

Report of the

New Zealand Defence Force
Te Ope Kaatua o Aotearoa
for the year ended 30 June 2008

Presented to the House of Representatives pursuant to
Section 44(1) of the Public Finance Act 1989
and Section 91 of the Defence Act 1990

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- RNZN personnel conducting a damage control exercise debrief onboard HMNZS Te Kaha.
- NZ Army soldiers on patrol as part of a company group deployed to Timor–Leste operating under command of Combined Joint Task Force 631.
- RNZAF air warfare specialists working on the tactical rail during a sortie on board a P-3K Orion maritime patrol aircraft.

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Headquarters New Zealand Defence Force
 2 -12 Aitken Street
 Private Bag
 WELLINGTON

Phone: (04) 496 0999
 Facsimile: (04) 496 0869
 NZDF Website: <http://www.nzdf.mil.nz>

SECTION ONE

Overview By The Chief Of Defence Force

INTRODUCTION

At the time of writing more than 600 New Zealand Defence Force personnel are deployed on operational service helping to build and keep the peace in trouble-spots around the globe. Early in the reporting year, there were over 300 NZDF personnel participating in military exercises in various overseas locations.

At any one time, we also have another 150 personnel employed in overseas posts, attending overseas training programmes, engaged in defence diplomacy, and providing assistance to our friends and allies.

At home we have around 800 personnel who are preparing to deploy or who are on short notice standby for an emergency deployment. This is because the NZDF is committed to providing effective military response options for the Government, with all force elements being properly prepared prior to being deployed on operations.

Looking at our domestic operations, over the past year NZDF personnel were continually engaged on such tasks as search and rescue, patrolling in the Exclusive Economic Zone (EEZ), providing assistance to the Police, doing explosives disposal, and assisting with rural fire fighting.

All of these activities are consistent with the NZDF's mission to "secure New Zealand against external threat, to protect our sovereign interest, including in the EEZ, and to be able to take action to meet likely contingencies in our strategic area of interest".

As a comparatively small yet professional force in global terms, we regard agility as the cornerstone of the things we do, so that we can operate as "Three services as One Force being the best in everything we do."

In this Annual Report for 2007/08, I am pleased to once again highlight the diverse achievements of the NZDF as we move toward the reality of a modernised, agile, well-equipped and sustainable Defence Force.

There can be little doubt that the last year was a challenging one for us.

We continued to protect New Zealand's territorial sovereignty in partnership with other government departments and agencies; met our shared alliance commitments with Australia; and fulfilled our obligations and responsibilities in the South Pacific and the wider Asia-Pacific region. We also continued our contribution to United Nations and other multilateral peace support and humanitarian relief operations further afield.

In meeting these commitments, we continued to strengthen our relationship with the Ministry of Defence (MoD) to achieve a whole-of-defence context. We also continued to work closely with the Department of Prime Minister and Cabinet, the Ministry of Foreign Affairs and Trade, the Treasury and the State Services Commission in support of New Zealand's security objectives.

We are committed to meeting the Government's defence objectives, but delivering on them does create challenges that the NZDF must manage carefully. We have been challenged to maintain operational forces dispersed across three distinct theatres: each with their own support requirements; equipment needs; and regular rotation of personnel. This is the nature of today's environment and it is not without risk.

Multiple, concurrent deployments are also placing pressure on the Army's mission critical equipment and put greater demands on experienced and specialised personnel including command and control, communications, logistical support, and other key trades.

Similar pressures, including contractor delays, are also being felt by the Navy and Air Force as they bring into service new platforms, in particular the Protector fleet, and upgraded C-130 Hercules, Orion P-3K, and Boeing 757 aircraft.

The reality is that our resources are finite, and we are facing a situation where we will not have the capacity to continue to do everything we would like to do. Activities have to be prioritised and resources allocated across the entire NZDF to achieve an adequate and affordable range of capabilities.

That is why as an organisation we have worked hard on consolidating our Strategic Plan, and have embarked on an ambitious programme to transform the NZDF.

A new initiative, the Defence Transformation Programme (DTP), is helping to ensure the NZDF improves the resource efficiency and effectiveness of internal systems and processes in line with strategic objectives.

Five change programmes, each focused on a separate area of work, together forms an organisational transformation agenda. These programmes will ensure all NZDF's support processes align with how we want the NZDF to operate and the key strategic themes, particularly the theme of resource efficiency.

It is about consistency and management for change: finding benefits from improvements that can then be quickly reinvested back into the NZDF as part of daily activities. Some initiatives are realising benefits already, while other programmes will only start to impact the NZDF in the future.

Defending New Zealand in this modern age is a necessarily expensive matter. This is because New Zealanders quite rightly expect that their Defence Force will have access to the technology they need to perform with excellence in any of the situations they are called upon to take part in.

The DTP demonstrates the NZDF's commitment to using the resources it is provided with by the tax payers of New Zealand, in the most effective way possible. It also reveals the Defence Force's readiness to be innovative and explore new and better ways of doing things.

We believe agility is paramount in an increasingly uncertain world.

This reflects how the NZDF meets its responsibilities in achieving a secure New Zealand, protected from external threats now and in the future. The asymmetric nature of modern conflict requires the Defence Force to be ready to conduct operations in diverse circumstances.

Current NZDF operational commitments are likely to remain constant over the medium term. Flexible, concurrent, and sustained deployment will be the hallmark of future operations.

Our operational agility will be demonstrated through our ability to deploy rapidly when warning times are short and where changes in tempo during operations are required.

While our personnel are deployed in peacekeeping roles at the moment, there may be times when we will have to use force and for this the NZDF needs to be combat ready. These roles are compatible.

Our current high activity rate and resource considerations are affecting the speed at which the NZDF is rebuilding its capability under the Defence Sustainability Initiative (DSI).

This can reduce preparedness states and subsequently the number of options to meet future security events. Nevertheless, the NZDF now has in place a strategic plan, balanced scorecard and a risk management framework to manage the impact of these challenges.

In managing these impacts, the NZDF is striving to do everything it does simpler and better. The Executive Leadership Team (ELT) sees this as critical to ensure the Defence Force can deliver against expectations now, and to protect its ability to deliver in the future.

The challenge of balancing the current high operational tempo, while still retaining the ability to protect and build military capability is one that the senior leaders of the NZDF face every day.

The ELT and I have continued to make people our primary focus in the NZDF. No matter what our technological capabilities are, without the right people serving in the NZDF, we will not succeed.

The NZDF has been working hard over the past two years developing a new military remuneration system that recognises and rewards our people in a way that allows greater choice and equity across the NZDF.

Remuneration is more than just pay; it incorporates other benefits such as superannuation and accommodation assistance. The new NZDF military remuneration system is no "quick fix" – it is a robust, comprehensive solution that will have long-standing benefits for the NZDF.

In recognising the contribution of our current generation of kiwi sailors, soldiers, and airmen and airwomen, we must not forget the sacrifice made by previous generations of men and women who have served our country.

During the year, NZDF personnel took part in remembrance services including the 90th Anniversary of the Battle of Passchendaele, Remembrance Day, and Anzac Day. We also joined with Vietnam veterans and their families in officially recognising and celebrating their contribution with Tribute 08.

These events remind us that despite the challenges faced by the NZDF as it seeks to adapt to meet the demands of an uncertain world, what will not change is its dedication to being a values-based military organisation, with comradeship, commitment, courage and integrity as the foundation of our culture.

These values underscore an agile and modern Defence Force that is led, trained and equipped to win.

The following sections outline the NZDF's activities and progress over the past year in more detail and the opportunities that lie ahead.

ACHIEVEMENTS

Contributions to High Level Outcomes

The NZDF has contributed primarily to Government Priority Number 3 – "To Strengthen National Identity: celebrate our identity in a world as people who support and defend freedom and fairness."

NZDF personnel from the bases and facilities of the three Services that make up the Defence Force are integral members of their communities. Moreover, the presence of NZDF people at occasions of local and national significance, including commemoration and remembrance services, is a reminder of the contribution being made by the NZDF to reducing armed conflict in the world.

Indeed, many of New Zealand's values are played out through its foreign and defence policies. The NZDF continues to contribute to the Government's National Identity theme through its main high level outcome: "New Zealand Secure and Protected from External Threats now and in the Future", and seeks to sustain its effort through the various intermediate outcomes as shown below.

While New Zealand does not face any direct military threat, a growing number of transnational security challenges, with implications for New Zealand, have created a complex and uncertain strategic environment. In response to these challenges, the NZDF has contributed the following to secure New Zealand.

Intermediate Outcome 1:

Secure New Zealand

In meeting our mission, we provided contributions to sovereignty protection, deterrence, incident and crisis response, including counter-terrorism, civil defence and other emergencies.

A dedicated Special Forces counter-terrorism unit works in close cooperation with the New Zealand Police to respond to potential terrorist incidents. Complementing this, a dedicated Explosive Ordnance Disposal (EOD) capability is being established to deal with chemical, biological, radiological and explosive devices.

We have also worked closely on a day to day basis with agencies including Antarctic New Zealand, the New Zealand Customs Service, the National Maritime Coordination Centre, the Department of Conservation, Ministry of Foreign Affairs and Trade, Ministry of Fisheries, Maritime New Zealand, and New Zealand Police to ensure a whole of government approach to securing New Zealand's borders and resources is achieved, including the protection of the fourth largest EEZ in the world. We also assisted with civil defence efforts, including flood relief in Northland.

Intermediate Outcome 2:

Reduced Risks From Regional and Global Insecurity Through:

A Secure, Peaceful and Stable Australia

The partnership between the New Zealand and Australian Defence Forces has a long and proud history, as highlighted by the recent dedication of the bronze sculpture of a World War I New Zealand soldier on Sydney's Anzac Bridge.

The sculpture complements the statue of an Australian soldier, which has stood at the western end of Anzac Bridge since 2000, and is a fitting reminder of the sacrifice of the Anzac servicemen and women, and the special bond between Australia and New Zealand.

Our partnership's ongoing success requires the Australian and New Zealand defence forces to continue to invest in combined planning, joint training, shared doctrine, interoperable equipment and good communications to pursue our shared strategic interests, including a secure and stable regional neighbourhood.

NZDF force elements also participated in, or supported units, deploying to exercises with or in Australia.

HMNZS Te Mana supported the Royal Australian Navy (RAN) Principal Warfare Officer assessment week and HMNZS Te Kaha participated in Exercise Aswex 07 – a joint, combined maritime anti-submarine warfare exercise held off Perth.

The new amphibious sealift ship, HMNZS Canterbury, also took part in Exercise Sealion in the Townsville and inner Great Barrier Reef areas off Australia's eastern coast to improve operational readiness and interoperability.

The Army were involved with Exercises Tasman Exchange 08 (joint combined indirect fire support), Tasman Warrior 07 (LAV company deployment) and Tasman Reserve 08 (TF exchange).

The Air Force participated in Exercises Aswex 07 and Tamex (combined and joint maritime/air exercises) and Tropic 07 – a tropical flying training exercise based at Townsville.

Also, NZDF personnel participated in bilateral defence dialogue, including Army-to-Army and Air-to-Air talks, discussed the coordination of our Defence Mutual Assistance Programme (MAP) and the Defence Cooperation Program, attended courses, and had postings, exchanges and visits to Australia.

A Secure, Peaceful and Stable South Pacific

In the South Pacific, the NZDF provided contributions to regional security engagement and assistance, training and development assistance through the MAP, resource protection, and disaster relief.

We were responsible for patrolling six million square miles of ocean, including much of the South Pacific, conducting surveillance, fisheries patrols and search and rescue operations. NZDF personnel also participated in a new initiative – Pacific Partnership 2007 – a United States-led humanitarian assistance and civic action mission to countries throughout the South Pacific and South-East Asia.

Another example of the region's Defence Forces pooling their skills and capabilities is New Zealand Navy and United States Coast Guard (USCG) personnel working together as part of a Pacific regional maritime surveillance and fisheries protection operation involving the New Zealand Maritime Coordination Centre and the Fisheries Forum Agency. Other countries involved included Australia, Tonga, Solomon Islands, Vanuatu, Kiribati, Cook Islands and France.

The Air Force also took part in a multi-agency exercise involving New Zealand, Australia, Samoa, Cook Islands, the Forum Fisheries Agency and the USCG aimed to catch and deter people from illegal fishing in Pacific countries' EEZs.

The NZDF also participated in a six-nation exercise in Noumea, Exercise Croix Du Sud 2008, which brought together military forces from France, Australia, New Zealand, Tonga, Vanuatu and Papua New Guinea to practice joint and combined training for disaster relief-type activities.

NZDF tri-service involvement included HMNZS Canterbury, a detached hydrographic support unit, an infantry platoon, two Iroquois helicopters and support personnel.

A 40-strong contingent of NZDF medics deployed to the Cook Islands by C-130 Hercules aircraft under Exercise Tropic Twilight, to provide health and dental support.

The NZDF also conducted a number of ancillary tasks in the region including delivering emergency supplies by C-130 Hercules for victims of severe flooding in the eastern province of Oro in Papua New Guinea.

A Secure and Stable Asia-Pacific Region

In promoting a secure, stable Asia-Pacific region, we have maintained regular contact and dialogue, assistance, confidence-building measures, conflict deterrence, and ongoing support to regional security arrangements, including participation in the annual Five Power Defence Arrangements (FPDA) joint maritime and air defence exercise.

As well as the ongoing deployment to Timor-Leste to promote stability, the NZDF participated in various land exercises with Singapore, a maritime defence exercise with Japan and the Republic of Korea, and undertook MAP activities with countries including China, Malaysia, and the Philippines.

Military-to-military talks were also held with Vietnam and the NZDF also participated in a tri-nation maritime exercise with the Australian Defence Force (ADF) and the Peoples Liberation Army (Navy).

As in previous years, the NZDF participated in Exercise Bersama Padu, one of a series of major FPDA joint and combined exercises, field training and command post exercises that focused on the operational and tactical levels. Exercise Bersama Padu 07 was hosted by the Republic of Singapore Navy, and conducted in a multi-threat environment for the defence of Malaysia and Singapore. NZDF force elements that participated in the exercise were HMNZ Ships Te Kaha and Endeavour, an operational diving team, and a P-3K Orion aircraft.

