the expansion of other areas of our relationships with the region. Defence contacts with China constitute one element of a wide-ranging and increasingly important relationship (China is now our fourth largest trading partner). Modest bilateral defence links have developed quickly over the last few

years. This is reflected in the exchange of visits by respective Defence Ministers, high-level officials and senior military officers, the reciprocal hosting of bilateral security discussions, visits by, and attendance at, military educational institutions, and through naval ship visits (for example during 2005 to Russia, China and Japan).

New Zealand's long-standing defence relationship with the Republic of Korea is continuing to develop, with several ministerial and senior officials' visits, political-military talks, on going Korea War veterans' commemorative visits, staff college/Defence University visits, ship visits, and a maritime surveillance exercise occurring in the recent past. The UN Command Honour Guard in Seoul has included NZDF contingents in 2001 and 2003. NZDF officers have also been deployed to the Demilitarised Zone on six-month operational rotations with the UN Command Military Armistice Commission since 2004. These contributions have underscored New Zealand's commitment to a UN mandated multilateral security mechanism to assist address the security problem on the Korean Peninsula, as well as establishing New Zealand as a committed supporter of the Armistice Agreement.

Defence links with Japan are expanding through ministerial and senior officials' visits, the attendance of NZDF personnel at a number of regional conferences hosted by Japan, and the establishment of a resident Defence Attaché in Tokyo.

The ARF process provides an additional forum for a growing defence association with all three countries.

A Global Approach

The fifth defence policy objective is to contribute to global security and support New Zealand's place in an international community committed to the maintenance of human rights, and the collective security responsibilities enshrined in the UN Charter. New Zealand's interests can be best secured through an environment of international peace, stability, and shared prosperity. Constructive involvement in global security also contributes to New Zealand's international image and standing in the world. This allows New Zealand a voice in the processes that shape international security developments.

Global engagement is based on active participation in UN and other appropriate multi-national peace support operations. New Zealand has participated in over sixty missions in the last fifty years. It has consistently demonstrated that we are prepared to use our capabilities to defend democratic values, human rights and

the principles and obligations enshrined in the UN Charter. NZDF personnel are currently employed in missions in the Middle East, Africa, and Europe, as well as North Asia, Southeast Asia, and the Pacific.

The 11 September 2001 terrorist attacks on the United States highlighted the increasing significance of non-traditional security challenges, especially international terrorism. The effects of these challenges are being felt both globally and locally. There has been recognition that the international community must devote increased effort to bring peace and stability to regions of the world where political, economic, social, religious and ethnic issues provide a fertile ground for terrorism to develop. The Balkans and the Middle East are two such regions where the NZDF has made meaningful and longstanding contributions.

In Afghanistan, New Zealand is committed (through, for example, the significant New Zealand commitment to the Provincial Reconstruction Team in Bamyán) to help ensure that the country does not again become a haven for terrorists by contributing to a broader military effort to bring peace and security to the Afghan people.

Following the passing of UN Resolution 1483 in May 2003, two six-month rotations of NZDF engineers undertook reconstruction tasks in Iraq.

Our involvement in the Middle East has reached the point at which we are considering placing a Defence Attaché in the region. Having a permanent representative in the region would strengthen our relationships, and ensure better coordination and access to senior officials in a region where face-to-face contact is considered essential.

In June 2004 New Zealand endorsed the principles of the Proliferation Security Initiative (PSI). This is an international effort aimed at responding to the growing challenge posed by the global proliferation of weapons of mass destruction (WMD), their delivery systems, and related materials. The PSI aims to counter the trafficking of WMD by non-state actors (such as terrorists) and states of 'proliferation concern'. Defence officials have played an active role in supporting New Zealand's participation in the initiative.

The United States remains unrivalled in its global reach and the extent and range of its military capabilities. New Zealand's interests are best pursued through an open, forward-looking and positive relationship with the United States, and wide-ranging contributions to international peace support operations including support for the campaign against terrorism. Working with the United States on terrorism, and on other multilateral issues where we have common interests, is possible

notwithstanding bilateral differences about nuclear policy. These differences mean there will continue to be only limited scope for defence cooperation with the United States, particularly in bilateral or multilateral exercises. The exceptions will be when such activities contribute to our participation in an operation in which the United States is either a participant (Afghanistan) or a supporter (Timor Leste).

The long-standing defence relationship with the United Kingdom continues to provide significant political and professional benefits. This is manifested through a wide range of exchange and training programmes, through our mutual participation in the FPDA, and our involvement alongside British forces in the Stabilisation Force, and now the European Union Force (EUFOR), in Bosnia.

The scope and variety of current tasks is likely to persist and reinforces the need for NZDF to be capable of responding to a broad spectrum of operations — from combat through to peacekeeping, maritime surveillance and border protection. Demands on defence resources are likely to intensify.

Capability

A Modern, Sustainable Defence Force

On 8 May 2001 the Government announced a series of decisions that built on its *Defence Policy Framework* with the aim of developing a modern, sustainable Defence Force that will concentrate defence resources in a range of affordable and sustainable military capabilities to meet our national requirements, strategic interests, and obligations.

The 8 May statement described the key components of the NZDF as being:

- A joint approach, structure and operational orientation.
- A modernised Army.
- A practical Navy fleet matched to New Zealand's wider security needs.
- A refocused and updated Air Force.
- A funding commitment to provide financial certainty.

The first stage of a **joint approach** was the establishment of Headquarters Joint Forces New Zealand in 2001 at Trentham. This operational-level Headquarters is now firmly established and fully functional. As a result of the Hunn review on the accountabilities and structural arrangements between the Ministry and the NZDF, which the Government endorsed in March 2003, this joint approach is also being applied to defence planning at the strategic level and to managing the NZDF and the Ministry of Defence at the organisational level. This "jointness" is being achieved through reinforcing and cementing existing initiatives designed to support cooperation and collaboration between the two defence organisations.

The **modernisation of the Army** is underway with the acquisition of 105 light armoured and 321 light operational vehicles almost complete. New weapons, new communications equipment, intelligence, surveillance and reconnaissance capability, and support vehicles and equipment round out the Army's capability. The Army Configuration Review is examining the structure of the Army to better deliver the required outputs of a sustained battalion group (of around a thousand personnel) including the lessons of the Timor Leste deployment, current military trends and the opportunities that technology will offer land forces.

Through the acquisition of a new multi-role vessel and deep water and inshore patrol vessels to augment the two ANZAC frigates, the development of an **enhanced Navy** is underway. The Navy requires the capability to undertake an

extensive array of military and non-military tasks in a variety of environmental conditions in order to meet the Government's policy objectives.

The **Air Force is being refocused and updated** to ensure that it is fully equipped to meet policy objectives. Two Boeing 757 aircraft have been acquired and two additional King Air training aircraft have been added to the Royal New Zealand Air Force fleet. Projects to upgrade or replace the Air Force's P-3 Orions, C-130 Hercules, and Iroquois and Sioux helicopters, are underway.

Long-term Development Plan

The *Defence Long-term Development Plan*, or LTDP (released on 11 June 2002 and updated in June 2003 and November 2004), is a planning tool to enable decisions on defence acquisitions to be taken in the context of current policy, relative priority, and affordability. The Plan, which links defence policy objectives with capability requirements in the 2001 Defence Statement, contains a comprehensive list of major projects (projects over \$7 million), with preliminary costings, timings, and priorities.

The Government directed in 2002 that the LTDP be managed within three financial parameters:

- up to one billion dollars, in nominal terms, in capital injections over 10 years, which, with retained depreciation, will provide at least three billion dollars for new acquisitions;
- any inflationary pressure to be managed within these constraints until 2005/06;
- leasing options may be considered where there is a neutral trade-off between capital and operating expenditure.

The LTDP does not give Defence authority to proceed with any of the projects set out in the Plan. Each project (which is managed through *The Capability Management Framework*) is brought forward for individual approval and is judged in the context of the Government's defence policy, and its priority and affordability.

LTDP projects have been prioritised and categorised to reflect their relationship to current defence policy objectives. The list below, which reflects the current status of LTDP projects, does not indicate the order in which projects have been initiated, or will be completed, as some projects extend beyond the end of the decade.

Projects Approved and in Acquisition Phase

New Defence Headquarters Building (NZDF)
Multi-role Vessel (Navy)
Offshore and Inshore Patrol Vessels (Navy)
Medium Range Anti-armour Weapon (Army)
Very Low Level Air Defence Cueing System (Army)
Light Operational Vehicle (Army)
Special Operations Equipment (Army)
Improvised Explosive Device Disposal (NZDF)
Boeing 757 Modification (Air Force)
P-3 Mission Systems Upgrade (Air Force)
P-3 Communication and Navigation Systems Upgrade (Air Force)
C-130 Life Extension (Air Force)
C-130 Communication and Navigation Systems Upgrade (Air Force)

Projects Approved in Principle by Government

Joint Command and Control System (NZDF)
Direct Fire Support Weapon – Area (Army)
Army Engineering Equipment (Army)
NZDF Helicopter Capability (Air Force)
Ohakea Consolidation (Air Force)

Projects Necessary to Provide a Well-Equipped Land Force

Land Intelligence, Surveillance, and Reconnaissance Equipment (Army)
Combat Service Support Vehicles (Army)
Army Tactical Trunk Communications (Army)
Army In-service Weapon Replacement (Army)
General Service Vehicle Fleet Replacement (Army)

Projects Necessary to Avoid Significant Risks to Policy

Joint Communications Modernisation (NZDF)
ANZAC Self-Defence Upgrade (Navy)
NZDF Torpedo Replacement (Navy)
C-130 Self-Protection (Air Force)
P-3 Self-Protection (Air Force)
Anti-Ship Missiles (Air Force)

Projects That Have Benefit But Are Less Critical To Achieving Policy Objectives

Infrastructure Projects (NZDF)
Remote Mine Detection (Navy)
High Readiness Infantry Company (Army)
Army Manoeuvre Range (Army)
Indirect Fire Support Weapon (Army)
Short to Medium Range Aerial Surveillance (Air Force)

Funding constraints, cash flow management and defence industry considerations continue to affect priorities, timing and the overall affordability of the LTDP.

Trade-offs in and among projects are often necessary and are achieved by creating options through altering levels of cost, and in ensuring compliance with policy. These options, which are investigated for each project, have included phasing projects to spread the cash flow or reducing the size and/or scope of a project. Reducing the level of capability could affect the NZDF's ability to deliver outputs designed to achieve policy objectives.

The 2005 LTDP

Aside from updates in 2003 and 2004 there has been no major change to the LTDP in terms of projects, their priority, or the time span of the LTDP (currently 2012). Accordingly, Defence has undertaken a major review of the LTDP both in terms of projects currently on the LTDP, but not yet substantially advanced, and new projects proposed for inclusion in the new LTDP, which would go out to 2015. A report will be submitted to you soon.

The Defence Sustainability Initiative

In December 2003 the Ministers of Defence, Finance, and State Services commissioned an assessment of the optimum capability configuration and resource requirements of the NZDF to undertake the roles and tasks set out in the Government's statements of defence policy, and in the LTDP. The assessment, the Defence Capability and Resourcing Review (DCARR), also examined the capability of the Ministry of Defence to support government policy processes.

The DCARR concluded that as a result of many years of under-investment, and notwithstanding the implementation of the LTDP, capacity and capability in some areas is below the requirements of government policy:

- Personnel numbers in the three services, Headquarters NZDF and Headquarters Joint Forces New Zealand are below the levels required, and cannot be rapidly increased to the required levels.
- In some trades the number of personnel and their trained state is deficient.
- Some major weapons platforms require upgrading or replacement, although the LTDP will address this.
- Some military equipment (other than major weapons platforms) no longer meets the required standard.
- Contingency reserve stocks (ammunition, fuel, and spares) are depleted.
- There is a backlog of maintenance and capital expenditure in the Defence Estate, which cannot be addressed fully in the short term; and aspects of corporate management capability are depleted.

In response to the DCARR, Cabinet agreed in 2005 to a 10-year funding package under the Defence Sustainability Initiative (DSI) to develop military and organisational capability to a level that will ensure the Government's defence goals are met on a sustainable basis. The DSI will provide additional operating expenditure totalling \$4.348 billion and a further capital injection of \$209 million over the 10-year period from FY 2005/06.

The DSI is directed initially towards recovery of personnel levels, recruitment and retention, putting new and upgraded capabilities into service, and strengthening the organisational and corporate capability of the Ministry of Defence and HQ NZDF.

A DSI programme team was established in HQ NZDF in March 2005 to address the organisational issues. The programme is to achieve its objectives by 30 June 2006. The programme is governed by an interdepartmental steering group chaired by the Chief of Defence Force and comprises of senior representatives from the Treasury, State Services Commission, Department of Prime Minister and Cabinet, and the Ministry of Defence.

The DSI programme deliverables include:

- An initial scoping phase report submitted to Joint Ministers in June 2005 on the key planning and performance management requirements and how the necessary structures and systems will be implemented.
- An Interim Strategic Plan for the NZDF submitted to the Minister of Defence on 30 June 2005 for endorsement.
- A progress report to Ministers by November 2005 on the development of the planning and performance management systems to support the budget initiatives process for 2006/07.
- Systems changes implemented by June 2006 including:
 - a. The NZDF Corporate Planning Framework and Corporate Performance Management System.
 - b. The NZDF Corporate Planning Branch and Programme Management Office.
 - c. Improved systems and processes fully integrated into the Defence organisations' mainstream processes.

The Capability Management Framework

The Capability Management Framework (CMF) is the mechanism which guides the NZDF and Ministry of Defence in capability matters. Projects in the LTDP are expected to be progressed using the CMF. It provides guidance on responsibility, accountability and processes for policy development, capability definition and the acquisition, and through life support, of major capability platforms. The CMF also covers the disposal of capability platforms. This is primarily a responsibility of the Chief of Defence Force, and one which is routinely delegated to the Service concerned. The NZDF currently has plans for the disposal of a number of major assets over the next five years. These include: HMNZS CANTERBURY, the M113 Armoured Personnel Carrier and Landrover fleets, and the Iroquois helicopter fleet.

In July 2005 a comprehensive review of the CMF commenced. This review, which received submissions internally and from central government agencies, has determined that although the concept of the CMF is sound there is re-engineering required to address the acquisition of all capability, not just equipment and systems, as is the current focus. Processes also need clarifying.

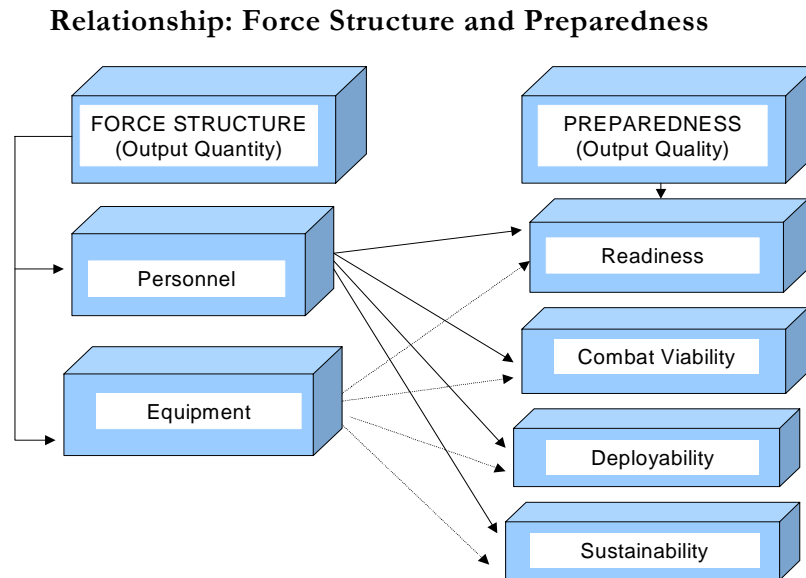
Military Capability

Military capability is the power to achieve a desired operational effect in a selected environment, and to sustain that effect for a designated period. It is the combined effect that systems of inputs have in helping to achieve a particular operational result. Military capability goes beyond just equipment. Rather, it includes all necessary components that, together, enable a military capability to achieve an operational effect. The major components of military capability are:

Force structure – the quantitative dimension of NZDF Outputs comprises personnel and equipment; and

Preparedness – the qualitative dimension of NZDF Outputs is the ability to undertake military tasks. Preparedness is specified in terms of readiness, combat viability, deployability and sustainability.

The relationship between force structure and preparedness is shown in the following diagram:



Under the NZDF Output Plan between the Minister and the Chief of Defence Force, all NZDF force elements (operational units, or forces composed of elements of operational units) are required to maintain a “Directed Level of Capability” (DLOC). In the Output Plan, Employment Contexts (ECs) identify security events that would pose a threat to New Zealand’s defence outcomes, and for which the Government may expect a military response. The ECs provide guidance to determine the “Operational Level of Capability” (OLOC) required to effectively conduct such military tasks. The Operational Preparedness Reporting System (OPRES) is the NZDF performance measurement system that routinely reports the preparedness level of force elements against their DLOC; the key measurement areas for OPRES are readiness, combat viability, deployability and sustainability. Because of the relatively high cost of maintaining OLOC, the NZDF is funded to routinely maintain DLOC, with an agreed time (known as ‘Response Time’) to build forces up to OLOC.