The NZDF participated in bilateral exercises with the Singapore Armed Forces (SAF): Exercise Lion Zeal (bilateral briefings, war gaming exercise and a sea phase with the Republic of Singapore Navy), Exercise Lion Heart (bilateral special forces training), Exercise Thunder Warrior (a collaborative live-firing exercise that involved about 500 personnel from the SAF and a single six gun battery-sized unit from the 16th Field Regiment), and Exercise Kiwi Spirit, a reciprocal bi-annual arrangement with the SAF, which enabled the New Zealand Army to practice operational planning at Brigade Headquarters level within a conventional war-fighting scenario. In addition, 2/1st Battalion Royal New Zealand Infantry Regiment deployed a Rifle Company to Malaysia for Exercise Taiaha Tombak 07.

HMNZ Ships Te Kaha, Te Mana and Endeavour conducted successful defence diplomacy visits to Japan, China, Malaysia and Singapore. No 5 Squadron RNZAF sent a P-3K Orion to an exercise with the navies of the Republic of Korea and Japan.

A More Secure and Stable World

In the global arena, we have contributed to collective security operations, peacekeeping, and peace-enforcement conducted by the United Nations and other multinational agencies.

Our personnel served in United Nations missions in Lebanon, Iraq, Sudan, the Republic of Korea, Kosovo and elsewhere.

In Afghanistan our troops with the ongoing Provincial Reconstruction Team (PRT), now strengthened with an additional 18 NZDF personnel, work with and are respected by local people.

Over the reporting period, the NZDF continued to train and be equipped for combat, as it has in the past with the deployment of our Special Forces to Afghanistan.

Early in the reporting period, ten NZDF personnel deployed to Lebanon where they were part of the UN effort to clear unexploded munitions in Southern Lebanon. The NZDF commitment comprised a ten-person EOD team attached to the UN Mine Action Co-ordination Centre in southern Lebanon (UNMACC-SL).

This commitment has now ended, with nearly a third of a million square miles of land cleared of mines and more than 1,800 unexploded cluster bombs and munitions destroyed.

As part of New Zealand's contribution to the international campaign against terrorism, HMNZS Te Mana left to join coalition maritime forces stationed in the Persian Gulf.

Te Mana is monitoring shipping activity to promote the free flow of commerce, protect infrastructure and counter terrorism, piracy and drugs, arms and people smuggling.

This is the third time one or more NZDF frigates have deployed to the Gulf region. Both HMNZ Ships Te Kaha and Te Mana went in 2003 and HMNZS Te Mana was deployed in 2004.

Intermediate Outcome 3:

New Zealand Values and Interests Advanced Through Participation in Regional and International Security Systems

Contributions to this outcome included the following:

- » Ongoing support was provided to UN missions (see section on Output Expense 16 – Operationally Deployed Forces, for more detail.)
- » New Zealand was represented at Proliferation Security Initiative (PSI) Operational Experts Group meetings by an interagency team comprising officials from the NZDF, Ministry of Foreign Affairs and Trade, and the New Zealand Customs Service. In addition, a RNZAF P-3K Orion aircraft and crew participated alongside an interagency team in a multinational PSI exercise in Japan in October as part of its commitment to preventing the spread of weapons of mass destruction.
- » The NZDF was represented at the ASEAN Regional Forum (ARF) Intersessional Meeting on Disaster Relief held in Finland in October 2007 and the Intersessional Group and Defence Dialogue meetings in Brunei (November 2007) and Ottawa (April 2008). In addition, a Defence official attended the ARF Senior Officials Meeting and Security Policy Conference in Singapore in May 2008. New Zealand was represented at the Five Power Defence Arrangements Consultative Committee meeting held in Singapore in November 2007 and NZDF was in attendance at the informal meeting of FPDA Ministers held in the margins of the Shangri-La dialogue in June 2008.
- » CDF New Zealand hosted the biennial BRITANZ conference in Wellington in February 2008 at which a wide range of professional, operational and strategic issues was discussed with counterparts from the United Kingdom and Australia. In March 2008 the NZDF co-hosted the ASEAN Regional Forum Peacekeeping Experts Meeting in Singapore and provided a number of subject matter experts on peacekeeping operations and the whole-of-government approach.
- » A Chief of Defence symposium on security was held at Trentham. Speakers included representatives from the US National Defence University, Australian Border Protection Command, the universities of Otago and Victoria, New Zealand Customs Service, NZ Police, and the Department of Prime Minister and Cabinet.
- » NZDF personnel attended various five-nation standardisation meetings; North Atlantic Treaty Organisation (NATO) Standardisation Agency meetings; and other seminars, workshops, courses, postings/secondments and exchanges with various overseas countries.
- » Participation in the Defence Mutual Assistance Programme (see Output 15.1 for more detail).

Intermediate Outcome 4:

New Zealand able to meet Future National Security Challenges

The aim of this outcome is directly related to the Defence Policy Framework and the Government's Statement of 8 May 2001 – A Modern, Sustainable Defence Force matched to New Zealand's needs. The NZDF's contribution to this outcome has been to undertake planning for the future, especially for sustainable future capability requirements. The NZDF and the MoD use a suite of planning aids including strategic guidance, evidence-based decision support tools, strategic assessments, capability goals matrices and research/lessons learned.

We have also contributed to the Government's priority themes of Economic Transformation and Families – young and old: including encouraging innovation and high standards in education and training; promoting a healthy Defence Industry in New Zealand; maintaining the security and well being of all New Zealanders through supporting the NZ Police, the NZ Customs Service, Ministry of Emergency Management, Civil Defence and other agencies; assisting Veterans groups; providing courses for the Limited Service Volunteer (LSV) Scheme; and supporting the NZ Cadet Forces.

ACHIEVING OUR STRATEGY

Our mission is to “secure New Zealand against external threat, to protect our sovereign interests, including the EEZ, and to be able to take action to meet likely contingencies in our strategic area of interest.” Our shared vision is to become “Three Services as One Force, being the best in everything we do.”

Our strategy to achieve this vision is threefold. We are developing greater agility for operational effectiveness; we are gaining maximum effect from allocated resources; and we are developing the organisational capacity to be regarded as a valued partner.

During the year all major planning was linked to these three strategic themes. The NZDF Balanced Scorecard, introduced at the same time as the NZDF Strategic Plan, is used by the ELT to track the implementation of strategic initiatives and progress against our strategic objectives. Progress made on implementing our strategic initiatives during the year is outlined in Section 3.

DEFENCE SUSTAINABILITY INITIATIVE

In 2005 the Government announced a Defence Sustainability Initiative (DSI) and Defence Funding Package (DFP) to underpin the achievement and sustainability of its defence policy objectives. The DFP reflected a commitment to inject \$4.6 billion over 10 years to develop military capability and organisational capacity in the NZDF.

The objective of the DSI was to enable Defence to rebuild capacity and capability and to fulfil government’s goal of achieving a modern, sustainable defence force matched to New Zealand’s needs.

The priorities for the DSI were the restoration of personnel numbers, delivery of projects on the LTDP and improvements in Defence’s organisational capabilities.

Personnel

One of the main challenges currently facing the NZDF is recruitment and retention, especially the high rates of attrition and the loss of trained personnel. There is no easy fix for the current situation, but it remains the primary focus of the ELT.

There has been positive growth in the numbers of Regular Force (RF) personnel in the NZDF since the commencement of the DSI in 2005. Nevertheless, the rate of this growth has slowed recently, and shortfalls in critical trades still remain a concern.

Despite positive morale, attrition rates are higher than expected. This reflects the fact that trained personnel, particularly in the technical trades, are in high demand outside the NZDF and are leaving to take up jobs at significantly higher levels of remuneration.

All three Services have prioritised recruiting, and initiatives to retain personnel are being implemented, with some success. These range from more effective marketing strategies, re-enlisting ex service personnel, and overseas recruitment to more efficient training and personnel structure reviews.

The Service Chiefs and I are committed to recruiting and retaining the best people possible so that our workforce is strong, successful, and satisfied. We believe our military and civilian personnel are among the best in the world, and we want to ensure they are satisfied in their work and feel appropriately rewarded for their service.

If the NZDF is to retain and grow personnel, it needs to be perceived in the market place as an employer of choice. During 2007, a pay increase was funded from \$20 million in internal savings. Most of these savings were allocated to achieve a \$1,200 across-the-board military adjustment and specific civilian pay adjustments.

Project teams have been working hard over the last two years to develop a military remuneration system that will recognise and reward our people in a way that allows greater choice and equity across the NZDF. Under the new strategy everybody across the three Services and the reserve forces will be better off.

But remuneration is more than just pay – it incorporates other benefits such as superannuation and accommodation assistance. New superannuation initiatives will be designed to meet the Government intent of saving for retirement, while providing our personnel more choice in superannuation election.

The deployment, often at short notice, of NZDF personnel places considerable demand on individuals and their families. New housing and accommodation initiatives aim to lessen the effects of deployment and relocation on personnel and ensure they have access to a standard of accommodation not less than that enjoyed by the wider community, and which is affordable.

In acknowledging our commitment to an inclusive culture, in August 2007 the NZDF was presented with the Equal Employment Opportunity (EEO) Trust public diversity award for its approach to the integration and acceptance of women at all levels of the Services. The NZDF is building on this integration initiative with a new diversity strategy which aims to optimise performance, including developing the differences that each individual brings to the organisational team.

Personnel composition and trends are shown in more detail in Section 2 – Defence at a Glance.

Major Capital Projects

The second priority under the DSI was implementation of the major capital projects on the Defence Long-Term Development Programme (LTDP).

The LTDP is a planning document that assists government to make decisions about defence capability over a ten-year period, covering current policy, priorities and affordability.

The NZDF regularly reviews the LTDP, in association with the Ministry of Defence, to ensure it is achieving its goals and to seek decisions from the Government on spending priorities.

The NZDF and MoD are committed to delivering quality capability projects. At the time of writing, the MoD, assisted by the NZDF, is managing 15 major capital programme projects and the NZDF is managing around 400 minor capital programme projects.

To underpin our theme of agility, a number of significant capability milestones have been achieved as part of the LTDP.

For Navy, the first of the offshore patrol vessels (OPV) – HMNZS Otago – and the first two of the inshore patrol vessels (IPV) – HMNZ Ships Rotoiti and Hawea are nearing delivery.

They will join HMNZS Canterbury that was commissioned in June 2007. The rest of the Protector fleet, the second OPV, Wellington and the last two IPVs, Pukaki and Taupo, are expected to enter service during 2008/09.

Preparations are also underway for the upgrade of the two Anzac frigates. The upgrades include three projects – the close-in weapon system upgrade, platform system upgrade and the self-defence upgrade.

For Army, the acquisition of the medium range anti-armour weapon and the very low level air defence system have both been delivered and these capabilities are being made operational. Special Operations equipment, night vision goggles, a water treatment system and electronic counter measure equipment for land self protection have been delivered and have been introduced into service or deployed on operations. In addition, more generic engineer capability is being acquired and planning is underway for the replacement of the Army's general service vehicle fleet.

For the Air Force, the two Boeing 757-200 strategic air transport aircraft are being modified to provide a cargo-carrying capability and upgraded avionics. In addition, the prototype aircraft for the upgrade and refurbishment of C-130H aircraft and P-3K Orion mission systems are being completed.

A contract has also been signed for the purchase of five Augusta-Westland A109 light utility helicopters, a flight simulator and spares support.

As well as training, the A109 has light utility capabilities including air transport, search and rescue, aero-medical evacuation, disaster response and surveillance and counter terrorism support. It will also provide operational support for other government agencies, including Police, Customs, the Department of Conservation, and Ministry of Fisheries.

Planning is also well advanced to seek submissions from industry to supply aircraft, a training package and maintenance support for advanced pilot training for the Air Force.

In December 2007, the Minister of Defence, the Hon Phil Goff, announced the decision to spend \$129 million to develop key infrastructure at Ohakea Air Force Base.

In 2002, the Government agreed that the Air Force should vacate Whenuapai and consolidate its operational capability at Ohakea. Since then, there has been significant investment made to the infrastructure and facilities at Ohakea, including an upgrade of the existing main runway and taxiways.

Development of new hangars for the new light and utility helicopter fleets is about to commence. Also funded is the construction of a new passenger and freight terminal, including offices for New Zealand Customs, Biosecurity and Immigration.

The consolidation at Ohakea and the departure from the Air Force from Whenuapai is expected to occur over the next 10 years.

Organisational Capability

The challenges that the NZDF faces will require continued development of organisational capability. The organisational capability of both the NZDF and the MoD is being strengthened through the achievement of projects within the DSI.

Since the completion of the Defence Capability and Resourcing Review, the NZDF and MoD have implemented a range of initiatives to improve management processes and frameworks.

Within the NZDF, governance processes have been expanded and strengthened to include responsibilities for strategic planning and organisational support.

These processes have been complemented by the establishment of an organisational support division in the NZDF, and the formation of a strategic capability and analysis branch within the MoD.

A strategic plan and balanced scorecard tool are now used to measure the NZDF's progress towards its vision. Business requirements and concept design work have been completed for the Defence Performance Management System, which is expected to be fully implemented by the end of this year. Existing frameworks, processes and linkages to other systems will continue to evolve and mature.

This process will be enhanced with the implementation of recommendations arising out of the recent Treasury-led Capital Asset Management review – which, amongst other things, will have all capital projects supported and resourced under a common whole-of-life framework.

The NZDF has also developed an action plan for the Government's sustainability initiative and continued to make significant progress in its management of health and safety.

DEFENCE TRANSFORMATION PROGRAMME

Underlining our change in capability, the DTP arose out of a baseline review conducted during 2007.

The purpose of the DTP is to modernise Defence support functions and to free resources to be re-invested in other areas. The bulk of DTP efforts are now focused on improving the efficiency of support functions.

The DTP has been organised into five main areas: human resource management, information technology, defence estate, education and training, and logistics. Progress on DTP projects within these areas is shown in Section 3 – NZDF Strategic Initiatives.

CONCLUSION

A high activity tempo has become the new norm for the NZDF. This is due to the combination of our commitments to peace-building and peace-keeping operations overseas, and our commitments in and around New Zealand – including multi-agency tasks, training and modernisation.

Our vision remains: "Three Services as One Force being the best in everything we do".

The underlying notion is excellence; we need to do the things we currently do better and to seek ways of doing better things – to do our business simpler and better. As highlighted in this Annual Report, and with the full support of my Executive Leadership Team, I intend this notion to underscore everything we do.

The high operational tempo is good reason for the investment we are currently making in rebuilding personnel numbers, and modernising our equipment and infrastructure.

During the year the NZDF commenced the introduction into service of HMNZS Canterbury – the first of the Project Protector vessels; continued with aircraft upgrades, completed a major baseline review, and initiated a transformation programme to ensure that we can deliver government's expectations now and into the future.

Other significant milestones included a continuation of projects under the Defence Sustainability Initiative; consolidation of the NZDF Strategic Plan, including performance measurement and reporting; building military capability and consolidating organisational capacity in Headquarters NZDF. In concert with the Ministry of Defence we achieved significant progress with the Defence Long-Term Development Plan.

I believe 2009 will be another year of opportunities and challenges. I am confident that all the men and women who serve in the NZDF will keep achieving positive results as we all continue to build the NZDF into an agile, resource efficient and valued Defence Force.

In closing, I wish to thank all members of the NZDF (military and civilian) for their continued contribution to achieving our mission. I would also like to thank their families, Service-related organisations and the wider public who have continued to encourage and support us.



J. MATEPARAE
Lieutenant General
Chief of Defence Force

SECTION TWO

Defence At A Glance

INTRODUCTION

This section of the Report provides a general overview of the New Zealand Defence Force, while more detailed information is available from the websites, publications and libraries listed later in this section. The following topics are covered in this Section:

NZDF Mission**Linkages to Government Policy**

New Zealand's Defence Policy
Employment Contexts

Overseas Operations**Forces and Locations****High Level Organisation Chart****Personnel Summary****Expenditure Summary****Corporate Information**

Statutory Committees
Availability of Information
Legislation administered by NZDF

NZDF Mission

The primary mission of the NZDF is:

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

In achieving this mission, the NZDF works closely with the Ministry of Defence (MoD). The MoD is responsible for providing defence policy advice, procurement of major items of equipment, and audit and assessment of the NZDF.

Linkages to Government Policy

The Defence Act 1990 provides for armed forces to be raised and maintained for:

- » the defence of New Zealand and the protection of its interests, whether in New Zealand or elsewhere;
- » the contribution of forces under collective security treaties, agreements or arrangements; and
- » the contribution of forces to the United Nations or other organisations or states for operations in accordance with the principles of the United Nations Charter.

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

New Zealand's Defence Policy

The **Government's Defence Policy Framework**, issued in June 2000, outlined the Government's goals and priorities for defence and provided a framework for decisions regarding military capabilities, resources and funding. It has been supplemented by the **Government Defence Statement of May 2001** in regard to **A Modern, Sustainable Defence Force Matched to New Zealand's Needs**, as reflected in the projects listed in the Long-Term Development Plan (first issued in June 2002 and updated regularly).

Defence is one component of New Zealand's foreign and security policy. While the NZDF is constitutionally the sole provider of military forces, it is not the sole contributor to strategic outcomes for national security. A range of other government departments and agencies, including for example the Ministry of Defence, the Ministry of Foreign Affairs and Trade, the Customs and Immigration Services, the Government Communications Security Bureau and the Ministry of Fisheries, all contribute to promoting and protecting New Zealand's national security.

In the *Government's Defence Policy Framework* five broad strategic outcomes for national security are endorsed. From these, a defence policy objective is set for each outcome. In achieving these objectives, the NZDF makes a range of contributions: it maintains operationally prepared forces for use by the government and it carries out operational missions in accordance with government direction. These outcomes, objectives and examples of NZDF contributions are shown below.

GOVERNMENT'S STRATEGIC OUTCOMES, AND RELATED DEFENCE POLICY OBJECTIVES	EXAMPLES OF CONTRIBUTIONS BY NZDF
<p>Strategic Outcome: A secure New Zealand including its people, land, territorial waters, EEZ, natural resources and critical infrastructure.</p> <p>Defence Policy Objective: To defend New Zealand and to protect its people, land, territorial waters, Exclusive Economic Zone (EEZ), natural resources and critical infrastructure.</p>	<p>EEZ resource protection Sovereignty protection Explosive disposal response Counter Terrorist response Civil Defence Assistance Aid to civil power Support to Government Agencies and the Community</p>
<p>Strategic Outcome: A strong strategic relationship with Australia in support of common interests for a secure and peaceful region.</p> <p>Defence Policy Objective: To meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests.</p>	<p>Regional security assistance in partnership Exercises Closer Defence Relations Visits</p>
<p>Strategic Outcome: A political environment in the South Pacific in which national economies, societies and identities continue to evolve in a climate of good governance and internationally agreed standards of compliance with human rights.</p> <p>Defence Policy Objective: To assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours.</p>	<p>Assisting in Pacific Island nations EEZ resource and sovereignty protection Security assistance Peace Support Operations Protection of New Zealand nationals Disaster relief</p>
<p>Strategic Outcome: An expanding role in the regional dialogue of South East and North East Asia and, where appropriate, a role in regional security consistent with New Zealand's interests and capabilities.</p> <p>Defence Policy Objective: To play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the Five Power Defence Arrangements (FPDA).</p>	<p>Peace Support Operations Humanitarian Support Regional Security Arrangements Exercises Defence Diplomacy</p>
<p>Strategic Outcome: A global approach which supports New Zealand's place in an international community committed to the maintenance of human rights and the collective security responsibilities enshrined in the United Nations (UN) Charter, and which strengthens New Zealand's international economic linkages.</p> <p>Defence Policy Objective: To contribute to global security and peacekeeping through participation in the full range of UN and other appropriate multilateral peace support and humanitarian relief operations.</p>	<p>Combat Operations Peace Support Operations Humanitarian support</p>

Employment Contexts *

To carry out its mission to secure New Zealand against external threat, protect sovereign interests, and take actions to meet likely contingencies in New Zealand's strategic area of interest, the NZDF trains and prepares military units to be available to government to respond to security challenges. It is not possible to be ready for every contingency, nor to predict exactly what security challenges will eventuate. Therefore, a representative and illustrative range of circumstances – Employment Contexts – have been identified that are consistent with government's defence policy priorities, and for which there is a high likelihood that a New Zealand government would expect to provide a military response.

Within each Employment Context (EC), a number of plausible events have been identified, some of which have been further developed for use in NZDF outputs planning. Each has a description of a particular security event, and an operational concept for NZDF response. They are used in the Output Plan agreed between the Minister of Defence and the Chief of Defence Force to ensure that the NZDF is funded, equipped and assessed on its ability to deliver effective military capabilities available to meet the Government's defence policy objectives.

EC 1	Security Challenges to New Zealand and its Environs:
EC 1A:	Civil Disturbances/Industrial Actions affecting essential services.
EC 1B:	Disasters posing a serious threat to life, property or the environment.
EC 1C:	Incursions into and through New Zealand's Economic Zone and other areas within New Zealand's jurisdiction that threaten New Zealand's interests.
EC 1D:	Terrorism and Acts of Sabotage.
EC 1E:	Asymmetric attacks on New Zealand territory (such as information warfare attacks and mining of New Zealand ports).
EC 2	Security Challenges to New Zealand's Interests in the South Pacific:
EC 2A:	Disasters posing significant risks to life, property or the environment.
EC 2B:	Illegal incursions into South Pacific Island EEZs and territories.
EC 2C:	Civil Disturbances leading to breakdown in law and order, and/or posing risks to New Zealand nationals.
EC 2D:	Terrorist Acts.
EC 2E:	Challenges to legitimate governments, including civil war and secessionist conflict.
EC 3	Security Challenges to the Australia–New Zealand Strategic Area:
EC 3A:	Short warning attacks against maritime approaches and terminuses and land incursions on Australian territory.
EC 3B:	Serious attacks on the physical security of the New Zealand–Australia Strategic area from a broader regional conflict.
EC 3C:	Asymmetric attacks.
EC 3D:	Major conventional conflict (such as an invasion of Australia).
EC 4	Security Challenges to New Zealand's Interests in the Asia–Pacific Region:
EC 4A:	Disasters posing significant risks to life or the environment.
EC 4B:	Acts of piracy.
EC 4C:	Impeded rights of passage through contested sea-lanes.
EC 4D:	Significant internal unrest or insurgency that spills to other states and/or poses risks to New Zealand nationals.
EC 4E:	Aggression to affect maritime boundaries or seize/expropriate resources.
EC 4F:	Inter–state conflict.
EC 5	Security Challenges to New Zealand's Interests in Global Peace and Security:
EC 5A:	Unresolved conflict where protagonists have sought third party resolution assistance.
EC 5B:	Act(s) by states or non–states actors that contravene international norms of behaviour or threaten international security or stability.
EC 5C:	Impeding supplies of essential resources (such as oil, water, electricity) to force political concessions or threaten the security of a nation or group of nations.
EC 5D:	Significant internal conflict with risks to the stability of surrounding states or involving large-scale suffering.
EC 5E:	Aggression to affect maritime or land boundaries or seize/expropriate resources.
EC 5F:	Major breakdown in international security leading to wide-scale war.

* During the reporting year, ECs were reviewed and updated to reflect contemporary circumstances and current government policy. Revised ECs will be used from the 2008/09 reporting year as a benchmark to continue to measure and report operational preparedness. The revised ECs are shown at pp 63–64 of the NZDF Statement of Intent 2008–2011.

LOCATION OF OVERSEAS OPERATIONALLY DEPLOYED FORCES AND PERSONNEL

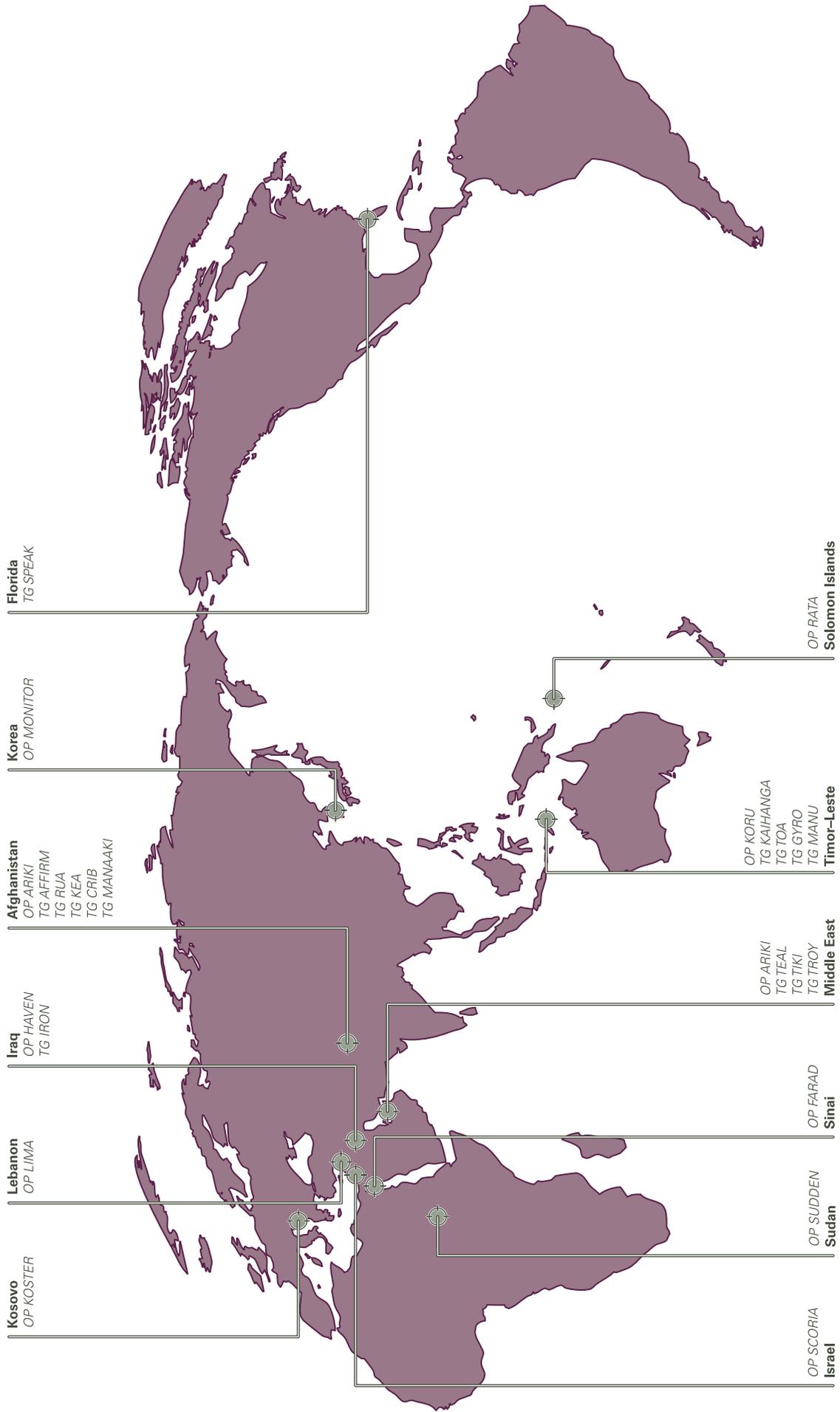
Overview

During the reporting year, NZDF personnel participated in those United Nations and Multinational peace support missions shown in the table below. Further details regarding these missions are shown under Output Expense 16: Operationally Deployed Forces.