Rebuilding the New Zealand Defence Force

Modernising the Army

Light Armoured Vehicles

The light armoured vehicle (LAV) project, which replaced the fleet of M113 Armoured Personnel Carriers, provided the Army with a family of wheeled armoured vehicles for use in support of infantry. Purchased from General Dynamics Land Systems, Canada, the vehicles are intended to provide protected mobility for infantry manoeuvre groups in combat or when undertaking peace support operations.

Of the 105 vehicles that have been purchased, 104 have been delivered. One vehicle remains in Canada for test fitting of add-on armour and as a reference model for technical modifications and fault identification. Contracted training has been completed, and 95% of ordered spare parts have been delivered.

A LAV Company Group (of around sixteen LAVs) was declared to be at "Directed Level of Capability" (DLOC) in December 2004 and a Battalion Group is on track to be at DLOC by December 2005.

Light Operational Vehicles

The light operational vehicle (LOV) project is providing the Army with modern vehicles to replace the obsolete fleet of Landrovers. This project involves the acquisition of 321 Pinzgauer vehicles from Automotive Technik Ltd, United Kingdom, in nine variants. The LOV provides an essential capability to enable the Army to participate in operations in the South Pacific, the Asia-Pacific region, and globally.

The Crown has accepted all of the 188 vehicles of the first tranche. There have been some difficulties with acceptance of the fleet but most of these vehicles have now been issued to the Army and are in use. Production of the second tranche of 133 vehicles is progressing well. All non-armoured variants have been produced and are either in New Zealand or in transit to New Zealand. The first of 60 armoured variants was handed over on 6 September 2005 and all vehicles will be delivered by the end of April 2006.

Very Low Level Air Defence

This project involves the purchase of an alerting and cueing system to bring the Army's Mistral air defence system up to operational standard. An air defence capability is necessary to protect critical land force elements from air threats such as low flying aircraft and armed helicopters. A contract has been signed with a Spanish company, Indra, for the supply of radar systems, and a separate contract has been entered into with Thales France for the supply of identification friend or foe equipment. Delivery is expected in mid 2006.

Medium Range Anti-Armour Weapon

The Javelin missile project will provide protection for New Zealand's land forces from armoured threats by procuring a medium-range anti-armour weapon (MRAAW) manufactured by Raytheon/Lockheed Martin Joint Venture. A contract was signed in December 2003 and deliveries should be completed by July 2006.

Direct Fire Support Weapon - Area

The direct fire support weapon - area (DFSW-A) project, which involves the purchase of 40mm grenade launchers, will provide land forces with the ability to engage opposing forces at a range of up to two kilometres. The DFSW-A forms an element of land force contribution to peace enforcement operations where land forces may face a threat on the ground.

Tactical Communications

This project, which is almost complete, covers the replacement of the complete range of tactical radios used by the Army and supporting Air Force units. It includes portable radios and various configurations of vehicle communications systems. The radios include integrated communications security, and are interoperable with our security partners.

Enhancing the Navy

A multi-role vessel (MRV), two offshore patrol vessels (OPVs) and four inshore patrol vessels (IPVs) are being acquired under Project Protector. The MRV will enable the Navy to transport the new Army LAVs and LOVs, and associated personnel and equipment, to support disaster relief and peace support operations. The MRV will also be able to conduct resource protection patrols, and provide diplomatic/military presence. The MRV will be used for training, a role previously undertaken by the frigate HMNZS CANTERBURY.

The OPVs and IPVs will enable the Navy to meet inshore and offshore requirements for maritime surface surveillance in New Zealand's EEZ and the South Pacific. Patrol vessels will service the needs of several government agencies including the Ministry of Fisheries, the New Zealand Customs Service, the Department of Conservation, the Police, and Maritime New Zealand.

Six companies, selected from a registration of interest process, received the Project Protector request for proposal in May 2003 and responses were required in October 2003. An evaluation of the proposals from the six short-listed companies was completed in March 2004, and the preferred tenderer was announced in April 2004. A contract was signed in July 2004 with the preferred tenderer, Tenix Defence Pty Limited. The MRV is expected to be delivered in late 2006, the first OPV in mid-2006, and the first IPV in late 2006.

Refocusing and Upgrading the Air Force

Maritime Surveillance Aircraft

The capability provided by the P-3 Orions is central to meeting a broad range of civilian roles and tasks, and the Government's five defence policy objectives. The P-3 undertakes surveillance of New Zealand's EEZ and the Southern Ocean, meets our South Pacific search and rescue obligations, and provides surveillance assistance to South Pacific states. It is one of the primary force elements contributing to our defence relationships with Australia and FPDA partners. The obsolescent mission systems onboard the P-3 Orions are limiting the aircrafts' availability due to repeated equipment failures. An upgrade of the mission systems will enable the P-3 Orions to reliably conduct surface surveillance tasks as will the upgrade of the communication and navigation systems.

Following a tender process a contract was signed with L-3 Communications Integrated Systems in 2004 for the upgrade of the P-3 Orions' mission systems and communication and navigation systems. The project is now underway at L-3's site in Texas.

Fixed Wing Transport

Air transport is a critical capability for a number of roles and tasks, including: supporting counter-terrorist operations; peace support operations; evacuations of New Zealanders from trouble spots; disaster relief and humanitarian operations; supporting the civil power; and supporting New Zealand's Antarctic programme. In order to ensure the ongoing sustainability of the NZDF's air transport

capability, an upgrade of the C-130H Hercules has commenced. Two Boeing 757 aircraft will be modified to enhance their capability.

C-130 Life Extension and Communications/Navigation Systems Upgrade: The declining availability of C-130 air transport presents a major capability gap that will increasingly impinge on the NZDF's ability to deploy and support personnel, particularly in the New Zealand, South Pacific and Asia-Pacific contexts. The ability to support deployments and perform other tasks would also be affected. The C-130 communications and navigation systems also need to be upgraded to address equipment obsolescence and comply with evolving international air traffic regulations.

Following a tender process a contract was signed with L-3 Spar Aerospace (the same parent company as L-3 Communications Integrated Systems) for the upgrade of the C-130 Hercules' mission systems and communication and navigation systems. The project is now well underway at L-3's site in Edmonton, Canada.

Boeing 757 Purchase and Modifications: The B757 aircraft began service in the Air Force in 2003. A modification programme, including freight capability, engine enhancements and upgraded communications and navigation equipment, is being undertaken to configure the aircraft to meet the strategic airlift capability required by the NZDF. The modification program is expected to start next year.

Helicopter Replacement Project

Helicopters provide essential support for land operations, particularly in the South Pacific and in peace support operations. Following a tender process, the Government agreed in April 2005 that NH Industries' helicopter, the NH90, was the preferred medium utility helicopter to replace the Iroquois. The Ministry of Defence is currently obtaining information about the cost, assembly location, timing, and logistic support in respect of the NH90 before reporting to Cabinet with firm proposals.

As well as proposals for the NH90, Cabinet will be advised concurrently of the results of an invitation to register process for the training/ light utility helicopter to replace the Sioux. Cabinet approval will be sought next year for a total helicopter package including numbers, timing, through-life support, operation, and acquisition strategy.

Ohakea: Upgrade and Consolidation

In November 2002, the Government agreed to the consolidation of the Air Force operational capability at Ohakea. The consolidated base will be a core enabler for all Air Force operations. In order to accommodate the personnel and functions transferring from Whenuapai, Ohakea will require extensive improvements to existing infrastructure as well as additional buildings. No. 3 Squadron (helicopters) transferred to Ohakea in 2003. Units still to transfer to Ohakea include No. 40 Squadron (fixed wing transport), No. 5 Squadron (maritime surveillance), 485 Wing (Force Element management), Operational Support Squadron, and a range of technical and administrative support units and elements. A report is required for Cabinet by June 2006 on the firm costs of, and timetable for, the consolidation.

A Joint Approach

Joint Command and Control System

The joint command and control system (JCCS) is an information technology system. The term “command and control” refers to a commander’s ability to organise information to support robust and timely operational decisions, and then to rapidly disseminate those decisions to subordinates and superiors.

Recent experiences have shown that the current NZDF command and control capability is dated and inefficient and requires ad-hoc, short-term fixes in order to support operations. Effective command and control is a significant enabler for all NZDF activities and would maximise the Government’s investment in other defence equipment and enhance the performance and efficiency of the NZDF on operations, including working with other agencies and nations. The JCCS will enable the right information to be provided to the right person, at the right time.

Initiatives for Jointness

There are also a number of NZDF initiatives that will contribute to the achievement of ‘jointness’. These are:

- Improved communications interoperability between deployed forces and operational headquarters,
- Improved Information Technology applications to support operations and the effective management of the NZDF by:
 - Joint Engineering Management System (JEMS) (1). Implement Phase One of the JEMS (Air Force Engineering) by second quarter 2006.

- Joint Engineering Management System (2). Plan and obtain resources for Navy Engineering implementation by second quarter 2006, subject to successful conclusion of JEMS (1).
- Personnel Systems. Upgrade existing personnel systems so as to extend the life of these systems by 5 to 7 years.
- Improved relationships with government departments/agencies through developing a strategy by the second quarter of 2006 to implement permanent networks with other agencies (e.g., MFAT, New Zealand Customs, New Zealand Police, Ministry of Fisheries) that enhance New Zealand government agency interoperability.
- Formation in 2006 of a Joint Logistics and Support Organisation to streamline non-operational accounting, procurement, facilities management, travel, household removals, payroll and personnel administration.

Operational Commitments

In recent times, the NZDF has made significant and positive contributions to regional peace support operations in Timor Leste, Bougainville and Solomon Islands. Although the Bougainville mission has ended and we have only a residual presence in Timor Leste, the NZDF continues to maintain a high operational tempo. New Zealand's contributions to Afghanistan and Iraq over the last three years have seen the NZDF work within multi-national frameworks in high threat environments. New Zealand's ongoing commitment to the international campaign against terrorism has involved the deployment of force elements from all three services to the Middle East and Central Asia.

The initial phase of the Regional Assistance Mission in Solomon Islands (RAMSI) in July 2003 involved the deployment of an infantry company, four helicopters and logistics, communications, engineers, support and medical personnel. The NZDF has also continued to maintain a wide range of contributions to international peace support operations, including in Bosnia, Kosovo, Sierra Leone, Sinai Peninsula, and to demining operations in Mozambique and Cambodia. In addition, the NZDF is involved in a number of smaller peace support operations.

Advice is provided to ministers on NZDF operational commitments through the following:

- Meetings involving appropriate ministers and their staff as security issues arise.
- An Assessments Group comprising intelligence officials, which provides briefings and assessments.
- A Watch Group chaired by the Department of the Prime Minister and Cabinet comprising officials from the relevant departments which coordinates and provides policy advice to senior officials.
- The Senior Executives' Group (of which the Secretary of Defence and Chief of Defence are members), which provides advice to ministers.
- The Chief of Defence Force provides updates, briefing and advice on operational matters to the Minister of Defence and Cabinet when required.
- The Secretary of Defence and the Chief of Defence Force who provide advice, briefing and submissions for approval of all deployments and on policy matters.

Afghanistan

New Zealand is a small but valuable coalition partner in the campaign against terrorism. NZDF personnel have been deployed to Operation Enduring Freedom and we provide a range of military capabilities to the operation. We provide staff officers for the NATO-led headquarters of the International Security Assistance Force (ISAF) and the US led Combined Forces Command – Afghanistan (CFC-A) both located in Kabul, as well as the Combined Joint Task Force Headquarters (CJTF HQ) in Bagram. New Zealand is also contributing special forces to Operation Enduring Freedom.

The NZDF commenced humanitarian assistance by establishing an NZDF Provincial Reconstruction Team (PRT) based in the Bamyan province in September 2003. Now in its sixth rotation, the team has been actively engaging with New Zealand and international humanitarian organisations to provide a secure environment where meaningful reconstruction and assistance can be given. The PRT has assisted with support for voter registration for the Presidential election during 2004, provided training assistance to indigenous security forces prior to the Parliamentary Elections which took place in September 2005, and supported the Disarmament, Demobilisation, and Reintegration process for former Afghan fighters. New Zealand's PRT has been widely praised, becoming the model for other nations as they establish PRTs across Afghanistan.

Two NZDF personnel have been providing training assistance to the Afghan National Army. A number of staff officers continue to serve at US Central Command in Tampa, Florida, and NZDF support personnel are also based in the Gulf region as part of Operation Enduring Freedom.

In addition to our commitments to ISAF, CFC-A and the CJTF, New Zealand also provides one UN Military Liaison Officer to the United Nations Assistance Mission Afghanistan.

HMNZS TE MANA completed a tour of operational duty in the Arabian Gulf region in 2004. It assisted in the conduct of maritime interdiction operations in support of the international campaign against terrorism. This deployment complemented the previous operations conducted by HMNZ ships *Te Mana* and *Te Kaha*, an Air Force P-3 Orion and C-130 Hercules and service personnel attached to various headquarters and units in the Arabian Gulf region.

Solomon Islands

In April 2003 Solomon Islands Prime Minister, Sir Allan Kamakeza, asked Australia for assistance in restoring law and order. Australia responded positively, and sought participation from New Zealand and other regional partners. Our contribution, at its peak in August 2003, comprised 226 personnel and four Iroquois helicopters.

The first phase of RAMSI has been successful, with law and order having been returned to Solomon Islands. As a result, the overall military presence in Solomon Islands has been reduced. For the next two years a small number of New Zealand military personnel on a rotational basis with Australia, Fiji, Papua New Guinea, and Tonga, will provide a platoon in Solomon Islands. An NZDF platoon will commence a rotation in Solomon Islands in February 2006. New Zealand currently provides the Deputy Force Commander to the mission.

Timor Leste (East Timor)

The security environment in Timor Leste remains stable. The United Nations Security Council extended the United Nations Mission in East Timor in May 2004 for a further 12 months; this mission has now been subsumed into the United Nations Office for Timor Leste (UNOTIL). The extended mission has been scaled down. It has been given a modified mandate to sustain, strengthen and build upon the gains already made to assist Timor Leste to attain self-sufficiency. One NZDF officer is currently serving with the downsized UN mission as a United Nations Military Adviser.

New Zealand strongly supports the Timor Leste Government's efforts to improve its own defence and security capabilities. We have up to three personnel providing bilateral training and advisory support to the Timorese National Defence Force (F-FTDL). The NZDF has also assisted the F-FTDL by providing a small arms training team. The NZDF has established a mutual assistance programme with Timor Leste that commenced with a needs analysis in mid 2005.

Iraq

New Zealand responded quickly to the humanitarian needs of the Iraqi people in the post-war period. Initially, two NZDF personnel were deployed to Iraq as part of United Nations Mine Action Service operations. Following the passing of United Nations Security Council Resolution 1483 on 22 May 2003, New Zealand contributed 61 NZDF engineers and support staff for twelve months to work alongside British forces in southern Iraq. The engineering group completed its mission in Iraq in September 2004.

New Zealand has one UN Military Liaison Officer attached to the United Nations Assistance Mission Iraq (UNAMI).

Global Peace Operations

The balance of the NZDF current peace operations, as of September 2005, comprise:

- European Union Force, Bosnia (EUFOR) - Three NZDF officers are stationed in Bosnia, serving as staff officers at the resident British divisional headquarters. Eight NZDF personnel are serving with the EUFOR as one of the Liaison and Observation Teams.
- UN Truce Supervision Organisation (UNTSO) - Eight military observers are deployed with UNTSO in Israel, Lebanon and Syria, serving in various observer posts and staff appointments throughout the region. Major General Clive Lilley holds the appointment of UNTSO Chief of Staff.
- Multinational Force and Observers, Sinai (MFO) - The NZDF maintains its joint contribution of 26 personnel to the MFO in the Sinai, including a training advisory team, heavy transport section and headquarters staff.
- UN Mission in Kosovo (UNMIK) - One NZDF officer is deployed to Kosovo as the senior military liaison officer for Pristina.
- UN Command Military Armistice Commission (UNCMAC) – New Zealand provides three officers to the mission in Korea where they are employed in the operations and movement control areas.

- Sudan – The NZDF contribution to this mission, consists of two UN Military observers who deployed in mid September 2005 and once the UN led HQ is established, one staff officer who will deploy mid October 2005.

Other Operations

Other operations cover:

- Antarctica - C-130 Hercules aircraft have in the past, provided an average of 15 return flights between Christchurch and McMurdo Base each year. Due to the commencement of the C-130 upgrade programme the number of flights will reduce to 12. Terminal operations teams at Christchurch and McMurdo support the Antarctic programme.
- The NZDF delivers annually a range of non-military services to the Government and the community using the capabilities developed for military tasks. Examples are: disaster relief, search and rescue, EEZ surveillance, ceremonial support, VIP air transport and support to the Police.

Legislation

Defence Statutes

The key statutes that govern the roles, functions and procedures of the Ministry and the NZDF are:

- The Defence Act 1990;
- The Public Finance Act 1989.

The Ministry is also governed by the State Sector Act 1988, while the discipline of the Armed Forces is provided for in the Armed Forces Discipline Act 1971.