REGION	CONTRIBUTION
Afghanistan	Since 2003 the NZDF has been involved in Afghanistan and currently provides a Provincial Reconstruction Team (including National Support Element), training support for leadership training to the Afghan National Army, military advice and interface between the staff of the United Nations Assistance Mission in Afghanistan (UNAMA), HQ International Security Assistance Force (ISAF) and Afghan authorities. In addition, support is provided to HQ Combined Joint Task Force (CJTF) 76 and Combined Forces Command Afghanistan (CFC-A), operations and medical support to the Canadian led Multi-national Medical Unit.
Arabian Gulf	Since 2003 the NZDF has maintained a team providing a support mechanism in support of operations in the Arabian Gulf and Afghanistan regions and, since May 2008, a vessel supporting maritime security operations in the region, along with land based operations and logistics support personnel. Several times a year, a strategic airlift aircraft is provided in support of missions in Afghanistan.
Iraq	Since 2005 a Military Advisor has been attached to the United Nations Assistance Mission in Iraq (UNAMI) providing liaison between the UN Assistance Mission Iraq (UNAMI), the Multinational Force and Iraqi Security Forces as well as advice on military matters to the UN Special representative of the Secretary-General (SRSG).
Israel, Lebanon, Syria	Since 1954 the NZDF has provided UN Observers to the United Nations Truce and Supervisory Organisation (UNTSO). These personnel patrol the area of operations and monitor ceasefires and military activity within the region. In addition, an Explosive Remnants of War Disposal Team was provided for 2007/2008.
Kosovo	Since 1999 the NZDF has provided staff officer support for the United Nations Interim Administration Mission in Kosovo (UNMIK).
Sinai Peninsula	Since 1982 the NZDF has provided expertise to the Multinational Force and Observers (MFO) in driver tasking, courses and training along with monitoring the operation of the Egyptian Border Guard Force.
Solomon Islands	Since 2003 the NZDF has provided support to the Participating Police Force (PPF) conducting local and provincial presence patrols and security patrols as part of the military component of RAMSI.
Timor-Leste	Since 1999 the NZDF has supported various operations in Timor-Leste and is involved in the United Nations Mission in Timor-Leste (UNMIT), the Office of Defence Force Development (ODFD), focussing on contract management, equipment support and development of defence policies for the Timor-Leste Defence Force along with support elements which provides civilian/military aid, security and stability tasks as part of CJTF 631, and helicopter support for the routine movement of stores and personnel, aero-medical evacuation and other tasking as part of the ANZAC Aviation Group.
Republic of Korea	Since 2004 the NZDF has provided staff support with operations, watch-keeping and corridor control to the United Nations Command Military Armistice Commission in the Republic of Korea (UNCMAC).
Sudan	Since 2005 the NZDF has provided Military Observers and Staff Officer assistance to the UN Mission in Sudan (UNMIS).
United States of America	Since 2003, a NZDF National Planning Element (NPE) and operational support has been based at US CENTCOM in Florida for liaison and planning.

Locations of these missions are shown in the map on the following page.

Location of Overseas Operations



NZDF Units

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

Defence College

JOINT FORCES NEW ZEALAND**Trentham**

Commander Joint Forces New Zealand

Headquarters Joint Forces New Zealand

Overseas UnitsNZ Defence Support Unit / South-East Asia
(Singapore)**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 Canterbury (Amphibious Sealift)

HMNZS Endeavour (Fleet Replenishment)

Hydrographic

HMNZS Resolution

Diving Support

HMNZS Manawanui

Sea Training

HMNZS Kahu

Naval Patrol ForceHMNZ Ships Kiwi and Wakakura ¹**NEW ZEALAND ARMY****Papakura**

1 NZ SAS Group

Auckland Regional Support Unit

NEW ZEALAND ARMY (CONT.)**Waiouru**

NZ Land Training and Doctrine Group

Officer Cadet School

Land Operations Training Centre

Waiouru Training Depot

Linton

HQ 2nd Land Force Group

16th Field Regiment (Artillery and Air Defence)

2nd Engineer Regiment

1st Battalion (Infantry)

2nd Signals Squadron

2nd Logistics Battalion

2nd Health Services Battalion

Trentham

Trentham Regional Support Battalion

1st Military Intelligence Company

Force Military Police Company

1st NZ Explosive Ordnance Disposal Squadron

HQ Military Studies Institute

Burnham

HQ 3rd Land Force Group

Queen Alexandra's Mounted Rifles (Armoured
Reconnaissance)

2nd/1st Battalion (Infantry)

3rd Signals Squadron

3 Logistics Battalion

Tekapo Military Training Area

ROYAL NEW ZEALAND AIR FORCE**Auckland**

No 5 Squadron

6 x P-3K Orion

No 6 Squadron

5 x SH-2G(NZ) Seasprite

No 40 Squadron

2 x Boeing 757

5 x C-130 Hercules

Expeditionary Support Squadron

Ohakea

No 3 Squadron

14 x UH-1H Iroquois

5 x Bell 47G Sioux

Flying Training Wing

14 x Airtrainer

5 x Beech King Air

Woodbourne

Ground Training Wing

¹ HMNZ Ships Kiwi and Wakakura were decommissioned on 11 December 2007.

NZDF Locations within New Zealand

Auckland - includes Devonport, Auckland, Whangaparaoa

Papakura

Waiouru

Ohakea

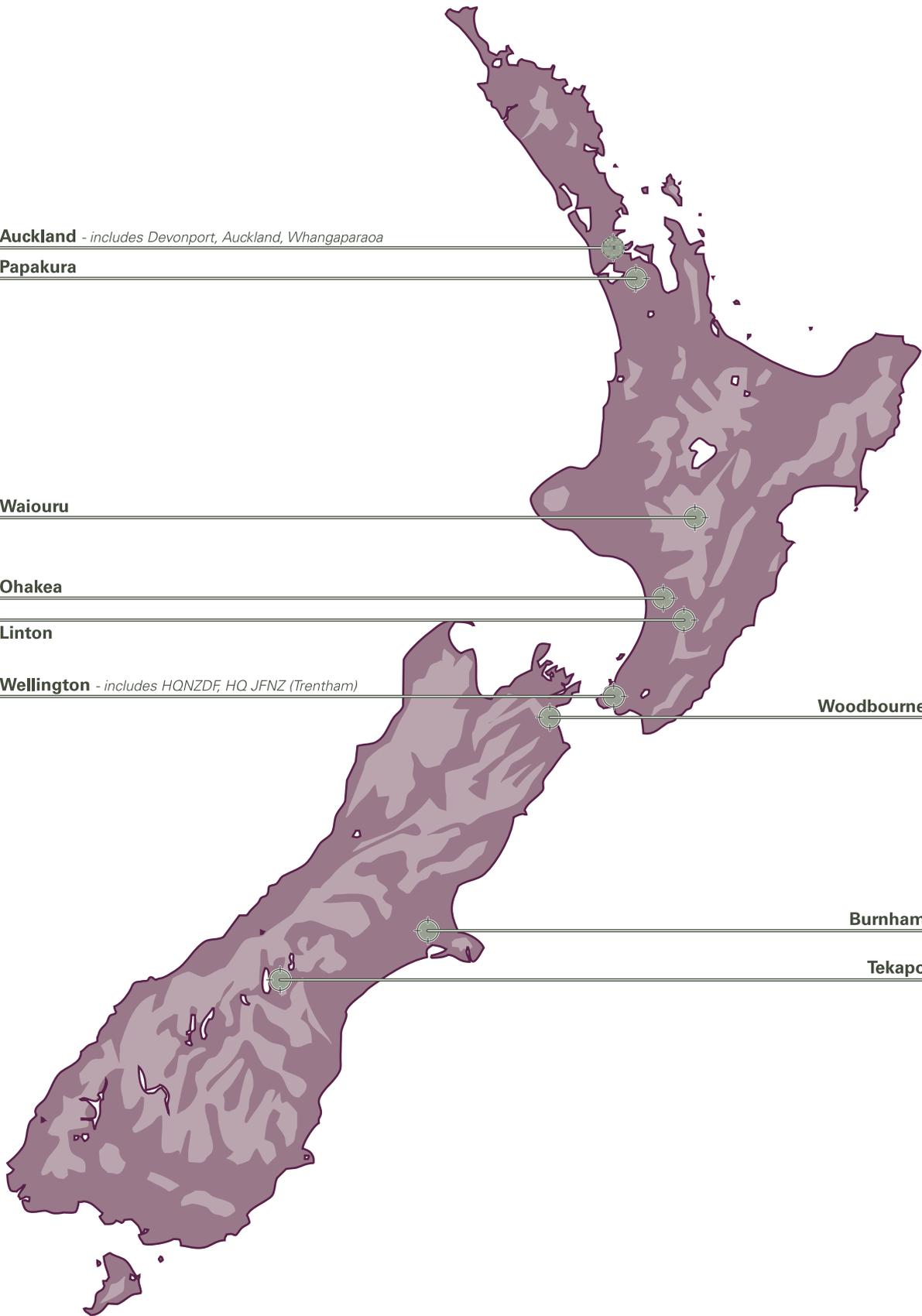
Linton

Wellington - includes HQNZDF, HQ JFNZ (Trentham)

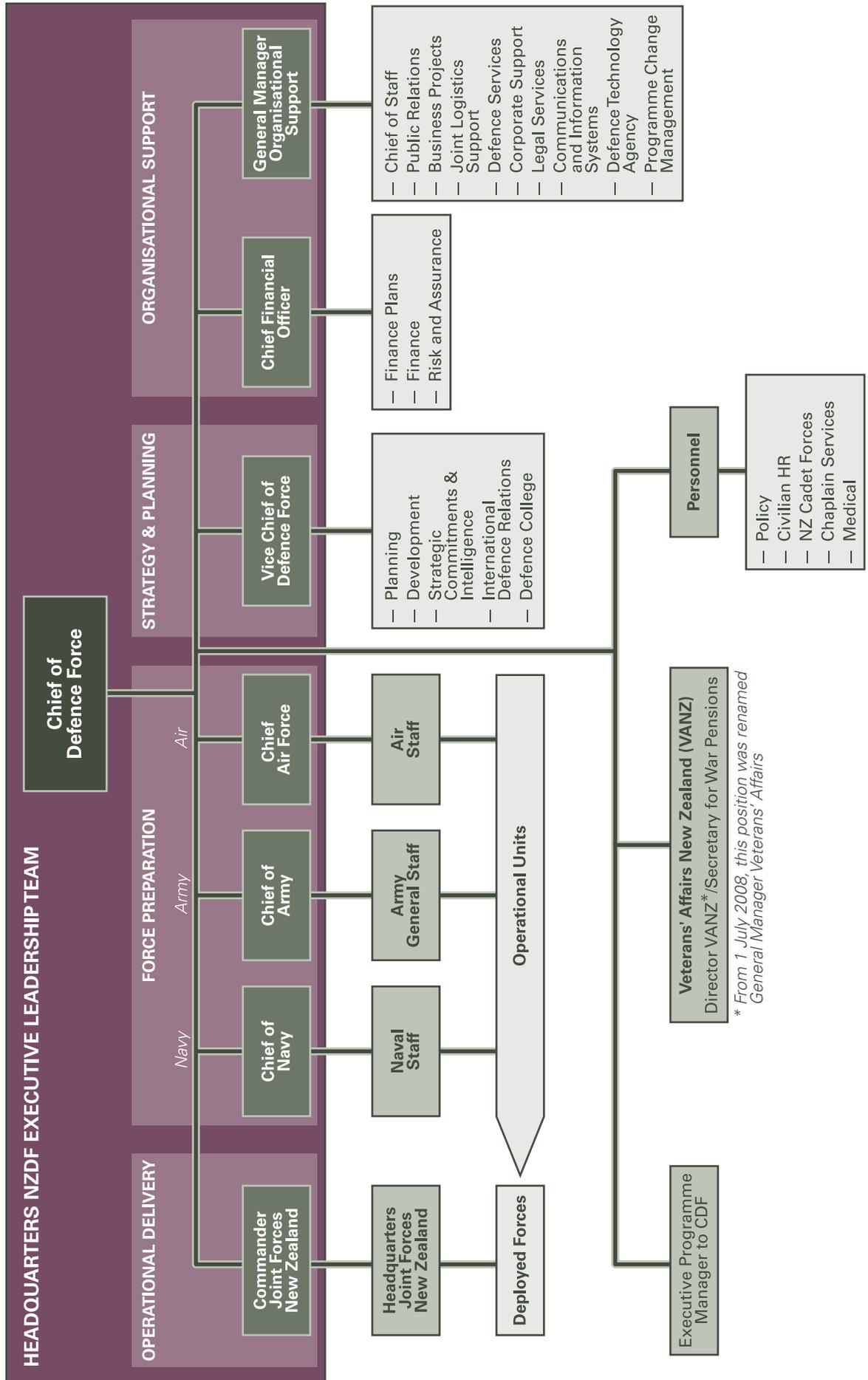
Woodbourne

Burnham

Tekapo



NZDF High Level Functional Organisation - as at 30 June 2008



PERSONNEL SUMMARY

Personnel Composition – as at 1 July 2008

Headquarters

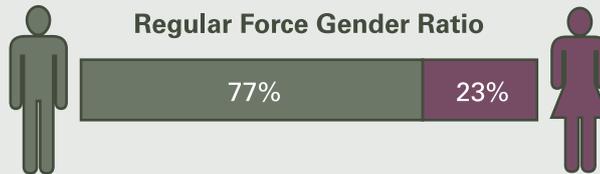
Regular Force ⁽¹⁾	279
Non-Regular ⁽¹⁾	3
Civilian ^{(2) (3) (4)}	908
HQ NZDF Total	1,190

Joint Forces

Regular Force ⁽¹⁾	165
Non-Regular ⁽¹⁾	2
Civilian ^{(2) (3)}	32
HQ JFNZ Total	199

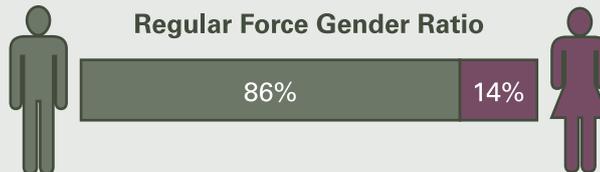
Navy

Regular Force	2,020
Non-Regular	315
Civilian ⁽³⁾	391
RNZN Total	2,726



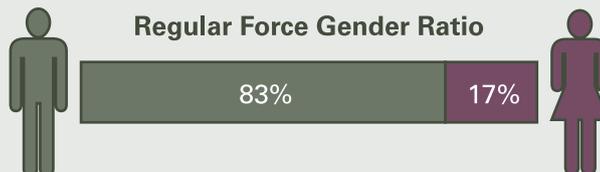
Army

Regular Force	4,754
Non-Regular	1,690
Civilian ⁽³⁾	689
Army Total	7,133



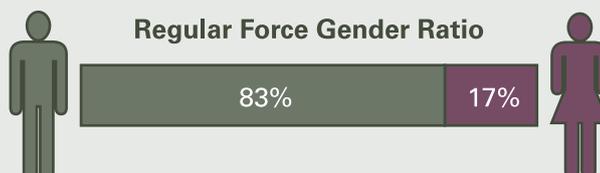
Air Force

Regular Force	2,504
Non-Regular	192
Civilian ⁽³⁾	394
RNZAF Total	3,090



Defence Force

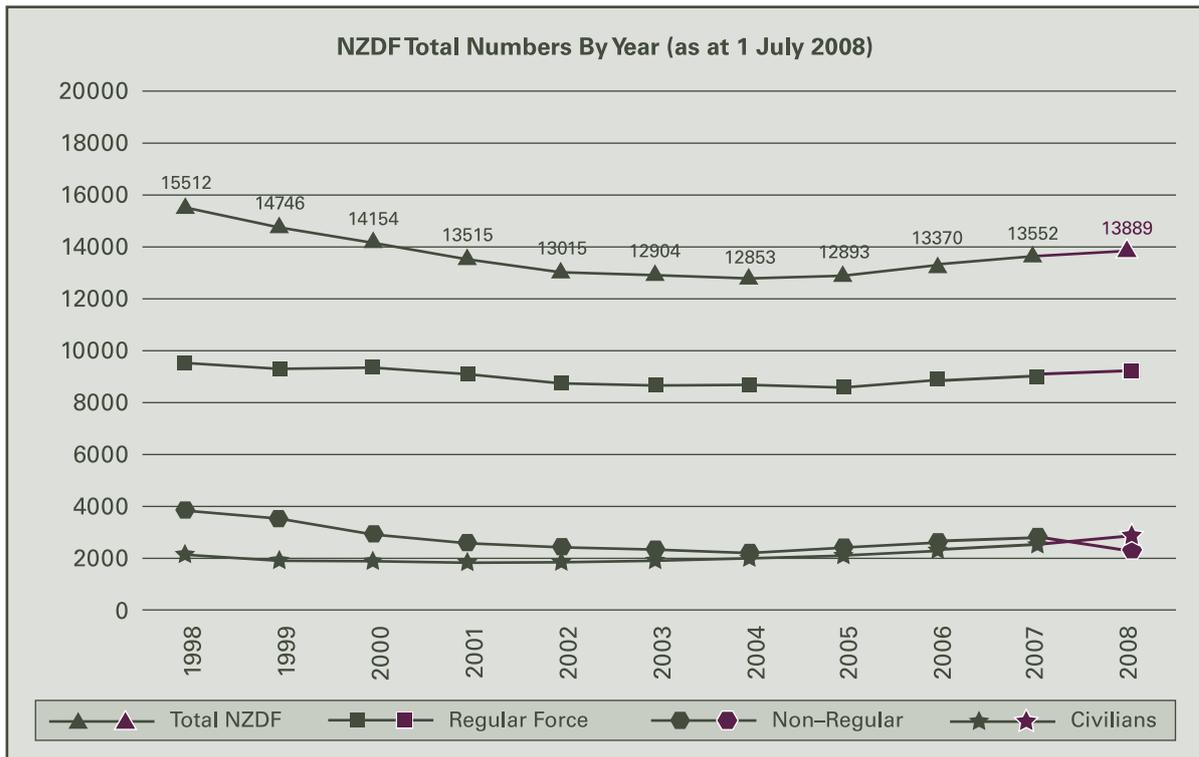
Regular Force	9,278
Non-Regular	2,197
Civilian ⁽³⁾	2,414
NZDF Total	13,889



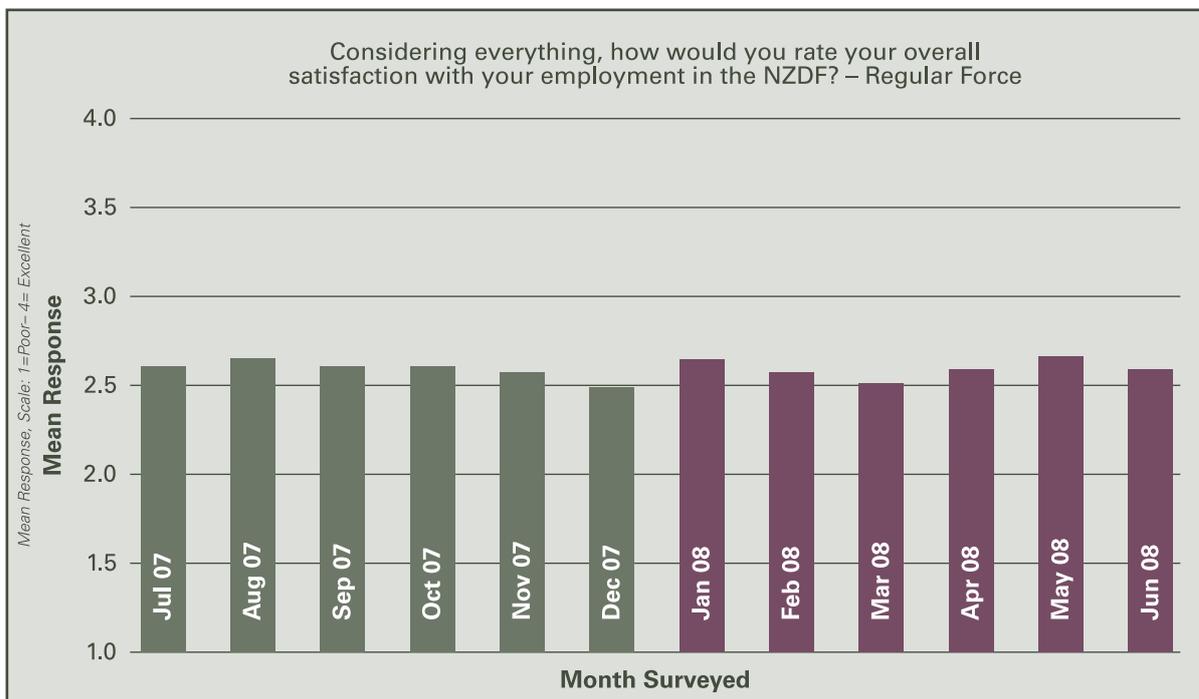
(1) HQNZDF and HQJFNZ military personnel are already counted within Single Service totals
 (2) Civilian number in HQNZDF and HQJFNZ are counted separately to Single Service civilian totals
 (3) All Civilian numbers reported on this page are Full-Time equivalent
 (4) Includes VANZ and Locally Employed Civilians

Attrition: NZDF Regular Force Attrition (12 month rolling attrition) for the 12 months to 30 June 2008 – 15.50%

Personnel Total Number by Year



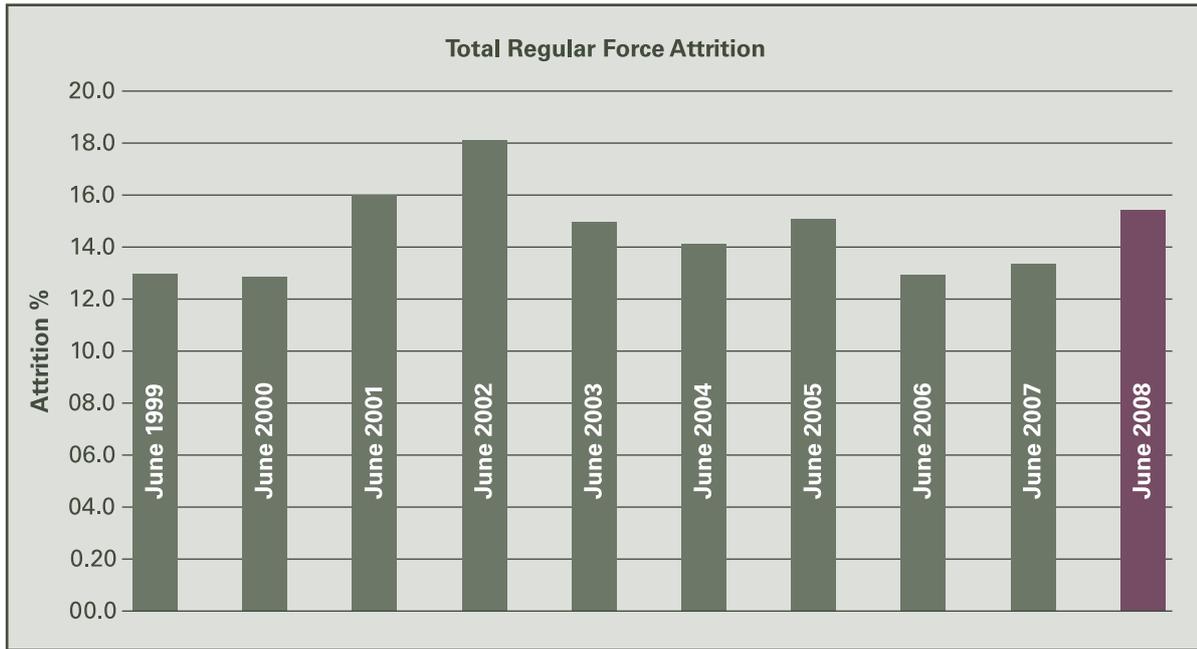
Satisfaction with Employment in the NZDF



Overall, Regular Force satisfaction has remained fairly stable over the past 12 months, though has reduced slightly over the past 24 months. From July 2007 to June 2008, 57.1% of all Regular Force respondents rated their overall satisfaction as 'good' or 'excellent'.

The NZDF Ongoing Attitude Survey continues to provide a valuable source of information to monitor organisational health as an aid to HR policy development. The NZDF Cohort Survey has also continued. This survey tracks selected cohort groups of officer and other rank recruits across the three Services over time, to monitor recruit perceptions and levels of satisfaction, and inform future recruitment, training, and management practices.

NZDF Regular Force Attrition by Year (12 month rolling average)



DEFENCE EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

Defence expenditure for the year ended 30 June 2008 was \$1.887 billion, exclusive of GST. Of this total, \$357 million (19%) was returned to the Crown as capital charge for the use of Defence assets.

A summary of expenditure is shown below and the full financial statements and notes are shown at Section 6 of this report.

Defence Expenditure	\$1.887 billion	
Headquarters*	\$325M	
Navy	\$504M	
Army	\$595M	
Air Force	\$463M	
Total Breakdown	\$1.887 billion	
Personnel	\$693M	37%
Operating	\$557M	29%
Depreciation	\$280M	15%
Capital Charge	\$357M	19%

*Includes HQ NZDF and HQ JFNZ

STATUTORY COMMITTEES

The two statutory NZDF committees, with the number of meetings held during 2007/08 were:

- » Chiefs of Service Committee **11 meetings**
- » Board of Review **4 meetings**

During the reporting period, 10 Executive Leadership Team meetings were also held

AVAILABILITY OF INFORMATION

Further information regarding the Defence Force is available to the public from the following sources:

New Zealand Defence Force: www.nzdf.mil.nz

Defence Public Relations: – dpru@nzdf.mil.nz

Headquarters New Zealand Defence Force
2-12 Aitken Street, Wellington

Defence Library: – defence.library@nzdf.mil.nz

Headquarters New Zealand Defence Force
2-12 Aitken Street, Wellington

Navy: www.navy.mil.nz

Navy Today:

(monthly publication)

The White Ensign:

(Navy Museum heritage journal) (quarterly publication)

Royal New Zealand Navy Museum: – www.navymuseum.mil.nz

Devonport Naval Base, Auckland

Army: www.army.mil.nz

Army News:

(fortnightly publication)

Queen Elizabeth II Army Memorial Museum: – www.armymuseum.co.nz

Waiouru

Air Force: www.airforce.mil.nz

RNZAF News:

(monthly publication)

RNZAF Memorial Museum: – www.airforcemuseum.co.nz

Sockburn, Christchurch

Ministry of Defence: www.defence.govt.nz

LEGISLATION ADMINISTERED BY NZDF

New Zealand Defence Force:**Acts**

Armed Forces Canteens Act 1948
 Armed Forces Disciplinary Act 1971
 Court Martial Act 2007
 Court Martial Appeals Act 1953
 Defence Act 1990
 Military Decorations and Distinctive Badges Act 1918
 Military Manoeuvres Act 1915
 Visiting Forces Act 2004

Regulations and Orders

Air Efficiency Award Regulations 1954
 Armed Forces Canteens (Fees and Travelling Expenses) Regulations 1974
 Armed Forces Discipline Act Commencement Order 1983
 Armed Forces Discipline (Exemptions and Modifications) Order 1983
 Armed Forces Discipline (Legal Services Fees and Allowances) Regulations 1991
 Armed Forces Discipline Regulations 1990
 Armed Forces Discipline Rules of Procedure 1983
 Armed Forces Establishments Road Traffic Bylaws 1978
 Courts Martial Appeals Act Commencement Order 1955
 Courts Martial Appeals (Fees and Allowances) Regulations 1997
 Courts Martial Appeal Rules 1954
 Defence Regulations 1990
 Efficiency Decoration Regulations 1966
 Efficiency Medal Regulations 1966
 Kayforce Wills Notice 1953
 Medal for Long Service and Good Conduct (Military) Regulations 1959
 New Zealand Cadet Forces Medal Regulations 1989
 New Zealand Distinguished Service Decoration Regulations 2007
 New Zealand General Service Medal (Kuwait) Regulations 1992
 New Zealand General Service Medal (Sinai) Regulations 1992
 New Zealand General Service Medal (Iraq) Regulations 2004
 New Zealand General Service Medal (Peshawar) Regulations 1994
 New Zealand General Service Medal (Somalia) Regulations 1994
 New Zealand General Service Medal (Cambodia) Regulations 1995
 New Zealand General Service Medal (Mozambique) Regulations 1995
 New Zealand General Service Medal (Arabian Gulf) Regulations 2001
 New Zealand General Service Medal (Bougainville) Regulations 2001
 New Zealand General Service Medal (Afghanistan) Regulations 2002
 New Zealand General Service Medal (Indian Ocean) Regulations 2002
 New Zealand General Service Medal (Korea 1954–57) Regulations 2002
 New Zealand General Service Medal (Malaya 1960–64) Regulations 2002
 New Zealand General Service Medal (Near East) Regulations 2002
 New Zealand General Service Medal (Rwanda) Regulations 2002
 New Zealand General Service Medal (Solomon Islands) Regulations 2002
 New Zealand General Service Medal (Vietnam) Regulations 2002

LEGISLATION ADMINISTERED BY NZDF

New Zealand General Service Medal (Thailand) Regulations 2003
 New Zealand Special Service Medal (Asia Tsunami) Regulations 2005
 New Zealand Special Service Medal (Nuclear Testing) Regulations 2002
 New Zealand Operational Service Medal Regulations 2002
 New Zealand White Ensign Regulations 1968
 Queen's Medal for Champion Shots of the Air Forces Regulations 1954
 Queen's Medal for Champion Shots of the New Zealand Naval Forces Regulations 1958

Royal Warrants

The East Timor Medal
 Air Efficiency Award
 Cadet Forces Medal
 Efficiency Decoration
 Efficiency Medal
 Medal for Long Service and Good Conduct (Military)
 New Zealand Armed Forces Award
 New Zealand Army Long Service and Good Conduct Medal
 New Zealand General Service Medal 1992
 New Zealand General Service Medal 1997
 New Zealand General Service Medal 2002
 New Zealand Memorial Cross
 New Zealand Meritorious Service Medal
 New Zealand Operational Service Medal
 New Zealand Service Medal 1946–1949
 New Zealand Service Medal 1946–1949, 2002
 New Zealand Special Service Medal
 Queen's Medal for Champion Shots of the Air Forces
 Queen's Medal for Champion Shots of the New Zealand Naval Forces
 Royal New Zealand Air Force Long Service and Good Conduct Medal
 Royal New Zealand Naval Reserves Officers' Decorations
 Royal New Zealand Naval Volunteer Reserve Long Service and Good Conduct Medal
 Royal New Zealand Navy Long Service and Good Conduct Medal
 Vietnam Medal

The activities of the Armed Forces are further regulated by Defence Force Orders issued pursuant to the Defence Act 1990 and the Armed Forces Discipline Act 1971.