There are also several other statutes dealing with specific defence activities.

The **Defence Act 1990** is the principal legislation governing defence matters. It reaffirms the historical prerogative of the Crown to raise and maintain armed forces, and the principle of ministerial authority over the armed forces. The Act sets out the constitution of the NZDF, comprising the armed forces under the command of the Chief of Defence Force and the civil staff employed by him. It also provides for the chief executive of the Ministry of Defence to be the Secretary of Defence.

The Defence Act 1990 defines the respective roles of, and relationships among, the Minister of Defence, the Chief of Defence Force, and the Secretary of Defence. The Governor-General, who is Commander-in-Chief of New Zealand, representing the Crown, appoints the Chief of Defence Force who commands members of the armed forces and is the employer of members of the civil staff of the NZDF. Executive power of control, however, is vested in the Cabinet, which exercises authority over the armed forces through the Minister. The Chief of Defence Force exercises command of the Navy through the Chief of Navy, the Army through the Chief of Army, and the Air Force through the Chief of Air Force, together with the command of any joint force through the Commander Joint Forces New Zealand. The Chief of Defence Force may also create a joint force which he can command through the Service Chief of any Service.

The Defence 1990 Act sets out the functions of the Secretary of Defence. The Secretary provides the Government with advice on defence policy, procures major military equipment and arranges for the assessment and audit of the NZDF. The Ministry of Defence and the NZDF report as separate entities to the

Minister of Defence, but are required to consult and operate to some degree in an integrated manner.

The **State Sector Act 1988** provides the administrative framework for the operation of the Public Service. The Act establishes the accountability relationship between departmental chief executives and their ministers. The Act also devolves responsibility to the chief executives for running their departments and managing departmental resources with minimal central input control. The Act applies to the Ministry of Defence but not the NZDF.

The **Public Finance Act 1989** provides for State Sector financial accountability through a standard and comprehensive system of reporting to Parliament. Departments are required to produce an annual report based on Generally Accepted Accounting Practice and audited financial statements. Both the Ministry of Defence and the NZDF comply with the Act.

Chief executives and ministers are given delegated authority to spend up to levels specified in the Cabinet Office Manual in respect of expenditure concerning the operation of their departments. The Secretary of Defence is also given additional authority for the acquisition of capital equipment for the NZDF.

The Minister of Defence is responsible for **other defence legislation** as follows:

- Armed Forces Canteens Act 1948;
- Armed Forces Discipline Act 1971;
- Courts Martial Appeals Act 1953;
- Military Decorations and Distinctive Badges Act 1918;
- Military Manoeuvres Act 1915; and
- Visiting Forces Act 2004

The NZDF is conducting a major review of the Armed Forces Discipline Act 1971 in order to achieve greater consistency with international and domestic developments in the law, and in particular the New Zealand Bill of Rights Act 1990. An Armed Forces Law Reform Bill is on the legislative programme and authority will be sought in early 2006 to instruct Parliamentary Counsel to draft the necessary provisions for introduction that year.

The **Public Finance Amendment Act 2004** marked a major change to New Zealand's public management system when Parliament passed the Public Finance (State Sector Management) Bill - the Public Finance Amendment Act 2004. The Bill, which resulted in significant amendments to the Public Finance

Act 1989, grew out of a desire to improve performance and integration across New Zealand's public sector.

The amendment to the Public Finance Act required several key changes to Estimates documents and Statements of Intent in the 2005 Budget round, and more changes will be required in the 2006 Budget round. Changes include the treatment of GST and capital expenditure, and more detailed requirements under the Government's *Managing for Outcomes*.

Powers of the Minister of Defence

The Minister of Defence has a number of powers enshrined in legislation.

Power of Control

Section 7 of the Defence Act 1990 gives the Minister of Defence 'power of control' over the NZDF, exercised through the Chief of Defence Force, for the purposes of meeting the Minister's 'general responsibility' in relation to the defence of New Zealand.

Powers of Requisition

In accordance with section 10 of the Defence Act 1990, where the Minister is satisfied that there is an actual or imminent emergency involving the deployment of any part of the armed forces outside New Zealand, the Minister may authorise the Chief of Defence Force to requisition any ship, vehicle, aircraft, supplies or equipment to be used in connection with that emergency. In addition, any land, buildings or installation may be similarly requisitioned. The Crown is liable to pay compensation to the owners of any property requisitioned under this process.

Provision of Public Services and Assistance to the Civil Power

Section 9 of the Defence Act 1990 states that the armed forces may be used, in New Zealand or elsewhere, to perform any public service or to provide assistance to the civil power in times of emergency. Key aspects of these powers are:

- (i) *Specific written authorisation* - The specific written authorisation of the Minister of Defence is required for the use of the armed forces to provide public services in connection with any industrial dispute, and the Minister must inform Parliament of that authorisation;
- (ii) *Assistance to the civil power in an emergency must be authorised by the Prime Minister, or next most senior Minister* - Any assistance to the civil power must be authorised by the Prime Minister, or the next most senior minister, acting on information supplied by the Commissioner of Police or a Deputy Commissioner of Police where it is intended that members of the armed forces exercise powers available to members of the Police. The authorising minister must be satisfied that there is a real or imminent emergency in which any person is threatening, causing or attempting to cause death, serious injury or serious harm to persons, or destruction or serious damage to property that can only be dealt with by granting such powers. Any assistance provided by the armed forces is at the request of

the Police, and the authorising minister must inform Parliament of the authorisation.

- (iii) *Time limit* - any authorisation given in connection with an industrial dispute or assistance to the Police lapses after 14 days unless Parliament passes a resolution extending the authority for a period as specified in the resolution.

Delegation of Powers

The Minister of Defence may delegate to the Chief of Defence Force any of the Minister's powers, duties or functions that are delegated to the Minister under the Defence Act or any other enactment.

Armed Forces Canteen Council

The Minister of Defence is the chairperson of the Armed Forces Canteen Council, and appoints the other members of the Council. The Council is empowered to set up and operate amenities in Service establishments. The main purpose of the Armed Forces Canteen Council is to provide quality retailing and cafeteria services for NZDF personnel. The Chief of Defence Force chairs the Council in the absence of the Minister. In recent years this has been the usual practice.

New Zealand Cadet Forces

The Minister of Defence approves recognition of new cadet units and disbands units on the recommendation of the Chief of Defence Force. The Minister also appoints cadet officers, authorises promotions and releases, and approves the award of the Cadet Force Medal.

Responsibilities of Defence Chief Executives

The Secretary of Defence

Section 24 of the Defence Act 1990 describes the responsibilities of the Secretary of Defence. These responsibilities are in addition to those functions imposed by the State Sector Act 1988, which apply to all chief executives of New Zealand government departments. The Secretary's responsibilities, as detailed in Section 24, are to:

- Be the principal civilian adviser to the Minister of Defence and other ministers of the Government;
- Formulate advice on defence policy in consultation with the Chief of Defence Force;
- Prepare defence assessments 'from time to time' for the Minister of Defence, in consultation with the Chief of Defence Force. The assessments are to include different options capable of meeting the Government's defence policy objectives;
- Procure, replace or repair equipment representing significant military capability for the NZDF; and
- Arrange for the assessment and audit of the NZDF in relation to any function, duty, or project, and of the Ministry in relation to any major capital equipment procurement project.

The Secretary, pursuant to the provisions of the State Sector Act 1988, is employed under a fixed term contract for a term no longer than five years. He may be appointed for further periods.

The Secretary of Defence - Mr Graham Fortune



Graham Fortune has been Secretary of Defence since September 1999.

He began his public service career with the Department of External Affairs, after graduating from Otago University with a Master of Science Honours degree. He was posted to Cook Islands, Canada and Papua New Guinea before spending three years as Director of Management Support with the State Services Commission in Wellington.

Mr Fortune became the Director of South Pacific Division in Foreign Affairs in 1980 and from 1981 to 1987 was Assistant Secretary responsible for Corporate Services and also for the South Pacific.

In 1987 he was appointed Ambassador and Permanent Representative to the United Nations in Geneva, Switzerland. In this capacity he was also New Zealand Trade Negotiator during the GATT Uruguay Round and Ambassador for Disarmament at the Conference on Disarmament.

In 1990 Mr Fortune became Deputy Secretary of Foreign Affairs, responsible for security and political affairs, and then served as High Commissioner to Australia from 1994 to 1999. On his return from Canberra he was the Special Ministerial Adviser on East Timor before becoming Secretary of Defence.

The Chief of Defence Force

Under Section 25 of the Defence Act 1990 there are two principal roles of the Chief of Defence Force. First, he is the principal military adviser to the Government. Second, he is responsible for carrying out the functions and duties of the NZDF and its efficient, effective and economic management. Specifically, the Chief of Defence Force is responsible for the:

- Operational planning and deployment of the NZDF or elements thereof on operational service;
- Efficient, effective and economical management of the NZDF;
- Provision of advice on military operational issues and the internal management of the NZDF;
- Procurement of minor capital equipment (that is, equipment with a total purchase price of less than \$7 million dollars); and
- Evaluation of military operational effectiveness.

In meeting his responsibilities the Chief of Defence Force has: command of the Navy through the Chief of Navy, command of the Army through the Chief of Army, command of the Air Force through the Chief of Air Force, and command of any joint force through a joint force commander or through the Chief of Staff of any Service. In 2001 a permanent Joint Force Headquarters was established at Trentham as an operational headquarters.

The Commander Joint Forces New Zealand is under the direct command of the Chief of Defence Force and is responsible for the conduct of all joint force operations. Those functions relating to the raising, training and maintaining of the single Services remain with the Chiefs of Navy, Army and Air Force.

The Chief of Defence Force is appointed by the Governor-General. Under new arrangements applying to the appointment of the Chief of Defence Force and Service Chiefs announced in October 2001, the State Services Commissioner convenes an interview panel after seeking advice from the current Chief of Defence Force and Secretary of Defence. The Minister of Defence receives the panel's recommendations and Cabinet then decides on which candidate to recommend to the Governor-General for the appointment. The terms and conditions of that appointment are specified in written Terms of Reference from the Minister of Defence.

Other Duties and Functions of the Chief of Defence Force

The Chief of Defence Force also has the following responsibilities and powers:

- Chairing the Chiefs of Staff Committee;
- The power, in the name and on behalf of the Crown, to:
 - (i) enter into any contract or arrangement with any other person;
and
 - (ii) purchase/ lease/ dispose of/ trade in any goods, services, assets or land under control of the NZDF;
- Fixing the terms and conditions of members of the NZDF regarding:
 - (i) Defence Force members' remuneration; and
 - (ii) civilian staff personnel policy, including an Equal Employment Opportunity programme and the negotiation of any collective employment contracts.

The Chief of Defence Force may make representations to the Minister of Defence, or, in exceptional circumstances, to the Prime Minister, in respect of the exercise of command by, or the exercise of any functions imposed upon, the Chief of Defence Force.

Unlike State Sector chief executives, the performance of the Chief of Defence Force is not subject to review by the State Services Commissioner because the NZDF is not bound by the provisions of the State Sector Act 1988, as the Chief of Defence Force receives Terms of Reference from the Minister.

The Chief of Defence Force - Air Marshal Bruce Ferguson OBE, AFC



Air Marshal Bruce Reid Ferguson was born in Napier on 14 July 1949 and was educated at Tauranga Boys' College. He joined the RNZAF in 1969 and commenced training on No 53 Pilots Course and then completed a Basic Sioux course, an Iroquois conversion course and commenced his first tour on No 3 Squadron.

Between 1971-73, Air Marshal Ferguson was posted to Singapore for a tour on No 41 Squadron - Iroquois Flight and he subsequently returned to Singapore in 1980 as the Operations Flight Commander, this time accompanied by wife Rosemary. In the intervening years he served as Aide-de-Camp to the Governor-General; completed the Flying Instructors Course at Wigram, instructing on both fixed wing and rotary wing aircraft at the Central Flying School; attended the RNZAF Junior Command Staff Course, and was the Commander for 3 Squadron SAR Detachment during 1977.

In the early 1980s he was appointed Officer Commanding Central Flying School where he was also the leader of the RNZAF 'Red Checkers' formation aerobatic team for two years. After completing a tour in Air Staff as Personal Staff Officer to the Chief of Air Staff, he was appointed Director of Air Force Officer Postings and Appointments in 1986, underlying a strong emphasis and affinity on Personnel issues.

Air Marshal Ferguson attended the United States Air Force Air War College (1988-89) at Maxwell Air Force Base and the Royal College of Defence Studies (RCDS) in London in 1995. He held senior Air Force operational appointments at RNZAF Base Auckland, namely Officer Commanding Operations Wing and, in the rank of Group Captain, Base Commander until 1994. After RCDS he returned to Wellington in 1996 as the Assistant Chief of Air Staff (Personnel) before being promoted to the rank of Air Commodore in November 1997 and appointed Assistant Chief of Defence Force (Personnel).

After a selection process chaired by the State Services Commissioner, Air Marshal Ferguson was appointed to the position of Chief of Defence Force in the rank of Air Marshal on 25 February 2002.

Air Marshal Ferguson was awarded a Queen's Commendation for Valuable Service in the Air in 1977, the Air Force Cross (AFC) in 1984; the New Zealand 1990 Medal; and made an Officer of the Order of the British Empire (OBE) in 1994.

Air Marshal Ferguson holds a current Black belt in the Korean martial art of Tae Kwon Do. The Fergusons have three children; Brooke, Natalie, and Sarah.

Vice Chief of Defence Force - Air Vice-Marshal D.A. (David) Bamfield ONZM



Air Vice-Marshal Bamfield was born in the United Kingdom in 1948. He enlisted in the Royal New Zealand Air Force in July 1966 as a Trainee Navigator.

He completed No.45 Navigators Course and No.3 Operational Orientation Course in December 1967 and graduated as a Pilot Officer. Air Vice-Marshal Bamfield's first posting was to Bristol Freighters. After a short tour with No.3 Squadron, in December 1968 he was posted to No.41 Squadron in Singapore, operating Bristol Freighters throughout Asia.

In March 1971, Air Vice-Marshal Bamfield was posted to No. 42 Squadron, RNZAF Base Ohakea, and was a navigator on Dakotas. Nearly two years later, he was posted to No.40 Squadron, RNZAF Base Auckland, and completed No.10 C130 Hercules conversion course on 4 May 1973.

In January 1978 he was attached to Air Staff before attending No.26 Junior Staff Course at the RNZAF Command and Staff College. Following this, he returned to Air Staff in May 1978 as the Staff Officer – Navigation, and Project Officer for the Friendship Nav Trainer, and the Boeing 727 acquisitions.

Air Vice-Marshal Bamfield was promoted to Squadron Leader on 22 September 1979, while at Air Staff. In 1982, he was posted to the United Kingdom to attend the RAF Staff College, Bracknell, and graduated in December 1983. On his return to New Zealand, he joined the Exercise TRIAD 84 planning team before joining the Directing Staff of the RNZAF Command and Staff College in January 1985.

In January 1986, Air Vice-Marshal Bamfield was posted back to the Air Staff Operations Directorate. In July 1986, he was posted to the appointment of Director of Communications – Electronics and promoted to Wing Commander. In January 1988, Air Vice-Marshal Bamfield was posted to Australia to attend the Joint Services Staff College (JSSC), at Canberra, which he graduated from in June 1988. On his return to New Zealand, he took up the position of Project Officer Air Staff.

Air Vice-Marshal Bamfield was posted back to Canberra in December 1988, to take up the position as New Zealand Instructor JSSC. He was posted to Assistant Chief of Air Staff (Operations) (ACASOPS) in Air Staff, Wellington, and promoted to the rank of Group Captain in December 1991. He remained in that post until January 1996, when he was appointed the Officer Commanding RNZAF Base Woodbourne.

In January 2000, he returned to Air Staff once more as ACASOPS, later ACAS PLANS. He was promoted to Air Commodore and appointed Deputy Chief of Air Staff in July 2000. As Air Commodore he assumed the position of Assistant Chief (Resources) in Defence Headquarters in December 2001.

Air Vice-Marshal Bamfield was included in the 2004 New Years Honours and became an Officer of the New Zealand Order of Merit (ONZM). On 2 February 2004 he was promoted to Air Vice-Marshal and took up his present position of Vice Chief of Defence Force from that date.

Air Vice-Marshal Bamfield is married to Sue and they have three children. Home is their vineyard in Marlborough.

Roles and Organisation of the Ministry of Defence and the NZDF

The responsibilities of the Secretary of Defence and the Chief of Defence Force form the basis of the organisational functions and structures of the Ministry of Defence and the NZDF. Prior to the Defence Act 1990, the NZDF and the Ministry of Defence co-existed in a 'diarchy' structure. As a result of the reforms introduced by the Defence Act 1990, the Ministry of Defence and the NZDF are separate entities reporting to the Minister of Defence, but operating to some degree in an integrated manner. This arrangement adds a complexity that is not present in other government arrangements, in turn producing a unique set of governance and accountability issues.

The Ministry of Defence

The Ministry of Defence supports the Government in protecting New Zealand's sovereignty and meeting its responsibilities for the maintenance of regional and global security. In performing this task it has three main roles:

- To provide advice on defence policy, international defence relations and the military capabilities required to meet the Government's defence policy objectives.
- To manage the procurement of major capital equipment (that is, equipment with a total purchase consideration of greater than seven million dollars) contributing to the future capabilities of the NZDF.
- To conduct assessments and audits of any function, duty or project of the NZDF and the Ministry's capital procurement activities.

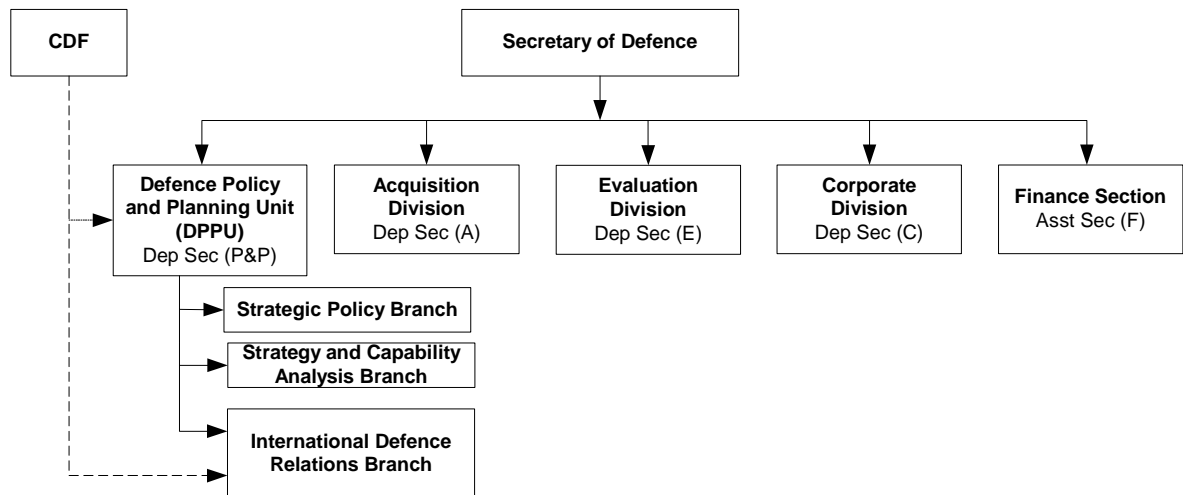


Organisational Structure of the Ministry

To carry out these functions, the Ministry of Defence comprises the:

- Policy and Planning Division
- Acquisition Division
- Evaluation Division
- Corporate Division
- Finance Section

Organisation – Ministry of Defence



The Ministry's Policy and Planning Division forms part of the **Defence Policy and Planning Unit (DPPU)**, an integrated policy organisation that reports to the Secretary of Defence and to the Chief of Defence Force. The DPPU has four functions:

- Formulation of advice on meeting current defence needs and interests.
- Provision of advice on New Zealand's international defence relations, and participation with the NZDF and MFAT in the management of these relationships.
- Formulation of advice on policies and military capabilities to meet future security needs.
- Co-management with the NZDF of *The Capability Management Framework*.

To accomplish these roles the DPPU has three branches: Strategic Policy (SP), Strategy and Capability Analysis (SCA), and International Defence Relations (IDR).

The SP Branch undertakes the following tasks:

- Strategic level assessment and advice, including on current issues, to assist the Secretary's role as principal civilian adviser to the Government on defence and security issues, and on choices for meeting future defence and security needs.
- Provision of expertise, analysis and assessment on military capability issues and capability policy development and reviews.
- Consultation and advice to ensure that defence policy considerations are taken into account by other departments and agencies.

The SCA Branch is a new team. The Branch was established following the identification by the Defence Capability and Resourcing Review of weaknesses in the Ministry's policy capability. Recruitment for the SCA Branch is currently in train. When complete, the full team will consist of five technical analysts led by a Director (who has already been appointed).

- The SCA capability will enable the Ministry to improve the range and quality of its advice by undertaking integrated technical analysis in a range of areas - economic/financial; scientific/technical; information and communication technology; statistical, military and strategic.
- Between now and 30 June 2006, the primary focus of the SCA team will be to support the work of the DSI Programme. Beyond that period, the focus will be to provide advice concerning the ongoing work of developing the capability of the NZDF throughout the 10-year life of the DSI funding track.
- The SCA Branch will also provide the Minister with independent purchase advice and performance monitoring services, pursuant to a formal protocol that is currently being developed.

The IDR Branch is an integrated Ministry of Defence-NZDF policy unit, under DPPU auspices, that reports to the Secretary of Defence and to the Chief of Defence Force. The Branch has four functions, which are to:

- Play a leading role in shaping and managing New Zealand's international defence relationships, consistent with the Government's policy goals and objectives.
- Undertake strategic-level analysis to provide advice on policies and actions for the effective development and sustainment of New Zealand's international defence relations, particularly CDR with Australia.
- Undertake timely analysis and assessments of current issues to assist the Secretary as principal civilian adviser to the Government on defence and security issues.
- Consult and provide advice where relevant to ensure New Zealand's international defence relations are taken into account by other departments and agencies.

The IDR Branch manages a programme of bilateral and multilateral defence relationships in support of the Government's defence policies and international defence diplomacy initiatives. It has prime responsibility for strategic level defence relationships such as CDR with Australia, New Zealand's South Pacific neighbours, the ASEAN Regional Forum and the FPDA. The Branch also provides policy guidance for the Mutual Assistance Programme, which develops and implements NZDF bilateral defence relations training programmes.

The DPPU is headed by Deputy Secretary of Defence (Policy & Planning), Chris Seed.

The **Acquisition Division** is responsible for the procurement, replacement and repair of equipment of major significance used or intended for use by the NZDF (that is, equipment with a total purchase consideration of over \$7 million). In carrying out this task the Division has two core responsibilities which are the:

- Management of procurement processes for defence capability.
- Provision of information and policy advice on New Zealand industry and its capability to carry out defence work.

The tasks involved in the procurement process are the:

- Initial identification of an equipment requirement.
- Subsequent acquisition process, including project investigation, risk assessment, quality assurance, equipment selection, and the negotiation and execution of contract arrangements up to a point when the equipment is delivered to the NZDF.

- Management of warranty provisions (if any).
- Investigation of associated financing arrangements.
- On-sale of the equipment to the NZDF.

The second core responsibility of the Acquisition Division relates to New Zealand industry. The Division provides information to the Secretary of Defence on the status of New Zealand industry and its capacity to carry out defence work. It liaises with industry organisations and implements, where appropriate, the New Zealand industrial involvement policy. The Division has four main objectives which are to:

- Reduce the cost of ownership of defence equipment.
- Provide competitive local (New Zealand, Australian and Singaporean) industry with the opportunity to support Defence.
- Encourage offshore suppliers of defence equipment or components to seek associations with local companies, to the commercial advantage of both, and to the long-term advantage of Defence.
- Create and enhance local capability which can competitively provide support for defence equipment.

The Acquisition Division is headed by Deputy Secretary of Defence (Acquisition), Bruce Green.

The **Evaluation Division** carries out assessments and audits, under section 24 (2)(e) of the Defence Act 1990, of any function, duty or project of the NZDF. The Division also conducts audits of the Ministry's activities relating to the procurement of major military capability. These assessments and audits are undertaken when required by the Minister of Defence, or to a programme approved under authority delegated by the Minister to the Secretary of Defence and the Chief of Defence Force. Reports of completed audits are submitted to the responsible chief executive and to the Minister. The Secretary and the Chief of Defence Force, together with an external member, meet six monthly as the Defence Evaluation Board to approve the programme of work for the Evaluation Division, receive reports on audits completed, and to monitor follow up action on past audits.

The Evaluation Division also provides an internal audit service for the Secretary of Defence. In addition to undertaking audits to meet the Secretary of Defence's responsibilities under the Defence Act, the Evaluation Division undertakes audits under section 3 (6) of the Hazardous Substances and New Organisms Act 1996.

The Division is headed by Deputy Secretary of Defence (Evaluation), Merus Cochrane.

The Ministry's **Corporate Division** provides support services and policy advice to the Ministry in the areas of legal, human resources, finance, communications, administration, and information technology and information management. This service assists the Ministry to meet its key outputs of policy advice, procurement management, and evaluation.

The Corporate Division acts as the main conduit for communication with the Minister's office. It manages all ministerial correspondence, official information requests, parliamentary questions and responses to select committees. The Corporate Division is headed by Deputy Secretary of Defence (Corporate), Zane Kidd.

The **Finance Section** is directly responsible to the Secretary. The Section has the following responsibilities:

- Preparation of forecast financial statements (the Statement of Intent, SOI, and Estimates) and annual financial statements (audited and unaudited components) in accordance with Part IV of the Public Finance Act 1989.
- Financial support to all Crown account activities including acquisition activities.
- Hedging foreign exchange exposure to the contractual commitments of an acquisition project.
- Carrying out the day-to-day cash management of the Ministry.

The Finance Section must report to the Minister of Defence and the Treasury on the following matters:

- Monthly and year-to-date on departmental output classes.
- Departmental and Crown statements of financial performance and financial position.
- Capital expenditure.
- Crown revenue.

The Finance Section is headed by Assistant Secretary (Finance), Stuart Patterson.

Ministry of Defence Personnel

Division	No. of personnel
Policy & Planning	20
Evaluation	9
Acquisition	10
Corporate	10
Finance	3
Office of the Secretary	2
Secondees	1
TOTAL	55

Key Ministry Personnel

Secretary of Defence	Graham Fortune
Deputy Secretary (Policy & Planning)	Chris Seed
Deputy Secretary (Acquisition)	Bruce Green
Deputy Secretary (Evaluation)	Merus Cochrane
Deputy Secretary (Corporate)	Zane Kidd
Assistant Secretary (Finance)	Stuart Patterson

The New Zealand Defence Force

Mission Statement

The primary mission of the NZDF is:

“to secure New Zealand against external threat, to protect our sovereign interests, including in the EEZ, and to be able to take action to meet likely contingencies in our strategic area of interest.”



Vision

Three Services – One Force

The NZDF is an equal partnership of three separate and distinct Services comprising Service personnel and civilians.

The Chief of Defence Force and the Service Chiefs will provide an environment that enables people within the Defence Force to achieve the Government's defence priorities, as laid out in the *Defence Policy Framework*. The 2001 Defence Statement and the *Defence Long-term Development Plan*.

The way ahead will focus on building a Defence Force that is united, professionally trained, competent, appropriately equipped and capable of serving the interests of New Zealand, confronting the security challenges of the future, and meeting the requirements of the New Zealand Government. The key concepts that underpin the development of the NZDF rest around: the intent to become a **tailored joint force** that is multi-mission capable and shaped to contribute joint effects across the full spectrum of operational tasks. The tailored joint force will be a **network force** that will work seamlessly with, and be supported by, broader agency or coalition networks. The development of a **knowledge edge** that builds and sustains the knowledge advantage of our people will mean the difference between success and failure.

Loyalty, integrity, professionalism and commitment are the four values that the NZDF will use to achieve this vision.

Role

New Zealand's armed forces are raised and maintained for the following purposes:

- The defence of New Zealand, and of any area for the defence of which New Zealand is responsible under any act;
- The protection of the interests of New Zealand, whether in New Zealand or elsewhere;
- The contribution of forces under collective security treaties, agreements, or arrangements;
- The contribution of forces to, or for any of the purposes of, the United Nations, or in association with other organisations or States and in accordance with the principles of the Charter of the United Nations;
- The provision of assistance to the civil power either in New Zealand or elsewhere in time of emergency; and
- The provision of any public service.

Organisational Structure

The NZDF comprises Headquarters NZDF, the three Services (Navy, Army and Air Force) and Headquarters Joint Forces New Zealand.

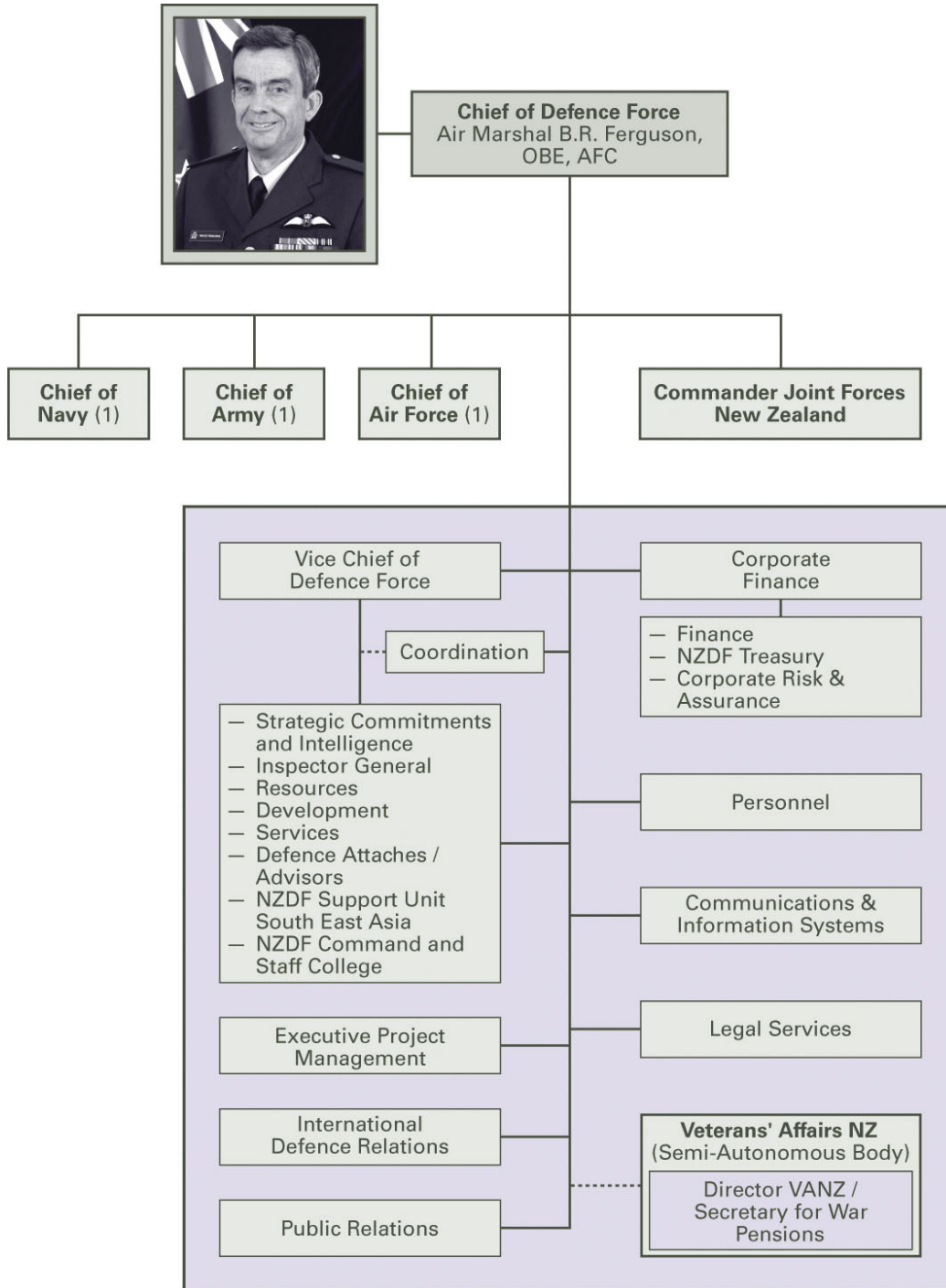
The **Armed Forces** of New Zealand comprise:

- The New Zealand Naval Forces, consisting of:
 - (i) the Royal New Zealand Navy;
 - (ii) the Royal New Zealand Naval Reserve;
 - (iii) the Royal New Zealand Naval Volunteer Reserve;
 - (iv) the Naval Reserves; and
 - (v) additional naval forces raised in time of war or other like emergency.
- The New Zealand Army, consisting of:
 - (i) the Regular Force of the New Zealand Army;
 - (ii) the Territorial Force of the New Zealand Army;
 - (iii) the Army Reserve; and
 - (iv) additional army forces raised in time of war or other like emergency.

- The Royal New Zealand Air Force, consisting of:
 - (i) the Regular Air Force;
 - (ii) the Territorial Air Force;
 - (iii) the Air Force Reserve; and
 - (iv) additional air forces raised in time of war or other like emergency.

- Headquarters Joint Forces New Zealand was established on 1 July 2001.

Headquarters NZDF



1. The titles Chief of Navy (CN), Chief of Army (CA) and Chief of Air Force (CAF) were adopted in March 2003 to more accurately indicate the focus and role of those appointments and were formalised in the Defence Amendment Act 2005.