Veterans' Affairs New Zealand:**Acts**

The War Pensions Act 1954
 The Veterans' Affairs Act 1999
 The Patriotic and Canteen Funds Act 1947

Regulations and Orders

The War Pensions Regulations 1956
 War Pensions (Rates of Pension, Lump Sum Payments and Allowances) Order 2007
 War Pensions (Arrangement with Australia) Regulations 1967
 War Pensions (Total Deafness) Order 1997

SECTION THREE

Strategic Initiatives**INTRODUCTION**

The Minister of Defence has confirmed that his priorities for the NZDF continue to be focused on: maintaining current operations and management of related issues; rebuilding military capability (achieving the desired and required results of the DSI and LTDP); managing within the operating and capital funding envelopes; and rebuilding corporate capability and management systems (in line with the DTP and DSI). These requirements, together with the NZDF's priorities, have been incorporated into the NZDF strategic initiatives. The NZDF will focus on achieving the strategic initiatives (updated annually) over the period 2008/09 – 2010/2011. The strategic initiatives are a dynamic, rolling programme of projects that are regularly reviewed to ensure optimum benefit and alignment against strategic objectives.

Progress on strategic initiatives during 2007/08 is summarised below.

Army Transformation Programme

The Army Configuration Review (ACR) was one of the projects completed under the DSI. The objective of the ACR was to determine how best to configure the NZ Army to meet its outputs in the short term, while rebuilding to its authorised level. The Army Transformation Programme (ATP) analysed the outcomes of the ACR to determine the size and structure necessary to deliver these outputs. As a result, a comprehensive range of initiatives have been identified and these are being further considered.

Army Tactical Trunk Communications Project

The objective is to provide a high capacity digital theatre communications system to support the command and control requirements of Battalion Group operations.

This initiative has now been incorporated in the LAND C4ISR Project (see below).

Capability Management Framework

The Capability Management Framework (CMF) was developed in 2004 to provide a governance and management system to ensure there is effective investment in defence capabilities. During the year, the CMF was revised to improve processes, governance and reporting of projects. The CMF will be further updated to incorporate capital asset management policy and practices.

Capability Management Plans which Prioritise Investment

At present capability management plans are developed by the single Services. A programme management tool is being developed in order to list capability requirements and to prioritise effort and investment.

Defence Satellite Communications Project

This project seeks to acquire a secure wideband satellite communications capability for the NZDF.

The NZDF is reviewing its options to meet this capability requirement.

Defence Estate Strategic Plan (DESP)

The draft DESP, generated in response to a specific DSI outcome and then leveraged into the DTP, identified the following: outstanding policy issues that needed to be resolved; the gap in available funding to reach and maintain an adequate estate condition over the 10-year DSI programme; and included a programme of work to resolve the long term form (footprint) and function of the estate.

Outstanding policy and funding issues, including the long term footprint, are being progressed under the Footprint Change Programme (referred to above) and other DTP initiatives. DTP outcomes will be progressively incorporated into the draft DESP during 2008/09.

Defence Performance Management System (DPMS) Phase 2

Phase two of the DPMS project focuses on the organisational and operational preparedness of the NZDF. It aims to provide the business as usual metrics to inform the strategy of what interventions are required.

The outcome is to provide a repository for planned and actual performance of both financial and non financial information in line with the organisational structure. This repository will provide a more transparent picture of the organisations performance in line with planning and resource allocation.

It is anticipated that the second phase of development will be delivered by December 2008 with the roll out through to June 2009.

Defence Strategic Guidance (DSG) for the Defence Planning Framework

The DSG document is the central core of the Defence Planning Framework, and contains the high-level planning parameters and priorities for resource allocation and capability development out to 2020.

The logic cascade and outline contents have now been scoped and agreed in principle. Existing corporate material for an 'internal-only' DSG based on established policy documents is being drawn together.

Education and Training Change Programme

The main outcome of this initiative is to determine and deliver opportunities for enduring efficiency improvements to NZDF-wide education and training delivery.

Savings of around \$2 million for FY 2008/09 have been identified. A NZDF Centre of Excellence has been approved and a strategic Warrant Officers course has been successfully piloted. A number of improvement and consolidation strategies are under current development and are being assessed for future benefits.

Efficiency and Innovation Programme

The aim of this initiative is to provide NZDF-wide coordination, encouragement and promotion of continuous improvement and innovation.

Each of the Services has had their own individual innovation and efficiency, or continuous improvement programme underway for some time with considerable success in promoting and encouraging innovative approaches to service improvement.

The NZDF efficiency and innovation programme has focused on identifying initiatives within headquarters and has included better reporting of travel and stationery costs and a pilot programme aimed at encouraging innovative ideas for more efficiency.

Five-Year Resource Plan

The Five Year Resource Plan will provide invaluable information about the levels of funding required over the next five years to implement NZDF's strategic direction.

This plan has been completed for the period 2008/09 to 2012/13.

Footprint Change Programme

The Programme aims are to determine the rationale/principles for the placement of NZDF estate at various locations around New Zealand; to identify no more than two main options for the future NZDF estate footprint; and then to identify at a high level, the potential costs and savings of moving to the option(s).

Footprint assumptions and estate location principles have been developed and these will be used for guiding development of long term footprint concepts.

In conjunction with this programme there are various initiatives to optimise use of the Defence estate, including the rationalisation of leases.

Human Resource Change Programme

The HR Change Programme incorporates eight projects which are designed to deliver simpler and more effective HR management services in the NZDF. This is being achieved through review and simplification of policies, structures and systems with the aim of exploiting a joint approach where practical. The programme consists of the following:

Transformation of Military Remuneration Strategy

This project aims to help the NZDF to recruit and retain the right people; to allow military personnel to compare remuneration accurately with the wider employment market; and to establish a review mechanism, so that all elements of remuneration are reviewed regularly.

A model has now been introduced that links NZDF total fixed remuneration to the external market and places all trades and branches into three salary bands for pay purposes. This will allow greater flexibility to respond to market pressures and to meet recruitment and retention challenges. The new military remuneration system will be progressively implemented over the next year.

NZDF Superannuation

The NZDF's employer contribution for superannuation will now be paid as part of total remuneration and will provide NZDF personnel with greater choice in superannuation elections. This, and other initiatives, is designed to meet the Government's intent for saving for retirement, portability, and alignment to other schemes.

Housing & Accommodation Assistance

This initiative aimed to evaluate and develop equity-based NZDF non-remuneration accommodation benefits to ensure they are comprehensive and effective.

A universal accommodation allowance has been developed to replace other forms of accommodation subsidies for military personnel.

HR Policies

A project working group has been established to review existing policy guidelines and new processes to support more efficient and effective HR systems.

A new policy framework is being developed underpinning a fundamental change in HR management culture from prescription to intent based, and from precedence to exemption based policies thereby aligning operational decision making. The new policy structures will allow decisions to be made quickly and effectively, improving productivity and freeing up resources to apply to other areas.

Transformation of HR Structures and Delivery

This project is designed to review current HR management structures and delivery to support the recruitment, personnel development and retention of uniformed personnel.

As a first step, workforce planners from all three Services have now been co-located together.

Workforce Planning Tools & Systems

This initiative aims to create an integrated, transparent, reliable and accurate set of workforce planning systems and tools that will enable the NZDF to produce valid and consistent estimates of personnel supply and demand, in terms of both numbers and costs.

During the year research continued, which included mapping elements of the current workforce planning systems and developing definitions and plans.

NZDF Recruiting

The NZDF Recruiting Project was established to determine the efficiency of current military recruiting practice, and ensure that the NZDF recruiting organisation is resourced and structured effectively in order to meet future personnel sustainability and growth objectives.

An analysis of the potential financial benefits of various advertising agency structures and remuneration models has been undertaken and a decision made for all three Services to adopt a single advertising agency.

A review of processes, practices and structure of the NZDF recruiting organisation is also being undertaken.

Strategic Intent for Reserves

A strategic plan to better manage NZDF Reserve personnel has been developed.

Information and Technology Change Programme

The main outcome of this initiative is to provide more efficient and effective IT delivery throughout the NZDF.

Progress has been made in identifying savings and streamlining business processes.

Joint Communications Modernisation Project

This project proposes to modernise the NZDF's long range and medium range communications capability to ensure that the NZDF maintains a reliable, integrated, worldwide communications infrastructure.

A NZDF Project Officer was appointed to this project in May 2008 and is currently undertaking a scoping study. It is anticipated that this capability will be delivered as a programme of work.

Joint Business Intelligence (JBI) Project

The JBI project is the mechanism through which SAP Business Warehouse will be implemented throughout the NZDF.

A substantial software upgrade to bring the application into line with the latest release of the SAP Business Intelligence (BI) technology has been completed. This in turn has underpinned the redesign of the presentation layer of the application with the delivery of a web-based BI homepage, including associated training and support. The data repository that lies at the heart of the BI application has also been expanded.

Joint Command Control System (JCCS) Project

The Joint Command and Control System Project seeks to acquire a modern joint command and control system for the NZDF. This information-technology based capability will enable the NZDF to exercise effective command and control over its force elements at the strategic, operational and tactical levels.

The NZDF is developing a programme of work to incrementally deliver this capability to the NZDF. It is anticipated that initial acquisition of this capability will commence in 2009.

Land Intelligence Surveillance and Reconnaissance (now called LAND C4ISR)

This project proposes to create a land based tactical Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) system (battle group and below).

The Land Intelligence, Surveillance and Reconnaissance Project now incorporates the scope of the Army Tactical Trunk Communication Project and the Land Tactical Command, Control, Communications and Computers (C4) capability requirement.

The LAND C4ISR project is developing an overarching strategy and implementation plan to deliver these capabilities to Army in a single integrated project as part of the NZDF Network Enabled Capability, and in conjunction with the Joint Command and Control System programme.

Logistics Change Programme

The aim of this initiative is to review logistics within the NZDF to ensure a simpler and better supply chain system.

Savings of around \$4 million have already been realised from this initiative and the focus has now shifted to achieving further savings for FY 2008/09 in areas such as catering, commercial vehicle fleet, travel, clothing and contracting.

Military Policy Skills Programme

The Military Policy Skills Programme aims to grow the organisational capacity of the NZDF to participate in future whole-of-government work on New Zealand Defence policy.

A high level concept for this programme has been developed in conjunction with the NZDF Professional Development Framework initiative.

Networked Enabled Capability (NEC) Governance Structure

NEC is a strategic initiative designed to establish the governance and processes needed to enable the benefits of the information age to be applied to defence operations and business.

The NEC governance structure and its associated Programme Management Support Office have been successfully implemented within the NZDF.

NEC Concept and Roadmap

Significant progress has been made over the past 12 months in developing and implementing the NZDF NEC Strategy. Since promulgating its NEC Strategy in October 2007, the NZDF has implemented a NEC governance structure, and has begun populating the NEC Roadmap which is scheduled for completion in during 2008. The NZDF has also promulgated and implemented an NEC Experimentation Framework to guide and govern the experimentation programme.

NZDF Individual Readiness Policy

The aim of this initiative is to state NZDF policy for individual readiness, including the obligations on both individuals and commanders at all levels.

A policy has been developed and business rules for programming of individual readiness are being prepared.

NZDF Professional Development Framework

This project aims to identify the components of a high quality professional development system for NZDF personnel. A future benefit of the system will be the ability to profile all personnel to match them with posts, courses, and career paths.

Work on this initiative is progressing.

On-Line Performance Reporting for Military Personnel

The development of the online performance reporting tool is a strategic project which will design and deliver an application with a unified and coordinated approach to personal reporting and performance management.

Over the past year, the project has determined specific stakeholders' requirements to develop the tool. User acceptance testing has been undertaken and planning for the training and implementation of the tool has progressed. It is expected the online performance reporting system will be rolled out by December 2008.

Portfolio, Programme and Project Management Framework

The aim of this project is to develop a framework to manage the portfolio of NZDF programmes and projects in a more efficient, effective and systematic way.

During the year, the Project Reporting System was enhanced to make it more efficient and friendly for users. In addition, the NZDF has put considerable effort into training project managers and enhancing business case templates and guides.

A feasibility study is underway for an Enterprise Portfolio Management System. If implemented, it would see the replacement of the existing system by either a customised SAP development or a commercial package fully integrated with SAP.

Phase 1 of the Information Management and Exploitation (IMX) Programme

The overall objective of the IMX Programme is to deliver policies, processes, training and enabling technologies that will result in getting the right information in front of decision makers in a timely and appropriate manner.

Both user and business requirements have been completed, as well as a gap analysis. A pilot project is underway to establish IMX infrastructures.

Review Contingency Reserve Stocks, Repairs and Maintenance and Base Sustainment Stockholding Policy

This initiative has been completed and policies have been updated.

Secure Wide Area Network Expansion Programme

Significant progress has been made during the year on expanding a secure communications network throughout the NZDF, especially across Army. Further expansion and development of capabilities will be ongoing.

SECTION FOUR**NZDF Statement of Service Performance****MILITARY CAPABILITY**

The annual outputs of the NZDF fall into two categories: performing predictable or routine tasks, such as providing policy advice or continuing to support existing peace support operations; and maintaining an ability to respond to unknown future security events.