Review of Accountabilities and Structural Arrangements Between the Ministry of Defence and the New Zealand Defence Force

In March 2003 the Government considered the Review of Accountabilities and Structural Arrangements (RASA) between the Ministry and the NZDF, also known as the Hunn Review. While Cabinet noted that the Secretary of Defence and the Chief of Defence Force had already taken a number of steps towards achieving the desired greater degree of jointness Cabinet made a number of key decisions. These included, for example:

- A direction to achieve a greater joint effect across the three services;
- Defining the role of the three Service chiefs to “raise, train and maintain” their respective Services;
- Ensuring the elimination of unnecessary duplication of functions between NZDF Headquarters and the Joint Forces Headquarters and within and between the three Services;
- Reinforcing and cementing existing initiatives designed to support cooperation and collaboration between the Ministry of Defence and the NZDF;
- Assigning accountability on a sole, shared or prime basis to the Chief of Defence Force and the Secretary of Defence; and
- Developing the role of the Office of Chief Executives to ensure that the Secretary of Defence and the Chief of Defence Force share information on a regular basis.

To facilitate a greater sense of jointness between the Ministry of Defence and the NZDF, both organisations cooperate and consult closely. The facilitation of this coordination is effected through the Office of Chief Executives, which brings the Secretary of Defence and the Chief of Defence Force together to discuss policy issues of mutual interest; the Executive Capability Board, which oversees major capital acquisition projects; and weekly meetings between the Vice Chief of Defence Force (VCDF) and the Ministry’s Deputy Secretary of Defence (Policy and Planning) that are designed to increase communication, cooperation and visibility within the defence establishment.

The Defence Sustainability Initiative has incorporated RASA activities relating to information sharing and strengthening of the Office of Chief Executives.

The Royal New Zealand Navy

The Chief of Navy (CN) commands the Royal New Zealand Navy (RNZN). CN is also responsible for generating the Navy's military capability (people, ships, equipment and infrastructure). Ships and other units are assigned to the operational command of the Maritime Component Commander Joint Forces New Zealand (MCC JFNZ) through the Commander Joint Forces New Zealand for the generation of military capability. (The Commander Joint Forces New Zealand resumes operational command of designated units for specific operations conducted under OC 16.)



The Navy's Capabilities

The **Naval Combat Forces**, TE KAHA and TE MANA and embarked SH2G helicopters are prepared to conduct maritime operations. Both frigates are available, at designated degrees of notice, for military tasks across the spectrum of military operations. The LEANDER Class frigate, CANTERBURY, was decommissioned in March 2005 and is ready for disposal.

The **Naval Support Force** (NSF) comprises the fleet replenishment ship, ENDEAVOUR, which is prepared to provide operational and maritime logistic support, in particular fuel, for deployed military forces. The NSF will be enlarged by the addition of the new multi-role vessel in late 2006. This vessel will provide the NZDF with a military sealift capability.

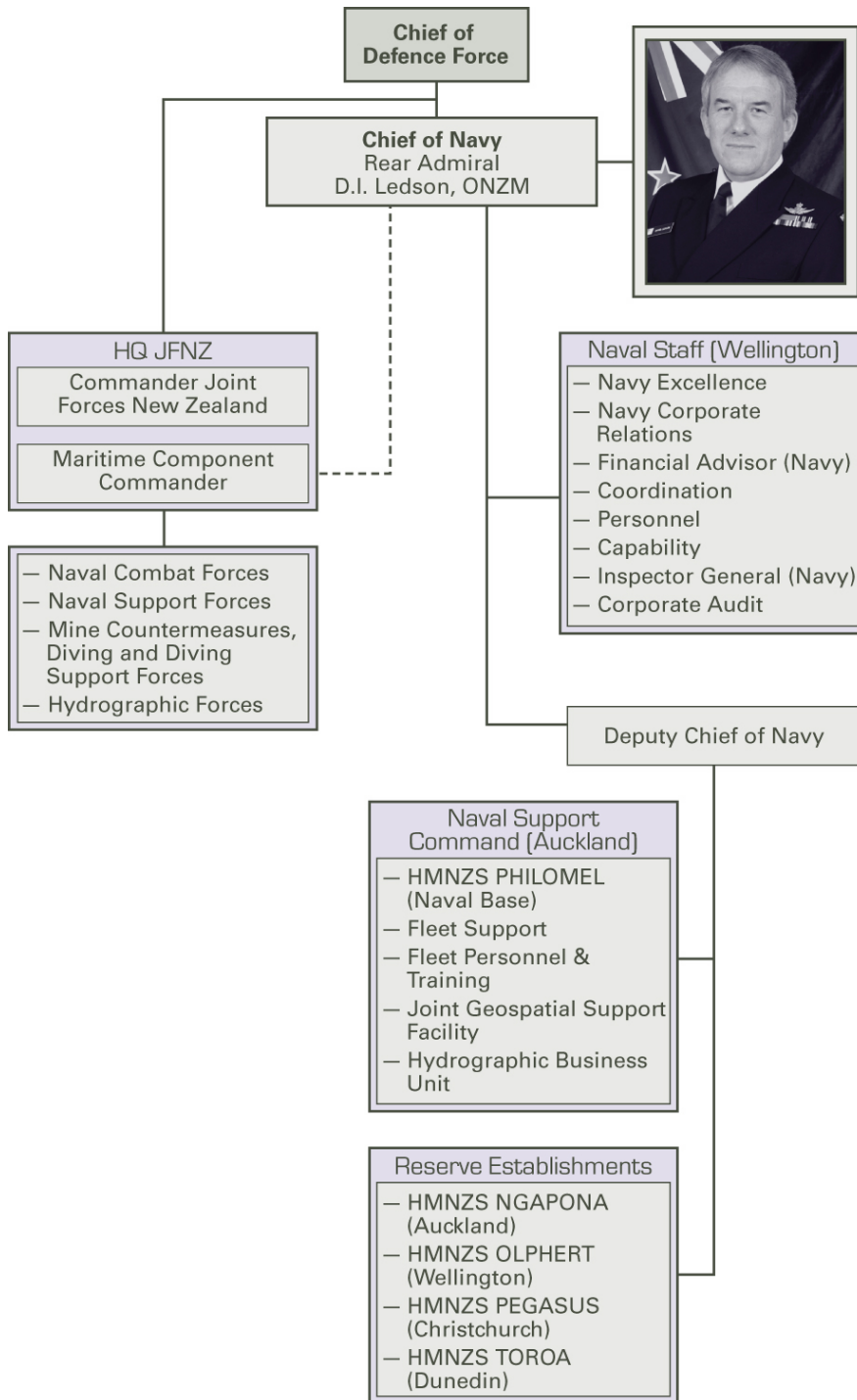
The **Mine Counter-Measure** (MCM) **Forces** are prepared to conduct maritime mine warfare operations. This capability is provided by MANAWANUI and the Operational Diving Team (ODT).

The **Naval Patrol Force** will eventually comprise two Offshore Patrol Vessels and four Inshore Patrol Vessels, which will be delivered between 2006 and 2007. In the interim the five Inshore Patrol Craft, KAHU, MOA, KIWI, WAKAKURA and HINAU provide a limited capability.

The Navy maintains a **Hydrographic Data capability** that is used to provide hydrographic and oceanographic information to support military operations, (including maritime mine warfare and amphibious operations). It also provides

the capabilities required to meet Land Information New Zealand requirements under contract, and to support selected third parties. The hydrographic and oceanographic survey vessel, RESOLUTION, provides the primary collection capability with specialist personnel in the Navy's Hydrographic Business Unit and the Joint Geospatial Support Facility providing data processing and information management. The Survey Motor Boat ADVENTURE is also part of the Navy's hydrographic capacity.

Organisation of the Royal New Zealand Navy



1. CN retains full command of the RNZN and is responsible for managing the Navy's capability to deliver operational outputs.

2. COMJFNZ is responsible for the operational command of all assigned force elements on Output Class 16 operations and for mutually agreed joint and combined training.

CHIEF OF NAVY - REAR ADMIRAL DAVID IAN LEDSON, ONZM



Rear Admiral David Ledson was born in Reefton, New Zealand on 13 January 1951. He was educated at Inangahua College and Christchurch Boy's High School. He joined the Royal New Zealand Navy as a Cadet Midshipman in January 1967 and underwent his initial training at the Royal Australian Naval College, Jervis Bay.

From 1969 to 1971 Rear Admiral Ledson studied at Auckland University and graduated with a Bachelor of Arts Degree in History. He was then posted to HMNZS TARANAKI for sea training prior to going to the United Kingdom for operations courses.

Rear Admiral Ledson served in HMNZS WAIKATO between July 1973 and October 1975. He then spent almost two years in HMNZS OTAGO before attending warfare courses in the United Kingdom specialising in navigation. On his return to New Zealand he was again posted to HMNZS WAIKATO as the Weapons Control Officer.

In March 1980 Rear Admiral Ledson became the Personal Staff Officer to the Chief of Naval Staff. He returned to HMNZS WAIKATO as the Operations Officer in April 1982. Between January and June 1984 Rear Admiral Ledson attended the Royal Australian Naval Staff College in Sydney.

In October 1985 Rear Admiral Ledson was posted to the staff of the Chief of Naval Staff as the Director of Naval Operational Data Systems until October 1989 when he was appointed Commanding Officer of HMNZS WAIKATO. In November the following year he was attached to Blohm & Voss, in Hamburg for eighteen months for duties with the ANZAC Ship project.

In July 1992 Rear Admiral Ledson returned to New Zealand and was appointed as Chief of Naval Development on the staff of the Chief of Naval Staff. He was granted the acting rank of Captain at this time and confirmed in this rank in June 1993. Between July 1994 and June 1995 Rear Admiral Ledson was posted to the United States Naval War College, Rhode Island. On his return to New Zealand he was appointed Director of Resource Policy on the staff of the Chief of Defence Force.

In February 1998 Rear Admiral Ledson was posted as Captain Fleet Support on the staff of the Maritime Commander in Auckland. He was promoted to Flag Rank and appointed Deputy Chief of Naval Staff in April 2000. On 1 July 2001 with the establishment of Headquarters Joint Forces New Zealand, Rear Admiral Ledson assumed the position of Maritime Component Commander at that Headquarters.

He took up his current position as Chief of Navy and was promoted Rear Admiral on 8 April 2004.

Rear Admiral Ledson is married to Barbara (Devery) and they live in Wellington.

The New Zealand Army

The Chief of Army (CA) commands the Army. The Army General Staff, as part of HQ NZDF, supports the CA in prescribing the Army's structural and operational capabilities, measuring the preparedness of those capabilities, directing training activities, and managing Army personnel and resources. In addition, the Logistic Executive, based at Trentham but part of Army General Staff, manages the Army's equipment, works requirements, and all maintenance.



Army Capabilities

The Army is required to be capable of conducting land-based operations in defence of New Zealand and its interests. The Army must therefore be organised, equipped and trained to:

- Provide a flexible range of units and subunits from which the Government can select a contribution to a combined, coalition or collective force, including a UN force;
- Provide for the period 2005-2008 a readily deployable company sized task group with national command and support elements for continuous commitment able to respond to lower-level contingencies in the region or to serve as a New Zealand contribution to an allied force;
- Provide for the period 2005-2008 a specialised forces detachment for six months in one 18-month period;
- Provide a surge capacity for the period 2005-2008 one battalion sized task group with a national command and support element for a six-month period able to respond to lower-level contingencies in the region or to serve as a New Zealand contribution to an allied force;
- Maintain a base support structure to sustain operational forces; and
- Provide the ability to maintain effective operational and training relationships with allies.

The **Land Combat Forces**, consist of command, control and intelligence elements, and infantry, and reconnaissance force elements, mounted in Light Armoured Vehicles and Light Operational Vehicles. These forces are drawn from 2 Land Force Group and 3 Land Force Group and are prepared to conduct land operations. These forces are available to provide a range of contributions up to a

battalion group (as in Timor Leste) or to contribute individual force elements to a peace support operation or a coalition force.

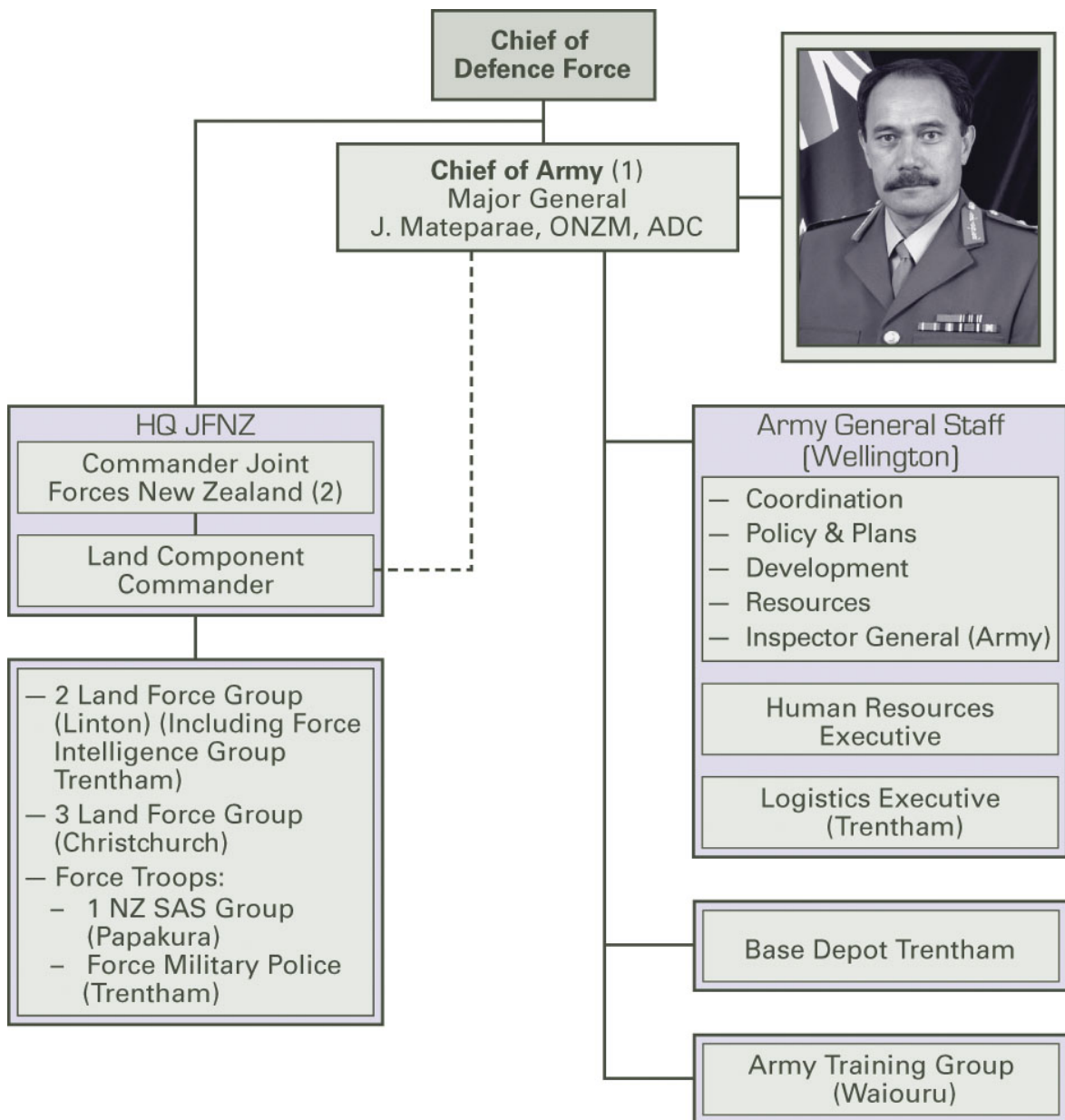
The **Land Combat Support Forces**, consist of artillery, engineers and communications force elements, drawn from 2 Land Force Group and 3 Land Force Group and are prepared to conduct land operations in support of the Land Combat Forces.

The **Land Combat Service Support Forces**, consist of transport, movements, medical, supply, repair and recovery and military police force elements, and are drawn from 2 Land Force Group and 3 Land Force Group and are prepared to conduct land operations in support of the Land Combat and Land Combat Support Forces.

There are other specialist tasks that are undertaken by Army which include:

- The 1st NZ Special Air Service (SAS) Group, which is prepared to conduct specialised forces tasks in support of land operations, including:
 - Strategic reconnaissance and direct action tasks in support of coalition operations;
 - Counter-terrorist operations in New Zealand or in the South Pacific when requested; and
- The disposal of improvised explosive devices and the neutralisation of chemical, biological and radiological explosive devices within New Zealand.

Organisation of the New Zealand Army



1. CA retains full command of the NZ Army and is responsible for managing the Army's capability to deliver operational outputs.

2. COMJFNZ is responsible for the operational command of all assigned force elements on Output Class 16 operations and for mutually agreed joint and combined training.

Chief of Army – Major-General J. (Jerry) Mateparae ONZM



Major General Mateparae was born in November 1954. He enlisted into the Regular Force of the New Zealand Army in June 1972. After three years service as a soldier, he graduated in December 1976 from the Officer Cadet School at Portsea Australia, to the Royal New Zealand Infantry Regiment (RNZIR).

Major General Mateparae has had Regimental and Staff appointments in the New Zealand Defence Force. These include command at platoon, company and battalion level in the New Zealand Infantry Battalions and he has also served with the New Zealand Special Air Service. He commanded the First Battalion RNZIR. His other appointments include Chief Instructor at the New Zealand Army's Tactical School, Staff Officer Operations at New Zealand's Army Training Group and Army General Staff and Director of Force Development, Headquarters New Zealand Defence Force.

In December 1999, Major General Mateparae was promoted and assumed the appointment as the New Zealand Army's Land Commander. In July 2001 he was re-appointed as the Land Component Commander in the Headquarters of Joint Forces New Zealand. Major General Mateparae was promoted and took up his current appointment as Chief of Army in February 2002.

Major General Mateparae has had two operational postings to peace support missions. He commanded the combined-force Truce Monitoring Group on Bougainville during OPERATION BELISI in 1998. He also had one 12 month tour of duty with the United Nations Truce Supervisory Organisation (UNTSO) as the Chief Observer in Southern Lebanon from May 1994 to May 1995. From December 1999 to July 2001, Major General Mateparae was the Joint Commander for New Zealand forces in Timor Leste.

Major General Mateparae has attended courses and training with the British, Australian, Singaporean, Malaysian and American armies. He is a graduate of the British Staff College, Camberley, the Australian Joint Services Staff College, the USCINCPAC Symposium on East Asian Security and the Royal College of Defence Studies in the United Kingdom. He has a Master of Arts with First Class Honours from the University of Waikato, and is a Fellow of the New Zealand Institute of Management.

Major General Mateparae was made an Additional Officer of the New Zealand Order of Merit in the January 1999 New Year's Honours List for his service in Bougainville.

Major General Mateparae is married to Janine, and they have five children. His interests include reading, (watching) sport, homeopathy, keeping fit and helping Janine in the kitchen.

The Royal New Zealand Air Force

The Chief of Air Force (CAF) commands the RNZAF and sets its strategic direction. CAF is responsible for ensuring the operational preparedness of the RNZAF, including the requirement to raise, train and maintain the operational units which are assigned to the Commander Joint Forces New Zealand for the conduct of operations and joint exercises.



As part of his overall responsibility CAF provides the supporting aeronautical logistics, training, personnel and career development and management, plus associated corporate support services required to operate the Air Force. The Air Staff, a component of Headquarters New Zealand Defence Force, carries out policy formulation, capability planning and development, and financial management for the Air Force.

The CAF is also required to raise, train and maintain the operational units of the Air Force. The operational units of the Air Force are assigned to the Commander Joint Forces New Zealand for the conduct of operations and joint exercises.

Air Force Capabilities

The **Maritime Patrol Force** comprises No 5 Squadron equipped with six P-3 Orion aircraft based at RNZAF Base Auckland. These long-range patrol aircraft contribute to a wide range of Government Outputs, including the conduct of maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, search and rescue missions, and maritime air operations. The Squadron maintains two Orion aircraft ready to deploy on operations and to undertake emergency tasks.

The **Fixed Wing Transport Force** comprises No 40 Squadron operating five C-130H Hercules and two Boeing 757 aircraft operating from RNZAF Base Auckland. The Squadron is prepared to conduct strategic and tactical military air transport operations, including aeromedical evacuation. The Squadron maintains two C-130 Hercules aircraft ready for deployed military operations and one Boeing 757 for strategic (non-deployed) transport tasks.

The transport fleet plays an essential role in supporting NZDF operational deployments and exercises through the transport of military personnel and equipment. The Hercules bears the brunt of the air deployment task as the only aircraft in the inventory capable of carrying large equipment, and being able to fly

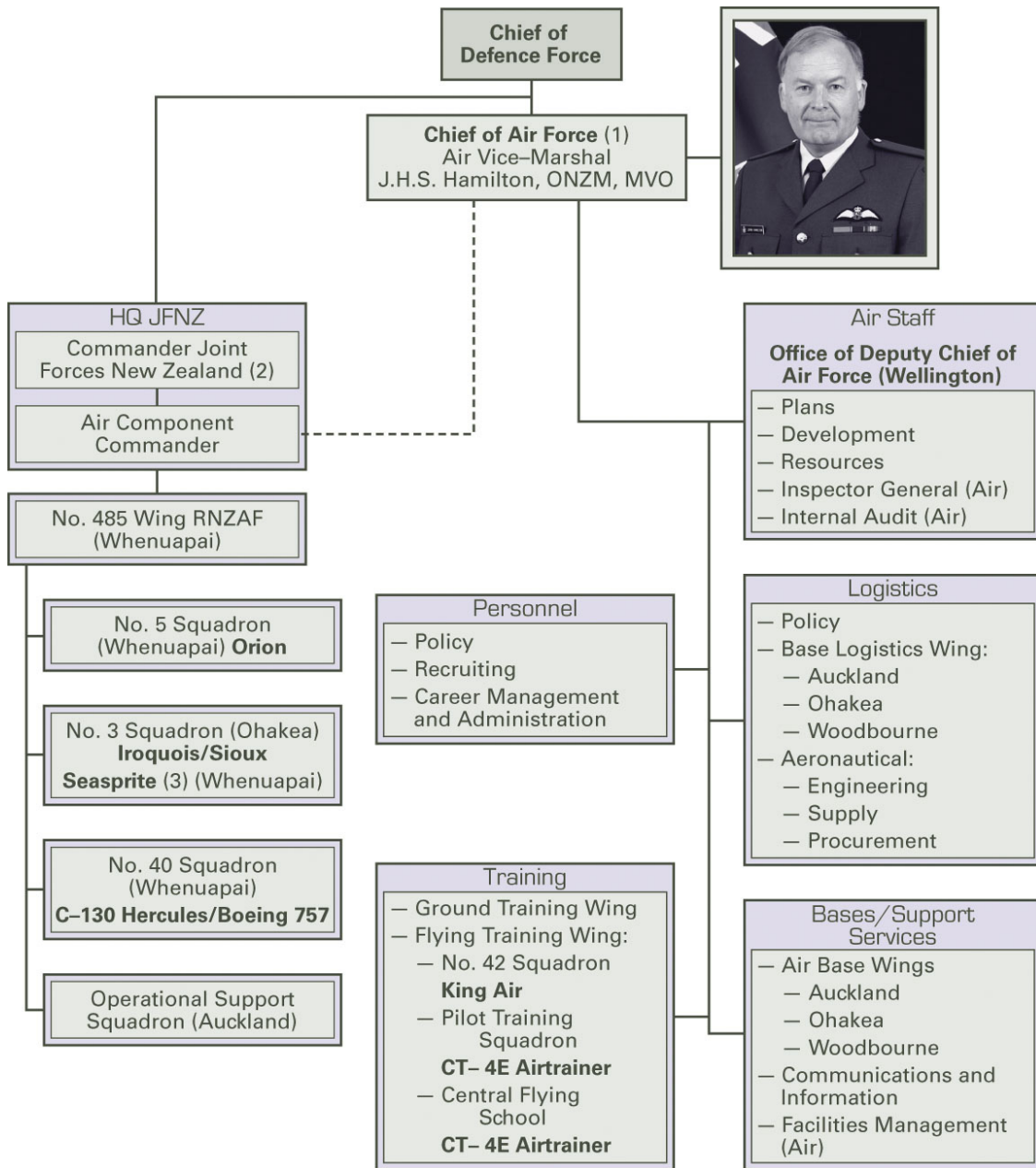
into many deployed locations. The Hercules are also occasionally used to carry out tasks on behalf of the Ministry of Foreign Affairs and Trade, particularly within the South Pacific, as well as meet government's humanitarian air support tasks.

The Boeing 757 aircraft entered RNZAF service in 2003 in the strategic transport role. Both aircraft are planned to be upgraded by conversion into a combination freight/passenger configuration, beginning in 2006. These modifications will significantly increase their air transport capabilities.

The **Rotary Wing Transport Force** comprises No 3 Squadron, which operates 14 Iroquois utility helicopters from RNZAF Base Ohakea. The Squadron undertakes a wide range of military tasks, including the conduct of tactical air transport in support of the other Services, counter-terrorist operations, plus a range of government directed civilian support activities, search and rescue, and humanitarian assistance missions. The Squadron maintains up to six Iroquois helicopters ready to be deployed on operations. In recent years the unit has deployed for extended periods to Timor Leste as part of a United Nations Force (1999 – 2002), and to Solomon Islands (July 2003 – July 2004) as part of a combined operation with Australian and South Pacific forces. The Squadron also holds two helicopters on standby within New Zealand for rapid response and search and rescue tasks. Helicopter training is undertaken on five obsolescent Sioux helicopters

The **Naval Support Flight**, which in the near future will be established as a fully independent Squadron under the command of CAF, operates five SH-2G Seasprite helicopters in support of Navy operations. It is shore based at RNZAF Base Auckland. The helicopters are maintained and supported by the Air Force, while the Navy pilots who operate the aircraft are trained by the Air Force.

Organisation of the Air Force



1. CAF retains full command of the RNZAF and is responsible for managing the Air Force's capability to deliver operational outputs.
2. COMJFNZ is responsible for the operational command of all assigned force elements on Output Class 16 operations and for mutually agreed joint and combined training.
3. The Seasprite Helicopters are part of the Naval Combat Forces. The Air Force trains the pilots, observers and crewmen and maintains the aircraft.

Chief of Air Force - Air Vice-Marshal J.H.S. (John) Hamilton ONZM, MVO



Air Vice-Marshal (AVM) Hamilton joined the Royal New Zealand Air Force on 12 January 1971 as an Officer Cadet in the University Officer Cadet Scheme, General Duties (Pilot) branch. After completing a Bachelor of Science degree he commenced his pilot training in January 1974, graduating in the rank of Flying Officer.

AVM Hamilton commenced a Sioux Helicopter Basic Course in April 1975 followed by a Sioux Operational Conversion Course. He was subsequently posted to No 3 Squadron as an Observation Flight Pilot. In April 1978 he undertook an Iroquois Course and in August that year, was posted to No 3 Squadron as an Iroquois pilot.

AVM Hamilton was posted to Australia in January 1979 as the RNZAF exchange officer with No 9 Squadron, Royal Australian Air Force. On his return to New Zealand in February 1981, AVM Hamilton was posted to No 3 Squadron Detachment at RNZAF Base Wigram.

In August 1981 he commenced a Flying Instructors Course followed by a Helicopter Flying Instructors Course. He was promoted to Squadron Leader in June 1982 and posted to the appointment of Utility Flight Commander No 3 Squadron at RNZAF Base Auckland. On 15 December 1983, AVM Hamilton was posted to No 76 Advanced Staff Course at Royal Air Force Bracknell. On completion of his course, he was posted to Air Staff, initially as Plans 1, and then as Plans 2.

AVM Hamilton was appointed Personal Staff Officer to the Chief of Air Staff from November 1986 until his posting to RNZAF Base Auckland as Commanding Officer Number 3 Squadron, in January 1989. From June 1990 until June 1991, he attended the USAF Air War College. In October 1991 he was posted to the appointment of Commanding Officer Operations Wing, RNZAF Base Auckland. AVM Hamilton took up the post of Senior Air Staff Officer, OPHQ, at RNZAF Base Auckland in July 1993.

On 10 January 1994 AVM Hamilton was promoted to the rank of Group Captain, and appointed Assistant Chief of Air Staff Programmes and Projects. AVM Hamilton was then posted to the appointment of Officer Commanding RNZAF Base Ohakea on 10 December 1996. On 2 December 1998 AVM Hamilton was promoted to Air Commodore and appointed Air Officer Commanding RNZAF Air Command.

With the establishment of the Joint Force Headquarters in July 2001, AVM Hamilton was appointed the Air Component Commander. He was appointed Chief of Air Force on 25 February 2002 and promoted to Air Vice-Marshal.

AVM Hamilton was appointed a Member of the Most Loyal Victorian Order (MVO) on 20 October 1981. He was appointed an Officer of the New Zealand Order of Merit (ONZM) in the New Years List 2001.

Headquarters Joint Forces New Zealand

Headquarters Joint Forces New Zealand (HQ JFNZ) was established at Trentham on 1 July 2001. The Commander JFNZ (COMJFNZ) is responsible to the Chief of Defence Force for the Operational Command of those NZDF force elements assigned, by the single Service Chiefs of Staff, for operational deployment and for selected joint and combined activities.

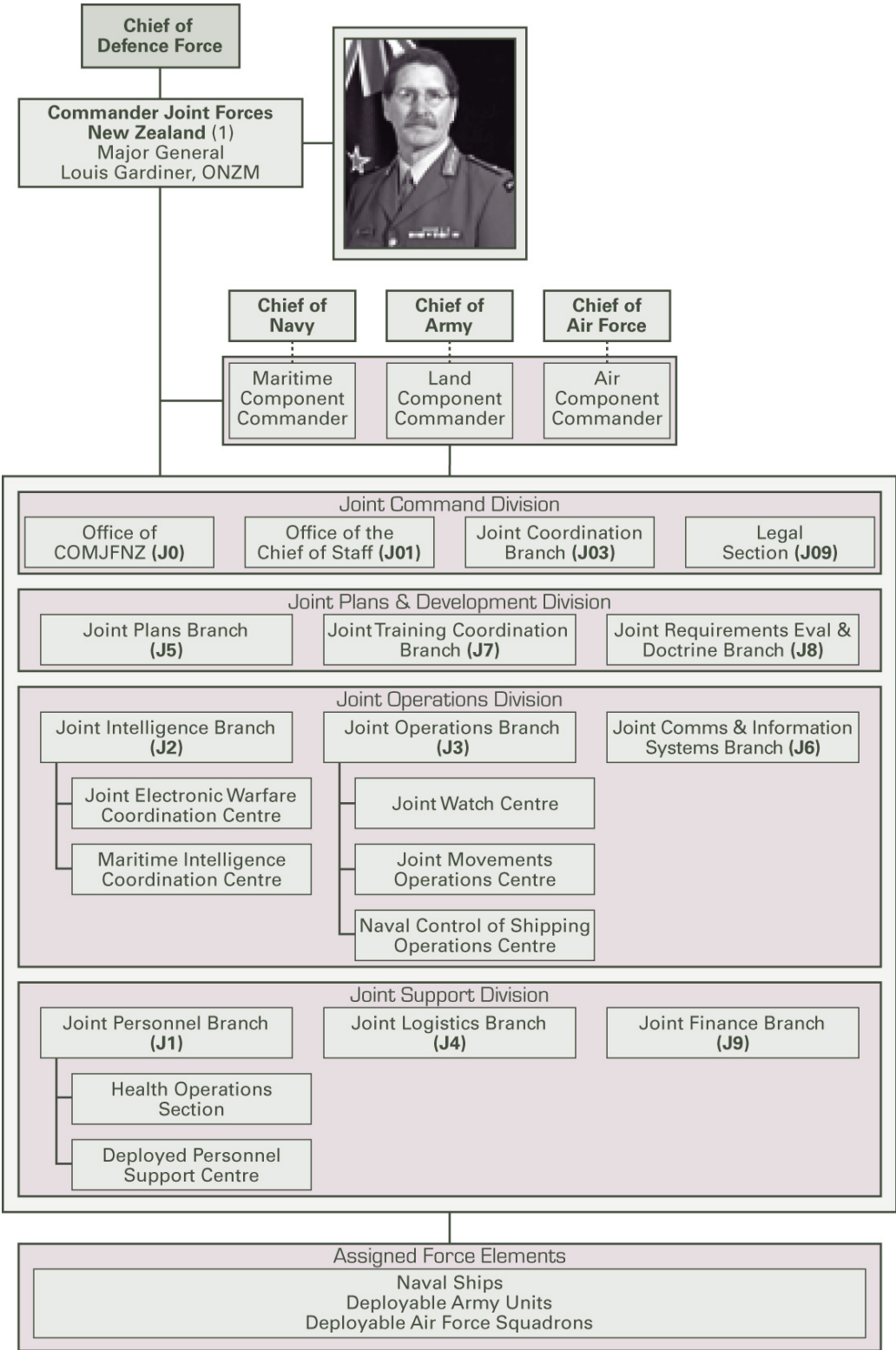


The three Component Commanders (Maritime, Land and Air) exercise operational command of their respective force elements, with the support of the Joint Headquarters staff.

As well as planning the conduct of operations, HQ JFNZ also undertakes operational level contingency planning and coordinates and implements the NZDF exercise and activity programme.

HQ JFNZ is an integrated operational level headquarters that replaced the previous single Service operational level Command Headquarters. The staff branches are configured functionally using the internationally common staff system.

Organisation of HQ JFNZ



1. COMJFNZ is responsible for the operational command of all assigned force elements on Output Class 16 operations and for mutually agreed joint and combined training.

Commander Joint Forces New Zealand - Major-General L.J. (Lou) Gardiner, ONZM



Lou was born in Wellington, New Zealand in 1952. He joined the New Zealand Army in 1971 and entered the Royal Military College, Duntroon, Australia. He graduated in 1975 with a Bachelor of Arts, majoring in Economics and Geography and joined the Royal New Zealand Army Ordnance Corps. He completed a number of appointments and courses, including a Fuels, Energy, Management Course at Fort Lee, USA and a two year posting to Army Office in Canberra, Australia as a Major, before being promoted to Lieutenant Colonel and Commanding Officer of the 1st Base Supply Battalion in December 1990. In 1994, he was posted to the United Nations Operations in Somalia (UNOSOM) as the Deputy Chief Logistic Officer on the Headquarters of the Peacekeeping Force for seven and half months.