The latter preparedness requirement is specified in the NZDF Output Plan by detailing the level of military capability that must be maintained against the five Employment Contexts (ECs), depicted in Section 2 of this Report. These ECs identify representative security events that would pose a threat to New Zealand's national security outcomes, and to which the government would expect to provide a military response. The ECs provide the guidance to determine the Operational Level of Capability (OLOC) required to conduct such military tasks effectively and safely. Because of the high costs of maintaining OLOC, the NZDF is funded to routinely maintain a lower Directed Level of Capability (DLOC). This allows force elements to be raised to OLOC within specified warning times, before being deployed on operations.

Raising forces to OLOC generally includes additional training and personnel preparation appropriate to the environment and task, additional equipment maintenance, any necessary upgrades to military equipment, and logistic support planning. Extra costs for OLOC generation and operational deployments are covered either by offsets within the existing vote (for example where operational tasks fulfil some of the routine DLOC training requirements); or by supplementary funding under Output Expense 16, Operationally Deployed Forces.

PERFORMANCE MEASUREMENT

The following performance measurement is applicable to Output Expenses 2 to 14. Specific output performance measures are provided within Output Expenses 1, 15 and 16.

Assessment of Output Performance by the Ministry of Defence

The Evaluation Division of the Ministry of Defence confirms that the output specifications are consistent with Defence policy and examines whether the outputs are being delivered in the quantity and quality that meets policy objectives. Policy validation is available from current strategic guidance, existing Defence policy and Service documentation relevant to the Force Element. A detailed measurement system is used to assess whether force elements are fully, substantially, partially or not prepared.

Assessment of Output Performance by the NZDF

The NZDF evaluates military capability through the NZDF Operational Preparedness Reporting System (OPRES). Output delivery is evaluated in both quantity (force structure) and quality (preparedness) terms with emphasis being on the quality dimension.

The OPRES reporting regime includes Biannual Operational Preparedness Reports, Quarterly Reports to the Minister of Defence and Special Reports on a change of preparedness state. Where appropriate and practicable, operational service performance evaluation will be conducted by external agencies, e.g. by Allied Forces. Operational commanders also draw on a range of routine inspections and other activities. The standards to be achieved are detailed in the applicable directive or instruction, but generally a 90 per cent or better achievement rate is expected.

Measurement Areas

The quality dimension is assessed against the Force Element's preparedness to perform in four Key Measurement Areas (KMAs): Readiness, Combat Viability, Deployability and Sustainability. The objective for each force is to achieve a P1 assessment (fully prepared at the required level of capability) in each of the four KMAs used to measure military preparedness.

Measures

The three Services have separate but similar Key Performance Indicators (KPIs). Indicative KPIs and performance measures used to quantify performance in achieving preparedness relative to DLOC are published in Budget 2008 B.5A Vol 4 External Sector Information Supporting the Estimates of Appropriation for the year ending 30 June 2009 (pp 84–85).

Each Force Element is assessed against:

- » **Readiness** – having completed the required individual and unit training to bring it to a state where the force can complete final preparation within the designated Response Time for applicable Employment Contexts. This requires each Force or Force Element to conduct a programme of readiness training against Mission Essential Tasks for the applicable Employment Contexts in accordance with Service Directives and Training Instructions.
- » **Combat Viability** – the in-theatre ability to achieve its military tasks for applicable Employment Contexts using current resources. This is assessed with reference to collective proficiency and equipment condition in accordance with the operational readiness criteria statement.
- » **Deployability** – capable of reaching the OLOC (OLOC generation) and completing final preparation for appropriate Employment Contexts, thereby becoming available for deployment. This requires extra readiness training and stores in accordance with the appropriate operational readiness criteria statement.
- » **Sustainability** – with personnel and resources available for the sustainment/ rotation of deployed elements for a given period of operations, in accordance with the appropriate operational readiness criteria statement.

Assessment of Output Performance by the Office of the Controller and Auditor General

The role of the Office of the Controller and Auditor General (Audit New Zealand) is to audit the NZDF's Statement of Service Performance and to express an independent opinion as to whether it fairly reflects the NZDF's service performance achievements in relation to performance targets set out in the annual NZDF Statement of Intent and Output Plan.

OUTPUT EXPENSE 1: MILITARY POLICY DEVELOPMENT, COORDINATION AND ADVICE

Description

Advice to the Minister of Defence, by the Chief of Defence Force and single Service Chiefs, on military contributions to New Zealand's foreign policy and military responses to contingencies. Also included are responses on behalf of the Minister to Ministerial and Parliamentary Questions, Official Information Act inquiries and Ombudsmen correspondence.

Output Expense Components

Provide military advice to the Minister of Defence on:

- » New Zealand's defence interests (including intelligence);
- » military options for safeguarding and advancing New Zealand's security interests;
- » military options available for contributions to collective and regional security; and
- » advice on the military capabilities required to meet the government's defence policy objectives and to support its defence strategy.

The NZDF will also assist the Ministry of Defence in the provision of advice to the Minister on:

- » procurement of major military equipment; and
- » defence policy development.

Outputs In Output Expense 1

Output 1.1: Collection, Collation, and Dissemination of Military Intelligence

The collection, collation and dissemination of military intelligence on areas of interest to New Zealand and as specified in the NZDF Intelligence Plan.

Output 1.2: Development and Production of Military Policy

The development and production of military policy and the provision of military advice to the Minister of Defence.

Output 1.3: Operational Military Policy Advice

The provision of advice on operational military policy to the Minister of Defence.

Output 1.4: Ministerial Correspondence and Parliamentary Questions

Draft responses to Ministerial Correspondence, to requests under the Official Information Act and to Parliamentary and other questions on behalf of the Minister, including Ombudsmen correspondence.

Performance Measurement

Measurement

Performance evaluation means output performance will be measured by the degree of satisfaction expressed by the Minister, or by the appropriate committee or agency.

Measurement Areas

The supply of individual products of high quality as defined by the seven characteristics of quality advice: Purpose, Logic, Accuracy, Options, Consultation, Practicality and Presentation.

The aim is the provision of a comprehensive service: the capacity to react urgently; the regular evaluation of military policy for effectiveness in achieving required outcomes and timely briefings on significant issues; and support for the Minister as required in Cabinet Committees, Select Committees and in the House.

Measures

- » 95% of the first drafts of all policy papers accepted by the Minister.
- » 90% of all other responses accepted without substantive amendment.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
The number of occasions that the Minister will seek advice, or the CDF feels the need to offer it, will depend on a range of external and internal factors beyond the control of the NZDF.	
The anticipated range of key written submissions includes:	
Statutory Reports to Parliament:	2
Submissions to Cabinet: (including with the Ministry of Defence)	40–60
Reports and Briefing Papers to Minister:	300–400
Ministerial Correspondence: ("Ministerials")	300–400
Parliamentary Questions ² :	150–200
Select Committee Reports:	5–10
Select Committee Questions ³ : (FADT and F&E)	300–400
Oral Briefs:	Numerous
Intelligence products will include an Annual Strategic Assessment, Quarterly Strategic Intelligence Survey, routine Intelligence Estimates and Summaries and regular briefings. Military Intelligence Notes, Indications and Warning Notices, and special briefings will be provided as necessary when new situations develop. In addition, the NZDF seconds intelligence personnel to various government agencies. ⁴	
CDF Defence Intelligence Briefings.	22
Other Defence Intelligence Briefings.	36
Defence Intelligence documentation and reporting.	Weekly Intelligence Summaries: 49 Military Threat Assessments: 21 Intelligence Notes: 7 Supplementary Intelligence Reports: 47 Intelligence Reports: 46 Operational Threat Level Summaries: 8 Security Concerns: 14 Other Intelligence Documents: 15
Defence Intelligence contributions to Strategic Commitments and Intelligence (SCI) Branch, International Defence Relations (IDR) and Ministry of Defence (MoD) reports to the Minister.	94
Defence Intelligence contributions to government meetings.	75
Provide Defence protective security policy, implementation and compliance.	Protective security policy, implementation and compliance were provided. During the reporting period, the following were completed: Security Surveys: 4 Security Inspections: 12 Security Threat Assessments: 7
In addition, the NZDF seconds intelligence personnel to various government agencies.	One secondment
Quality Specifications	
All reports and oral advice will be delivered within the agreed or statutory time frame as follows:	
95% of replies to Ministerials will be provided within 20 days of receipt of request.	84% of replies to Ministerials were provided within 20 working days of receipt. Performance was affected by the large number of Select Committee questions received (291 in the second quarter and 174 in the fourth quarter).

¹ Includes 34 requests under the Official Information Act.

² Parliamentary Questions include Questions for Written Answer and Questions for Oral Answer

³ The Select Committee Questions from the Foreign Affairs, Defence and Trade and Finance and Expenditure Committees relate mainly to the Defence Force Estimates of Appropriations and the NZDF Annual Report.

⁴ A review of the quantity specifications for intelligence and security products contained in the 2007 SOI has resulted in revised products as shown and reported above, and as reflected in the 2007 Output Plan.

TARGETS	PERFORMANCE ACHIEVED
95% of replies to Parliamentary Questions for Written Answer will be provided by due date.	69% of replies to Parliamentary Questions were provided by the due date. Again, performance was affected by the large number of Select Committee questions received (see performance achieved for Ministerials above).
95% of replies to Parliamentary Questions for Oral Answer will be provided by midday on the day that the reply is due in the House.	100% of replies were provided to enable Parliamentary Questions for Oral Answer to be answered on the day they were due in the House. The NZDF was able to provide suitable officers when required to brief the Minister for responses to all oral questions.
The aim of the advice will be clearly stated and it will answer the questions set; the assumptions behind the advice will be explicit and the argument logical and supported by the facts; the facts provided will be accurate and all material facts will be included; an adequate range of options will be presented and the benefits, costs and consequences of each option to the government will be assessed; other government agencies and affected parties will be consulted and possible objections to proposals will be identified; the problems of implementation, technical feasibility, timing and consistency with other policies will have been considered; the format will meet Cabinet Office requirements; the material will be effectively, concisely and clearly presented and will be free of spelling and grammatical errors; replies will be within 20 days of receipt of request, if not otherwise specified; and intelligence documents will follow agreed international formats.	There were no submissions returned due to the target criteria not being met. Formats complied with Cabinet Office requirements and intelligence documents followed agreed international formats. 84% of replies to Ministerials were provided within 20 days of receipt of request, 69% of replies to Parliamentary Questions were provided by the due date, and 100% of replies were provided to enable Parliamentary Questions for Oral Answer to be answered on the day they were due in the House.
95% of the first drafts of all policy papers accepted by the Minister.	98% of first drafts were accepted by the Minister in accordance with the seven characteristics of quality advice.
90% of all other responses accepted without substantive amendment.	98% of all responses were accepted without amendment in accordance with the seven characteristics of quality advice.

COSTS FOR OUTPUT EXPENSE 1 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
7.479	Personnel	7.723	7.286	7.531
3.458	Operating	2.503	2.454	2.458
0.387	Depreciation	0.953	0.249	0.185
0.197	Capital Charge	0.211	0.215	0.214
11.521	Total Expenses	11.390	10.204	10.388
Revenue				
12.253	Revenue Crown	11.332	10.169	10.169
0.047	Revenue Other	0.058	0.035	0.036
12.300	Total Revenue	11.390	10.204	10.205
0.779	Net Surplus (Deficit)	-	-	(0.183)
Cost by Output				
5.728	Output 1.1	5.713	6.054	6.328
2.033	Output 1.2	2.945	2.011	1.972
1.017	Output 1.3	1.070	1.088	1.084
2.743	Output 1.4	1.662	1.051	1.004

**OUTPUT EXPENSE 2:
NAVAL COMBAT FORCES**

Description

The provision of HMNZ Ships Te Kaha and Te Mana prepared to conduct maritime operations. This expense also includes contributions to a range of services to government and the community.

Output Expense Components

Provide Naval Combat Forces prepared for the conduct of maritime operations under Employment Contexts 1, 2, 3, 4, and 5. (For details on Employment Contexts see Section 2).

Contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Overview

The two Anzac class frigates (HMNZS Te Kaha and HMNZS Te Mana), with embarked Seasprite helicopters from the Naval Helicopter Force (Output Expense 11), are able to conduct military tasks in support of the Government's national, regional and international security objectives. They have a wide range of combat capabilities and communications capacity that enable them to participate in multi-national coalition operations and contribute towards the high end of the spectrum of operations.

They are able to contribute to the protection of New Zealand/Australian territorial sovereignty, to participate in FPDA activities with Singapore/Malaysia, support defence diplomacy objectives in bi-lateral and multi-lateral regional frameworks, and undertake operations in the Asia-Pacific region and beyond.

Projects to upgrade the frigates' platform systems and close-in protection weapon systems are underway. A project has been included on the LTDP to upgrade the frigates' self-defence systems.

Highlights

During the reporting period, the Naval Combat Force:

- » participated in coalition maritime operations in the Persian Gulf;
- » carried out Defence diplomacy activities in Japan, China, Malaysia, Singapore, India, Qatar and United Arab Emirates;
- » participated in a range of bilateral exercises with Malaysia and conducted an exercise with the Japanese Self Defence Force (JSDF) Training Squadron, while on a passage from Australia to Singapore;
- » conducted cooperative training with the ADF in support of closer defence relationships;
- » participated in multi-agency operations and tasking and conducted New Zealand port visits and EEZ patrols;
- » provided personnel to participate in NZDF operations overseas; and
- » underwent C4I upgrades and equipment installations.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Two frigates, each with embarked Seasprite helicopter, as required, available for military tasks. One frigate to be available for regional or collective security tasks, and the second frigate to be available to deal with low-level security challenges in New Zealand or South Pacific waters. [Note: the Offshore Patrol Vessels (OPVs) will assume the latter role once accepted into service].	The required frigates were available, with embarked SH-2G Super Seasprite helicopters, throughout the reporting period for regional or collective security tasks, and low-level security challenges in New Zealand or South Pacific waters. The OPVs were not delivered during the reporting period.