In late 1995 he returned to New Zealand, he was promoted to Colonel and assumed the appointment of Chief of Staff, Support Command. At this time he completed a second degree in Human Resource Management. In January 1997, Major General Gardiner attended the Australia College of Defence and Strategic Studies (ACDSS) in Canberra, Australia and returned to New Zealand in Dec 1997 to assume the appointment of Director of Resource Policy and Plans in HQ NZDF. During 1998, he attended a Finance for Senior Executives course at the Harvard Business School.

In December 1998, he was promoted to Brigadier and assumed the appointment of Deputy Chief of Staff (DCGS). However, one week later he was appointed as the Land Commander. During his twelve months as Land Commander, he was appointed as Joint Commander for two operations. The first operation was the provision of support to the New Zealand Police Force during the security operations for APEC that was held in Auckland. The second operation was for the deployment and command of New Zealand forces to, and in Timor Leste. In December 1999, he was re-appointed to DCGS. In July 2000, he was appointed to the Chief Military Observers appointment in United Nations Transitional Authority East Timor (UNTAET) for twelve months. He returned to New Zealand in July 2001 and assumed his old appointment as DCGS. In December 2001 he assumed his current appointment as the New Zealand Defence Adviser to Australia. Lou was made an Officer of the New Zealand Order of Merit (ONZM) for his Operational Service in Timor Leste, in the New Years Honours List on January 1st 2004.

In November 2004 he was promoted to Major General and posted as Commander Joint Forces New Zealand.

Lou is married to Judith and they have three children, Matthew, Erin and Benjamin. Lou enjoys rugby, although no longer an active player, cricket, fitness training and golf. Judith is involved with education that extends to a very keen involvement with the Duke of Edinburgh program.

Key NZDF Personnel (Brigadiers (equivalent) and above)

Chief of Defence Force (CDF):	Air Marshal B.R. (Bruce) Ferguson
Vice Chief of Defence Force (VCDF):	Air-Vice Marshal D.A. (David) Bamfield
Chief of Navy (CN):	Rear Admiral R.A. (David) Ledson
Chief of Army (CA):	Major General J. (Jerry) Mateparae
Chief of Air Force (CAF):	Air Vice-Marshal J.H.S. (John) Hamilton
Commander Joint Forces New Zealand (COMJFNZ):	Major General L.J. (Lou) Gardiner
Corporate Financial Officer (CFO):	Mr M. (Maurice) Horner
Assistant Chief Strategic Commitments and Intelligence (AC SCI):	Air Commodore G.B. (Graham) Lintott
Assistant Chief Development (AC Dev):	Brigadier R. R. (Rhys) Jones
Project Manager Defence Sustainability Initiative:	Air Commodore T.M. (Terry) Gardiner
Assistant Chief Personnel (AC Pers):	Commodore B (Bruce) Pepperell
Acting Assistant Chief Resources (AC Rscs):	Colonel C. (Colin) Richardson
Director General Defence Legal Services:	Brigadier K.J. (Kevin) Riordan
Head International Defence Relations:	Mr P. (Paul) Sinclair
Chief Information Officer (CIO):	Mr R.J. (Ron) Hooton
Executive Project Director to CDF (EPD/CDF):	Mr J. (John) Worden
Deputy Chief of Navy DCN):	Commodore D.V. (David) Anson
Deputy Chief of Army (DCA):	Brigadier J.B. (Barry) Vryenhoek
Deputy Chief of Air Force (DCAF):	Air Commodore P.J. (Peter) Stockwell
Maritime Component Commander (MCC):	Commodore J.R. (Jack) Steer
Land Component Commander (LCC):	Brigadier W.J. (Warren) Whiting
Air Component Commander (ACC):	Air Commodore R.J. (Dick) Newlands

Defence Attachés

Australia	Air Commodore G.J. (Gavin) Howse
Canada	Colonel T.R. (Theo) Kuper
China	Group Captain P.L. (Peter) Guy
Fiji (accredited to Tonga and Samoa)	Lieutenant Colonel J.D.S. (Jeremy) Ramsden
Niue and Cook Islands (based in Wellington)	Commander W.N. (Wayne) Jack
Indonesia (accredited to Timor-Leste)	Colonel J.R. (John) McLeod
Japan	Captain J.F. (John) Campbell
Korea	Colonel T.L. (Tim) Gall
Malaysia (accredited to Brunei)	Group Captain M.E. (Mary) Cox
Philippines	Group Captain J.B. (Jim) McMillan
Papua New Guinea (accredited to Vanuatu and Solomon Islands)	Lieutenant Colonel C.M. (Mac) Grace
Singapore	Colonel M.J.A. (Martin) Dransfield
Thailand (accredited to Cambodia, Laos and Vietnam)	Group Captain R.J. (Rod) Fortune
United Nations	Colonel S.G. (Selwyn) Heaton
United Kingdom (accredited to Germany, France, Belgium, Ireland and Italy)	Brigadier P.S. (Paul) Southwell
United States	Commodore P.J. (Pat) Williams

United Nations Appointment

Chief of Staff: United Nations Truce Supervision Organisation (CoS: UNTSO):	Major General C.W. (Clive) Lilley
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Jointness

The senior defence leadership of the NZDF are strongly committed to the ethos of 'jointness'. Jointness refers to the three services, Navy, Army and Air Force, together undertaking and planning the conduct of, and the training for, exercises and operations.

The Chief of Defence Force, Service Chiefs and COMJFNZ jointly signed a Statement of Commitment in June 2002 entitled *Three Services – One Force* to emphasise this.



The Statement is viewed by the senior defence leadership as a public contract between themselves and the service and civilian personnel of the NZDF.

Three Services – One Force demonstrates the commitment to building an NZDF that is united, professionally trained, competent, appropriately equipped and capable of serving the interests of New Zealand, confronting the security challenges of the future, and meeting the requirements of the New Zealand Government.

NZDF Support for non-Military Tasks

The conduct of training activities for military tasks generates within the NZDF the capacity to provide a range of services to other government departments and the community, or to support foreign policy and defence objectives.

This range of non-military services is a by-product of capabilities developed and maintained for military purposes. A forecast of the range of services most likely to be provided and the availability of selected elements of the NZDF to provide such services, are detailed in the NZDF Output Plan. Such services include:

- Support of national and international events of significance - as directed by the Government;
- Ceremonial support for the Government and the community;
- Support to the Ministry of Foreign Affairs and Trade, the Ministry of Emergency Management, the Environmental Risk Management

Authority, the New Zealand Police, the Department of Conservation and other government departments and agencies, as required;

- Assistance with fire fighting - especially in rural areas;
- Assistance with land, sea and air search and rescue;
- Assistance with land, sea and air emergency medical evacuation;
- Emergency medical assistance when required, and medical surveys;
- Explosive ordnance disposal (EOD) [as distinct from improvised explosive device disposal (IEDD)]; and
- Support to the New Zealand Antarctic Programme.

NZDF Property

The NZDF owns and manages 72,000ha of land with a gross value of \$1.2 billion. This includes the Naval Base at Devonport, Army camps at Papakura, Waiouru, Linton, Trentham and Burnham, and airbases at Whenuapai, Ohakea and Woodbourne. In addition, the NZDF owns a variety of other training areas (the most extensive are at Tekapo and Waiouru), weapons ranges, housing estates and depots. Land and facilities are actively managed by property groups within each Service, while HQ NZDF Directorate of Land and Facilities Management develops overall policy guidelines and is developing an integrated land and facilities management system. As part of the Defence Sustainability Initiative, the Directorate of Land and Facilities Management is developing a Defence Estates Strategic Plan to cover the period 2006 - 2016.

The Property Rationalisation Group in HQ NZDF works across the NZDF to ensure that strategic long-term development requirements are matched with the appropriate property to deliver operational outputs efficiently and effectively. This process involves the establishment of strategic projects incorporating the development of user requirements, assessment of delivery options, and the subsequent implementation of property related strategies for acquisition, lease and disposal of real estate. As part of the Defence Sustainability Initiative, the Directorate of Property Rationalisation is developing a Defence Estate Optimisation Strategy, and the Housing and Accommodation Assistance Plan.

Key projects include:

- **Wellington CBD Office Accommodation** – Development of a consolidated Defence precinct around the new Defence Headquarters.
- **Housing and Accommodation Assistance Project** – developing a programme of work to meet the housing needs of service personnel and their families.
- **Trentham Review** – to establish the purpose and future use of Trentham Army Camp and to consider the prospect of establishing an NZDF support centre.
- **Territorial Force Regionalisation Programme** – Disposal of outdated facilities and replacement with purpose built facilities and ongoing assessment of TF requirements and implementation of delivery plans.

Location of Principal NZDF Bases and Training Areas



Summary of NZDF Bases and Facilities

Headquarters New Zealand Defence Force

Wellington

HQ NZDF (Strategic HQ)
 Chief of Defence Force
 Vice Chief of Defence Force
 Chief of Navy
 Chief of Army
 Chief of Air Force

Trentham

NZDF Command and Staff College

Overseas Units

NZ Defence Support Unit / South—East Asia
 (Singapore)

Joint Forces New Zealand

Trentham

Commander Joint Forces New Zealand
 Headquarters Joint Forces New Zealand

Royal New Zealand Navy

Auckland

Naval Support Command
 RNZN Naval College
 Joint Geospatial Support Facility
 HMNZS Dockyard

Naval Combat Force

HMNZS TE KAHA
 HMNZS TE MANA

Logistics

HMNZS ENDEAVOUR (Fleet Replenishment)

Hydrographic

HMNZS RESOLUTION

Diving Support

HMNZS MANAWANUI

Sea Training

HMNZS KAHU

Inshore Patrol Craft

HMNZSs MOA, KIWI, WAKAKURA, HINAU

New Zealand Army

Papakura

1 NZ SAS Group

Waiouru

Army Training Group
 Officer Cadet School
 Land Operations Training Centre
 The Army Depot

Queen Alexandra's Squadron (Armoured
 Personnel Carriers)

Linton

HQ 2 Land Force Group
 1st Battalion RNZIR (Infantry)
 16 Field Regiment (Artillery and Air Defence)
 2 Engineer Regiment
 2 Signals Squadron
 2 Logistics Battalion
 2 Health Services Battalion
 Operational Welfare Unit

Trentham

Trentham Regional Support Centre
 Force Intelligence Group
 Force Military Police Company

Burnham

HQ 3 Land Force Group
 2nd/1st Battalion RNZIR (Infantry)
 3 Logistics Battalion
 Tekapo
 Military Training Area

Royal New Zealand Air Force

Auckland

No 5 Squadron
 6x P-3K Orion
 No 40 Squadron
 2x Boeing 757
 5x C-130 Hercules
 No 3 Squadron, Naval Support Flight
 5x SH-2G(NZ) Seasprite
 Operational Support Squadron

Ohakea

No 3 Squadron
 14x UH-1H Iroquois
 Flying Training Wing
 14x Airtrainer
 5x Beech King Air

Woodbourne

Ground Training Wing

NZDF Personnel

The recruitment and retention of personnel is a key priority for the NZDF. The Defence Capability and Resourcing Review identified that, as at 30 June 2004, there was a considerable shortfall of military personnel required to deliver the currently directed level of capability. This shortfall, along with the need for additional personnel over the next ten years, was identified as a major barrier to the achievement of the Government's defence policy objectives.

The reason for the shortage continues to be a very strong external labour market, which has led to a constraint on the NZDF's ability to compete for and attract suitable numbers of quality recruits. The labour market has also placed pressure on the ability to retain skilled and experienced staff. This has led to an internal constraint in the ability to train a sustainable work force structure in the short-to-medium term.

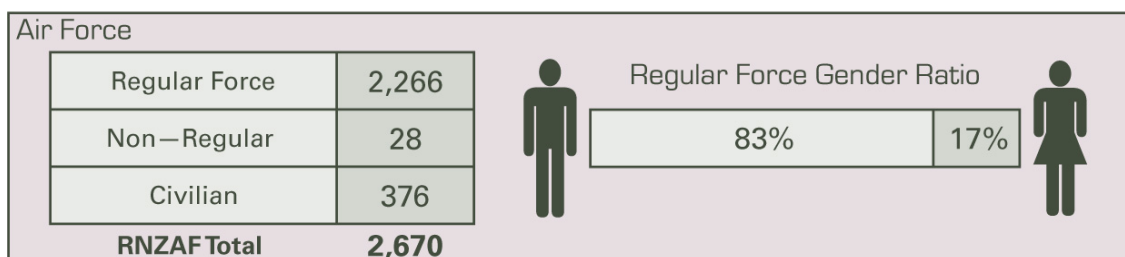
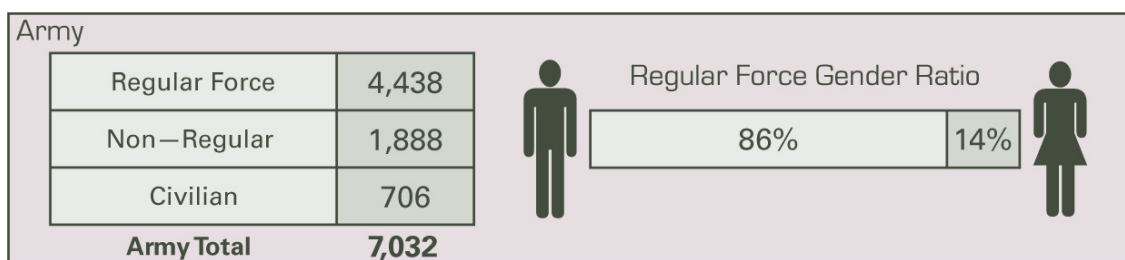
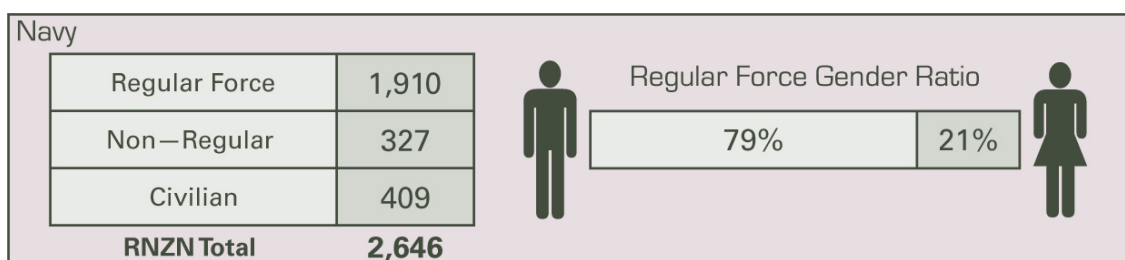
The recovery of personnel numbers is a high priority over the next three years, although it is recognised that growing the NZDF personnel numbers to the desired strength, with the required skills and experience, is likely to take up to ten years. The three Services have personnel recovery plans that are in the process of being implemented as part of the Defence Sustainability Initiative. Work continues on enhancing both remuneration and non-remuneration packages to support recruiting and retention efforts. Beyond the immediate need to increase personnel numbers, the task to strengthen the capability of the Defence Team requires meeting and maintaining the four goals of the HR strategic plan:

- to have people who are competent and ready;
- to be the organisation of choice;
- to have an integrated work force; and
- to have a knowledge edge force.

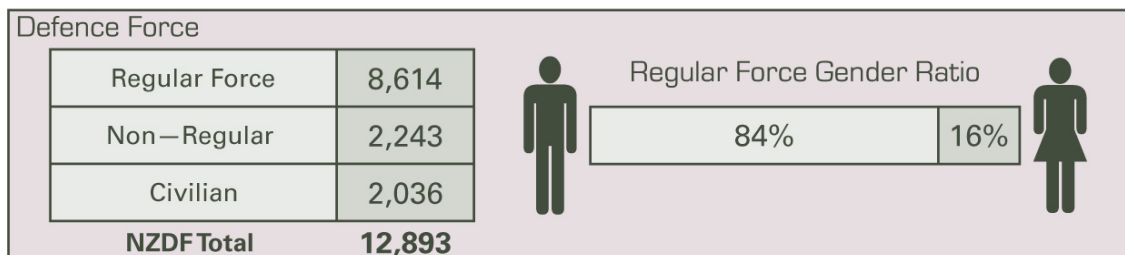
Personnel Numbers (as at July 2005)

Headquarters	
Regular Force	237
Non-Regular	1
Civilian	546
HQ NZDF Total	784

Joint Forces	
Regular Force	156
Non-Regular	—
Civilian	35
HQ JFNZ Total	191



Note: Single Service totals include RF working in HQNZDF and HQJFNZ



New Defence Accommodation

Cabinet gave approval on 9 August 2004 for the New Zealand Defence Force (NZDF), the Ministry of Defence and the New Zealand Security and Intelligence Service (NZSIS) to lease a new building, as the lease on their present accommodation expires in March 2006. The new building is being developed by Capital Properties and constructed by Mainzeal in front of the Freyberg building on the corner of Aitken and Mulgrave Streets. This new building has been designed to specific Defence / NZSIS requirements. The NZSIS will occupy the top two floors; the Ministry of Defence will occupy 1500 m² on level 4, and the NZDF the rest of the building, with an expected occupancy date of early 2007.

The new building Project Office, located within the NZDF, is managing the building fit out. Consultants are assisting with functional specification and value management of departmental requirements.

The new building design supports the Government's direction to the Chief of Defence Force and the Secretary of Defence to cooperate and consult closely.

Votes: Defence & Defence Force

Output Plans

The Secretary of Defence and the Chief of Defence Force each negotiate an Output Plan annually with the Minister of Defence. Estimates of Appropriations and Statements of Intent are also provided. The Output Plans are similar to that entered into between other chief executives and ministers.

The fifteen NZDF Output Expenses purchased by the Minister of Defence are detailed in the NZDF Output Plan and NZDF Statement of Intent. Both the Secretary and the Chief of Defence Force provide quarterly reports and an annual report to the Minister on output performance and progress on key priorities.

The Output Plans specify the accountabilities of the Secretary of Defence and the Chief of Defence Force. The Secretary of Defence and the Chief of Defence Force are accountable to the Minister of Defence for the delivery of the specified outputs to the quality, quantity and cost specified, and are accountable for the delivery of any part of an output expense that has been sub-contracted to a third party. The plan provides guidance for each organisation's Statement of Intent and the Annual Report, and also provides guidance, in particular, for the Ministry's internal activities (policy and planning, acquisitions, evaluation and so on). It also provides information for the annual performance measurement exercise conducted by the State Services Commission.

Vote: Defence

The following table summarises the 2005/06 appropriations for the Ministry of Defence.

Vote Defence Output Expense	\$(000)
Policy advice	3,807
Audit & assessment of performance	1,774
Management of equipment procurement	3,574
Total appropriations for departmental output expenses	9,155
Purchase or development of capital assets by the Crown	
Defence equipment	443,117
Total appropriations for capital expenditure	443,117
Total appropriations	452,272

Departmental Expenditure

In 2005/06 the departmental appropriation of \$9.155 million will be spent on

Vote Defence	\$(000)	% of total Vote
Personnel costs	5,272	58
Operating costs	3,759	41
Capital charge	124	1
Total	9,155	100

The Crown will fund \$9.075 million of this expenditure and \$0.080 million will be received from other departments.

Non-Departmental Expenditure

The Ministry of Defence manages a Crown appropriation for Capital Expenditure to acquire military equipment. The Main Estimates appropriation is for approved capital equipment projects only. New projects, that may receive approval during the financial year, are included in appropriations at the time of Supplementary Estimates. The 2005/06 Main estimates appropriation is for the following:

	\$(000)
Project Protector – new naval vessels	117,040
B-757 modifications	10,666
Light operational vehicles	11,707
Medium range anti-armour weapons	6,747
Air defence system	2,728
P-3 Orion systems upgrade	120,436
C-130 life extension	113,793
Total	443,117

Vote: Defence Force

The Minister purchases from the NZDF:

- military policy advice; and
- the operational capabilities of the Navy, Army and Air Force.

The NZDF has approximately 13,000 employees, assets of about \$4 billion, and an annual operating budget of about \$1.6 billion (GST exclusive). By New Zealand standards it is a big business with a number of characteristics that have a bearing on defence funding and financial management.

Operating Statement

The following is a simplified statement of the actual financial performance for the year ending 30 June 2005 and the forecast financial performance for the 2005/2006 financial year. It highlights the personnel intensive nature of NZDF activity with personnel costs totalling over one third of all Output expenditure.

Statement of Financial Performance (GST Exclusive)	Actual FY 2004/05 \$000	Forecast FY 2005/06 \$000
REVENUE		
Crown	1,528,415	1,604,523
Department	8,931	9,074
Other	7,194	7,820
Interest	70	50
Profit on sale of assets	40,762	
Total operating revenue	1,585,372	1,621,467
EXPENDITURE		
Personnel costs	571,363	607,682
Operating costs	440,236	481,085
Depreciation	232,345	232,641
Capital charge	281,770	300,009
Total output expenses	1,525,714	1,621,417
Other Expenses	(3,266)	0
Total expenses	1,522,448	1,621,417
Net surplus / (deficit)	62,924	50

Defence Outputs – This funding purchases the Output Expenses provided to the Government by the NZDF. The following table is taken from the 2005 Statement of Intent.

Forecast Expenditure in Outputs for 2005/06

Statement of Appropriations

Appropriations	2005/06 Vote		Description of 2005/06 Appropriations
	Revenue Crown \$000	Revenue Dept/ Other \$000	
NZDF Output Expense			
Military Policy Development, Coordination and Advice	9,363	49	Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.
Naval Combat Forces	526,824	3,283	Provision of the capabilities of HMNZ Ships TE KAHA and TE MANA and associated Seasprite helicopters prepared to conduct maritime operations and to contribute support services to the community.
Naval Support Forces	31,294	216	Provision of the capabilities of the Fleet Replenishment Ship, HMNZS ENDEAVOUR, prepared to conduct operational and maritime logistic support for deployed military forces, and to contribute some support services to the community. This output expense will also include the capabilities of the new multi-role vessel (MRV) once commissioned into service; until then the NZDF's military sea-lift capability will be by charter.
Mine Countermeasures (MCM) and MCM Diving Forces	32,139	254	Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS MANAWANUI with HMNZS KAHU as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports. The MCM Diving Forces, the Operational Diving Team, are prepared to support MCM operations and to conduct independent diving tasks. This output expense also includes some support services to the community.
Naval Patrol Forces	3,374	-	This is a new output expense. Provision of the capabilities of vessels (OPVs, IPVs and IPCs) for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T) and for the security and protection of New Zealand's economic border and EEZ. Until the commissioning into service of the OPVs and IPVs, the IPCs will undertake these roles to the limit of their capability. The IPCs will also be used in the training role.
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	303	6,229	Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS RESOLUTION, specialist personnel and support infrastructure to conduct military hydrography, and hydrographic data collection and processing that meets contractual commitments to LINZ. This output expense is supported by the Hydrographic Business Unit.
Land Combat Forces	260,936	425	Provision of the capabilities of the Land Combat Forces (command, control and intelligence, and infantry and reconnaissance force elements) prepared to conduct land operations, and to contribute support services to the community.
Land Combat Support Forces	142,095	290	Provision of the capabilities of the Land Combat Support Forces (artillery, engineers and communications force elements) prepared to conduct land operations, and to contribute support services to the community.

Land Combat Service Support Forces	119,244	258	Provision of the capabilities of the Land Combat Service Support Forces (transport and movements, medical, supply, repair and military police) prepared to conduct land operations, and to contribute support services to the community.
Specialised Forces	42,217	86	Provision of the capabilities of the Specialised Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the disposal of explosive devices and neutralisation of chemical and biological devices that threaten public safety or national interests.
Maritime Patrol Forces	138,509	1,003	Provision of the capabilities of No 5 Squadron (P-3K Orion aircraft) prepared to conduct, in priority, maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations. This output expense also includes some support services to the community.
Fixed Wing Transport Forces	169,454	2,035	Provision of the capabilities of No 40 Squadron (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, and to contribute support services to the community.
Rotary Wing Transport Forces	98,687	528	Provision of the capabilities of No 3 Squadron (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community.
Miscellaneous Support Activities	5,925	1,367	Provision of the NZDF training infrastructure and planned support to regional defence forces and the New Zealand community. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces and training of Limited Service Volunteers.
Operationally Deployed Forces	21,867	466	Provision of deployed force elements on military tasks, including the commitments agreed by Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other international agencies. It includes the provision of individuals, observers, advisers, instructors, headquarters staff, and complete force elements and contingents. This output expense is now the subject of a Multi-Year Appropriation (MYA). However, for accounting purposes, the indicative <i>annual cost</i> needs to be recorded as shown here.
Total Appropriations for Departmental Output Expenses (General)	1,602,231	16,489	

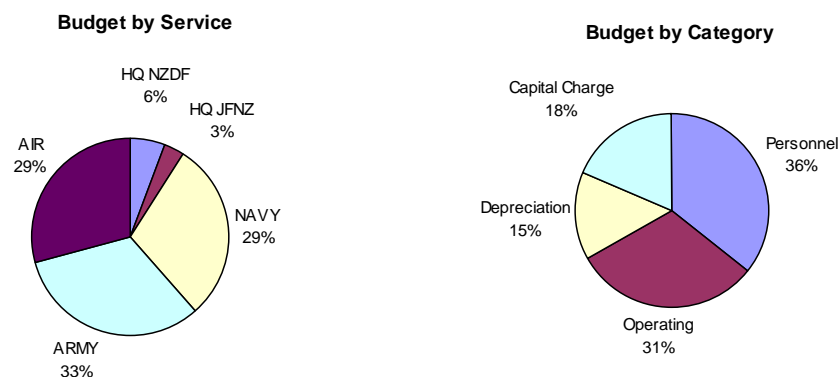
The NZDF Operating Baseline

The Operating Baseline contains four elements:

- Operating (fuel, ammunition, equipment maintenance, spare parts, and other consumables).
- Personnel.
- Depreciation.
- Capital charge.

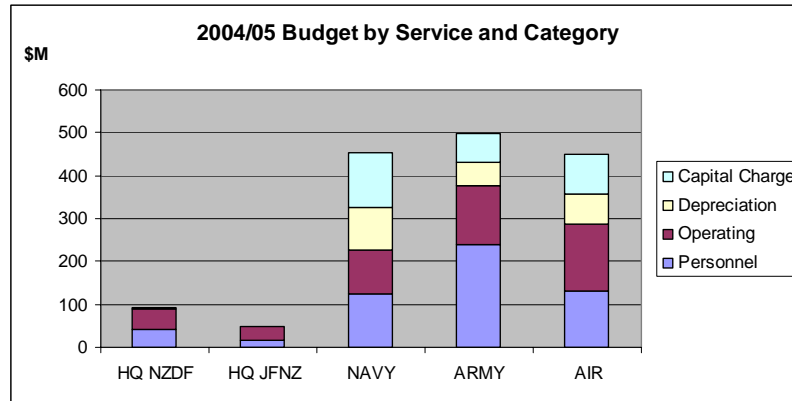
The primary source of revenue for the NZDF is Revenue Crown with only 1.0% of NZDF funding coming from third parties (Revenue Department and Revenue Other).

The Budget 2005 *Estimates of Appropriations* provide for operating costs during 2005/06 of approximately \$1.6 billion and a capital injection of \$410 million for the *Defence Long-term Development Plan* and Defence Sustainability Initiative projects. The following two pie charts show the operating costs distributed by cost category, and by Service.



In the first chart, the highest cost is personnel. In the second chart, the three Services each share approximately one third of the budget with the Army having the largest share, and the Navy and the Air Force approximately equal. HQ NZDF and HQ JFNZ each have a small share. The makeup of each Service budget, however, is quite different.

The next chart is a composite bar chart, which shows the NZDF budget by Service and cost category.



Personnel costs represent the highest proportion of each Service's operating expenses. This reflects the number and level of personnel required to operate, maintain and support the current military platforms. Together, personnel and operating costs make up almost 70% of the operating budget. It should be noted that the three Services operate in different ways:

- The Army has significantly higher personnel costs, reflecting the fact that armies are personnel intensive.
- The Air Force has significantly higher operating costs, reflecting the fact that maintaining and operating aircraft is cost intensive.
- The Navy activities attract higher levels of depreciation and capital charge, reflecting the equipment orientation of this service (most notably the frigates).

Both the Air Force and the Navy are responsible for most of the NZDF capital charge as they are very much asset dependent Services (ships, aircraft, airfields, dockyards etc).

Variable Costs

A significant feature of the operating cost component of the NZDF is the breakdown between fixed and variable costs. Some 95% of the total costs are fixed costs that cannot be easily changed in the short-term. These include personnel costs, capital charge, depreciation and the operating costs associated with significant equipment and property holdings which cannot be disposed of easily. The variable costs that can be changed in the short-term are those associated with consumables such as ammunition, fuel, rations, travel costs, repairs, and maintenance. Variable costs are critical to achieving and maintaining operational effectiveness.

Movement in the New Zealand dollar against the major overseas currencies is another variable cost. In the past, when the New Zealand dollar converted to US\$0.40, considerable pressure was placed on variable costs such as fuel, spares and services purchased overseas. The current relatively high value of the New Zealand dollar as compared to the US dollar, provided it is sustained, helps to relieve some of this pressure and other continuing pressure felt from the price increases for military consumables and spares.

Additional Costs

The Government purchases annual outputs from the NZDF at DLOC and known activity levels. If the Government decides to activate force elements as part of an unplanned initiative, the additional costs associated with generating OLOC, the deployment, and the sustainment of the force for the duration of the task, need to be met. These additional costs are appropriated under Output Class: Operationally Deployed Forces.

The 2005 Budget established a new Multi Year Appropriation (MYA) to provide the funding necessary for most routine deployments carried out in support of the United Nations and other agencies as approved by the Government. The MYA expected to cover such costs from 2005/06 to 2007/08 totals \$67 million. It is expected that Cabinet would consider any extraordinary proposals on a case-by-case basis.

Defence Spending in New Zealand

Further to the values agreed during Budget 2005 for 2005/06, a proposal has recently been submitted to the Minister of Finance and Minister of Defence (Joint Ministers) inviting approval to transfer an operating surplus of \$19 million from 2004/05 to 2005/06. Additionally the recovery as a capital injection, of a \$41 million profit on the sale of assets realised during 2004/05 has been proposed. The expense transfer had previously been approved in principle by Cabinet, while the capital injection proposal is in accordance with arrangements that have also been previously agreed. It is intended that each of these matters be recognised as part of the October Baseline Update (OBU).

Year	Annual Appropriation 2005 Budget	Multi Year Appropriation 2005 Budget	Currently ¹ Appropriated 2005 Budget	DSI / ¹ Protector (Including Budget 2005 rollout year changes post 2008/09)	Total Costs
	\$M	\$M	\$M	\$M	\$M
2005/06	1,596.387	22.333	1,618.720	¹	1,618.720
2006/07	1,627.561	22.333	1,649.894	72.761	1,722.655
2007/08	1,655.103	22.333	1,677.436	130.791	1,808.227
2008/09	1,685.176		1,685.176	199.897	1,885.073
2009/10 ²	1,685.176		1,685.176	285.681	1,970.857
2010/11 ²	1,685.176		1,685.176	394.263	2,079.439
2011/12 ²	1,685.176		1,685.176	462.899	2,148.075
2012/13 ²	1,685.176		1,685.176	475.889	2,161.065
2013/14 ²	1,685.176		1,685.176	534.387	2,219.563
2014/15 ²	1,685.176		1,685.176	530.651	2,215.827

¹ The first year (2005/06) of the DSI, and Project Protector costs until 2008/09 have now been appropriated through the 2005 Budget, with the outyear costs and rollout year changes to be appropriated in future budget rounds.

² Unless otherwise agreed the values appropriated for 2008/09 will “rollover” to 2009/10 and outyears.

³ Based on forecast NZIER GDP 2005/06 to 2009/10 then extrapolated to 2014/15.

⁴ The total costs and forecast GDP comparisons do not provide for future capital injection values

Veterans' Affairs New Zealand

Veterans' Affairs New Zealand (VANZ), formerly the Office of Veterans' Affairs, was set up as a semi-autonomous body within the NZDF in April 1999. Headed by the Director VANZ, VANZ is the Government's principal policy adviser on veterans' issues, and manages the Government's relationship with veterans' and their representative organisations.

The portfolio Veterans' Affairs comprises two Votes:

Vote: Veterans' Affairs – Defence is administered by VANZ and includes the provision of policy advice on, and administration of, a wide range of issues relating to veterans entitlements, care and recognition. This includes the assessment and review of entitlements and benefits, the management of the Rehabilitation Loan Scheme, the provision of case management, the co-ordination of commemorations, services to relevant boards and committees, the provision of memorial plaques and headstones, the quality audit of work undertaken in the Services Cemeteries and the administration involved in arranging contracts for the maintenance of, and capital works in, Services Cemeteries; and

Vote: Veterans' Affairs - Social Development is administered by the Ministry of Social Development (MSD) and includes the processing and payment of War Disablement and Veterans' Pensions and concessions, and Rehabilitation Loan Scheme payments. This includes data collection and contributing to the monitoring, evaluation, reporting of trends and risks to Crown expenditure and forecasting of benefits and other unrequited expenses.

The relationship between Veterans' Affairs New Zealand and MSD is critical to the effective processing of War Disablement Pensions and Veterans' Pensions. This relationship is formalised in a service delivery and policy agreement.

The Chief of Defence Force, as 'Chief Executive' of the NZDF, is responsible to the Minister of Veterans' Affairs for the financial management of VANZ under the Public Finance Act 1989. The relationship between the Minister of Veterans' Affairs and the Chief of Defence Force is represented by an Output Plan. The Director, VANZ, on behalf of the Chief of Defence Force, is responsible to the Minister of Veterans' Affairs for the delivery of the Output Plan.

The Director Veterans' Affairs New Zealand is also appointed as the Secretary for War Pensions. Under the provisions of Section 4 (2) of the War Pensions Act 1954, the Secretary for War Pensions, acting under the general direction and control of the Minister, is charged with the administration of the War Pensions Act 1954.