TARGETS	PERFORMANCE ACHIEVED
Crews at manning levels as specified by RNZN Personnel States.	Manning levels as specified were met in order to achieve outputs. There were certain periods during the reporting year when HMNZS Te Kaha remained alongside undergoing maintenance due to shortages of marine technicians.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database.	Provision of equipment and spares has been in accordance with the required configuration state.
Planned sea-days are:	
HMNZS Te Kaha will be mission available for 220 days, of which 140 to 160 days will be at sea.	HMNZS Te Kaha was mission available for 260 days and spent 99 days at sea. The reasons for the decrease in days at sea were due to shortages of personnel and the requirement to support the preparation of HMNZS Te Mana for its deployment to the Persian Gulf.
HMNZS Te Mana will be mission available for 214 days, of which 140 to 160 days will be at sea. <i>Note: Details on the Seasprite helicopters are recorded under Output Expense 11 – Naval Helicopter Forces.</i>	HMNZS Te Mana was mission available for 197 days and spent 148 days at sea.
Quality Specifications	
Readiness	
Frigates that meet the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	Throughout the reporting period, with the exception of periods of programmed and unprogrammed maintenance, the ships were capable of meeting DLOC readiness criteria.
Frigates carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the New Zealand Book of Reference (NZBR) 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	The NCF was able to maintain DLOC overall during the first part of the reporting period by participating in training activities, exercises and being in company with other ships. During the second half of the year in between maintenance periods, HMNZS Te Kaha was evaluated by the Maritime Operational Evaluation Team (MOET) and continued to remain at DLOC. HMNZS Te Mana was evaluated by the MOET and assessed at reaching OLOC for Persian Gulf Operations (and thereby achieving DLOC).
Combat Viability	
Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.	The required standards for collective training standards and competency requirements for military tasks were met, however, experience levels were partially achieved.
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	This was substantially achieved for the tasks undertaken. During the reporting period, C4I upgrades and equipment installations were completed and the upgrade of the close-in protection weapon systems for the frigates continued. The Self Defence Upgrade and Platform System Upgrade projects are critical to ensure the required standards are able to be met in future. The SH-2G Seasprite has effectively proved its range of capabilities during embarked operations and provided an effective asset to the frigates' capabilities.
Effective interoperability when working with friendly forces.	This was achieved by the NCF throughout the year on numerous occasions during exercises and operations with friendly forces.

TARGETS	PERFORMANCE ACHIEVED
Deployability	
Frigates capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	Both frigates were capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.
Stores and provisions embarked to allow tasking.	Stores and provisions were available for embarkation to allow tasking.
Materiel state satisfactory to permit tasking.	Materiel was satisfactory to permit tasking.
Personnel state satisfactory to permit tasking.	The personnel state was satisfactory to allow tasking, but this did result in pressures elsewhere in the Navy (both at sea and onshore) and presented challenges in meeting wider commitments within New Zealand and on overseas deployments. Retention and recruitment rates present significant challenges and personnel are being posted to meet the highest priority.
Sustainability	
Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for designated operational viability period (OVP).	Munitions were available as specified in the Warrant of Armament Stores, to maintain OLOC for the designated OVP.
Fuel, stores and provisions available to maintain OLOC for designated OVP.	Fuel, stores and provisions were available to maintain OLOC for the designated OVP.
Personnel available for sustainment/rotation.	Sustainment and rotation requirements are not able to be evenly met across the Fleet, or across the Navy. The training system continues to produce sufficient replacement personnel to sustain the frigates on-task; although there are implications for other parts of the Navy – both at sea and ashore.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 2 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
101.376	Personnel	83.122	91.799	90.040
100.223	Operating	95.955	89.860	91.740
111.863	Depreciation	107.214	96.251	96.828
104.802	Capital Charge	108.163	107.331	107.324
418.264	Total Expenses	394.454	385.241	385.932
Revenue				
410.928	Revenue Crown	391.971	382.666	382.666
2.030	Revenue Other	2.483	2.575	2.108
412.958	Total Revenue	394.454	385.241	384.774
(5.306)	Net Surplus (Deficit)	-	-	(1.158)

OUTPUT EXPENSE 3: NAVAL SUPPORT FORCES

Description

The provision of the Fleet Replenishment Ship (HMNZS Endeavour) and the Multi-Role Vessel (HMNZS Canterbury) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces, and contributions by the Naval Support Forces to a range of services provided to government and the community.

Output Expense Components

Provide a Replenishment Ship and a Multi-Role Vessel prepared for the conduct of maritime logistic support and amphibious sealift operations under Employment Contexts 1, 2, 3, 4, and 5. (For details on Employment Contexts see Section 2).

Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Outputs in Output Expense 3

Output 3.1: Replenishment Force

The provision of the Fleet Replenishment Ship (HMNZS Endeavour) prepared to conduct maritime operations including logistic support for deployed military forces. This output also includes contributions by the Replenishment Forces to some community services when not committed to operations.

Output 3.2: Amphibious Sealift Force

The provision of a Multi-Role Vessel, HMNZS Canterbury, prepared to conduct amphibious sealift operations in support of deploying and/or deployed military forces. This output also includes contributions by the Multi-Role Vessel to some community services when not committed to operations.

Overview

HMNZS Endeavour is the RNZN's purpose built fleet replenishment tanker carrying fuel and supplies. HMNZS Endeavour can resupply ships at sea, or in overseas ports from the 7,500 tonnes of fuel stored in eight tanks, or the supplies held in the four containers on deck. Additionally, HMNZS Endeavour can provide fuel to helicopters fitted with in flight refuelling.

HMNZS Canterbury, commissioned on 12 June 2007, provides an amphibious sealift capability for the transport and deployment of equipment, vehicles and personnel. The ship is capable of transferring cargo and personnel ashore in benign conditions when port facilities are not available. HMNZS Canterbury also has two landing craft capable of carrying 50 tonnes. Since commissioning, HMNZS Canterbury has been undergoing an introduction into service and operational release period to generate its amphibious sealift capability. Because of this, the ship and crew were not expected to fully achieve all output performance targets during the reporting period. This is not expected to be achieved until the end of FY 2008/09.

Note: Although generically referred to as a Multi-Role Vessel, HMNZS Canterbury's specific role is that of an Amphibious Sealift Ship.

Highlights

During the reporting year, HMNZS Endeavour:

- » participated in Operation Cutlass, undertaking various sea exercises in company with the RAN in the Eastern Australian exercise areas;
- » accompanied HMNZS Te Kaha on a deployment through South East Asia;
- » commenced alterations and maintenance that will extend its deployability until 2013; and
- » celebrated 20 years of operational service with the RNZN.

During the reporting year, HMNZS Canterbury:

- » participated in exercises Wolf III (NZ), Sea Lion (Australia) and Croix Du Sud (New Caledonia) to develop its amphibious sealift capability;
- » participated in a combined RAN/PLA(N) search and rescue exercise in the Tasman Sea; and
- » assisted the Department of Conservation to conduct a resupply of their operation in Raoul Island and participated in Waitangi Day 2008 celebrations.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
HMNZS Endeavour and HMNZS Canterbury, with embarked Seasprite helicopter/s as required, available for military tasks. (It is expected that the complete amphibious sealift capability of HMNZS Canterbury will not be realised until FY 2008/09.)	Throughout the reporting period, with the exception of periods of programmed and unprogrammed maintenance, HMNZS Endeavour was available to support military tasks. HMNZS Canterbury was available for military tasks within the limitations of its introduction into service (IIS) level of capability and equipment and performance issues.
Crews at manning levels as specified by RNZN Personnel States.	Shortfalls in manning levels of the Marine Technician branch have required HMNZS Endeavour to remain alongside undertaking critical work needed to extend the ship's operational life to 2013. HMNZS Canterbury has been manned to the RNZN Personnel State.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database.	Provision of equipment and spares for HMNZS Endeavour has been in accordance with the required configuration state. Provision of equipment and spares for HMNZS Canterbury has not been fully in accordance with the required configuration state to achieve readiness targets. HMNZS Canterbury is undergoing IIS and a number of equipment and capability performance issues have been subject to warranty and contractual related discussions with the MoD and the Prime Contractor. During the reporting period, there have been two Navy initiated Courts of Inquiry into incidents involving HMNZS Canterbury.
HMNZS Endeavour will be mission available for 183 days, of which 100 to 120 days will be at sea.	HMNZS Endeavour was mission available for 197 days and spent 50 days at sea. The reason for the decrease in days at sea was due to a shortage of personnel.
HMNZS Canterbury will be mission available for 295 days, of which 140 to 160 days will be at sea. <i>Notes:</i> <i>(1) The Multi-Role Vessel (MRV) is due for delivery in May 2007.</i> <i>(2) HMNZS Canterbury is also capable of embarking four NH-90 helicopters (to be acquired by the NZDF in the future).</i>	HMNZS Canterbury was mission available for 260 days and spent 95 days at sea. The reason for the decrease in mission availability and days at sea was due to a number of equipment and capability performance issues, which have been subject to warranty and contractual related discussions with the MoD and the Prime Contractor.
Quality Specifications	
Readiness	
Replenishment ship and MRV that meet DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	HMNZS Endeavour with the exception of programmed and unprogrammed maintenance periods was capable of meeting DLOC readiness criteria. HMNZS Canterbury is still being IIS and therefore has yet to realise its full capability to achieve DLOC readiness criteria. This is expected to be achieved by the end of FY 2008/09.

TARGETS	PERFORMANCE ACHIEVED
Ships carry out a range of training activities in accordance with the NZDF EAS and the NZBR 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	HMNZS Endeavour was able to maintain DLOC during the first part of the reporting period by participating in exercises and being in company with other ships. During the second half of the year, in between maintenance periods, HMNZS Endeavour was evaluated by the MOET and continued to remain at DLOC. HMNZS Canterbury did not achieve DLOC, due to its IIS programme and its operational release period. Notwithstanding, the ship did participate successfully in a number of training activities and exercises, including Wolf III, Sea Lion and Croix Du Sud.
Combat Viability	
Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.	The ships' training standards and competency requirements continued to be sufficient to enable allocated tasks to be achieved. Nevertheless, this has only been achieved by limiting some tasking and reducing some activities.
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	HMNZS Endeavour achieved the required standards and is undergoing alterations and maintenance that will extend the ship's availability until 2013. HMNZS Canterbury is still undergoing IIS and has not been available for operational tasking to date. Certain mission sets have been used and will continue to be used during the IIS.
Effective interoperability when working with friendly forces.	Interoperability was achieved by both ships and demonstrated in a number of exercises with Australia, France and China.
Deployability	
Replenishment Ship and MRV capable of generating OLOC within designated response time as specified in Schedule 4 to the NZDF Output Plan.	With the exception of programmed and unprogrammed maintenance periods for a quarter of the reporting period, HMNZS Endeavour was capable of generating OLOC within the designated response time when the required personnel were available. HMNZS Canterbury is still undergoing IIS and was unable to demonstrate whether or not this target could be achieved.
Stores and provisions embarked to allow tasking.	For HMNZS Endeavour this was achieved. HMNZS Canterbury is still under contract and warranty provisions and therefore did not achieve this target.
Materiel state satisfactory to permit tasking.	HMNZS Endeavour's materiel state was satisfactory. Due to its IIS period, HMNZS Canterbury's materiel state has not reached the level required for deployability.
Personnel state satisfactory to permit tasking.	HMNZS Canterbury achieved this target. HMNZS Endeavour achieved this target, but only because the ship's planned programme was amended to reflect availability of personnel.
Sustainability	
Munitions available as specified in the Warrant of Armament Stores, to maintain OLOC for designated operational period (OVP).	Munitions for HMNZS Endeavour were available to maintain OLOC for the designated OVP. Due to its IIS period, HMNZS Canterbury did not achieve this target.
Fuel, stores and provisions available to maintain OLOC for designated OVP.	Fuel, stores and provisions for HMNZS Endeavour were available to maintain OLOC for the designated OVP. HMNZS Canterbury is still under contract and warranty provisions and therefore did not achieve this target.

TARGETS	PERFORMANCE ACHIEVED
Personnel available for sustainment/rotation.	Personnel were only available for sustainment/rotation if there were reduced activity levels elsewhere across the Navy, commensurate with the need to grow personnel numbers under Project Protector.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 3 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
22.930	Personnel	23.985	26.974	27.626
20.479	Operating	29.602	28.162	25.276
6.387	Depreciation	19.925	16.653	16.581
19.823	Capital Charge	21.990	20.888	20.882
69.619	Total Expenses	95.502	92.677	90.365
Revenue				
71.384	Revenue Crown	94.915	92.151	92.151
0.440	Revenue Other	0.587	0.526	0.490
71.824	Total Revenue	95.502	92.677	92.641
2.205	Net Surplus (Deficit)	-	-	2.276
Cost by Output				
43.231	Output 3.1	41.365	40.963	39.907
26.388	Output 3.2	54.137	51.714	50.458

OUTPUT EXPENSE 4: MINE COUNTERMEASURES (MCM) AND MCM DIVING FORCES

Description

The provision of the MCM Support Vessel (HMNZS Manawanui) prepared to conduct MCM operations, the provision of an Operational Diving Team prepared to support MCM operations and to conduct independent diving tasks, and the provision of some support services to the community when appropriate.

Output Expense Components

Provide MCM and Diving Forces for the conduct of mine countermeasure operations (Q route surveys and conditioning) under Employment Contexts 1 and 2, and further prepared to support MCM and independent diving tasks under Employment Contexts 3 to 5. (For details on Employment Contexts, see Section 2).

Note: Any RNZN Improvised Explosive Device Disposal (IEDD) support for emergency national response tasks is covered under Output 10.3. Notwithstanding Output 10.3, the RNZN, via Output 4.2, requires and maintains its own integral Explosive Ordnance Disposal (EOD)/IEDD capability of two x teams.

Contribute to a range of services, including MAO&T, in support of other government departments, and the community.

Outputs in Output Expense 4

Output 4.1: Mine Countermeasure (MCM) Forces

The provision of the MCM Support Vessel prepared to conduct MCM operations and Diving Support. This output also includes contributions to some community services when not committed to operations.

Output 4.2: MCM Diving Forces

The provision of the Operational Diving Team (ODT), including two integral EOD/IEDD Teams, prepared to classify and clear surveyed Q-Routes, and to conduct independent diving tasks – such as clearance diving. This output also includes contributions by Navy Divers to some community services.

Note: Shortages of personnel mean that the second Diving Team (including its integral EOD/IEDD) will not be provided until about 2008.

Overview

HMNZS Manawanui is the primary diving support platform and is capable of multi-point mooring to keep it directly over the diving area. It carries a triple lock recompression chamber, a crane with 13 tonne lifting capacity, wet diving bell, a small engineering workshop, and has limited deck cargo carrying capacity. The ship is capable of supporting MCM and other diving operations around New Zealand and overseas.

HMNZS Kahu is the standby Diving Support Vessel, as well as the Navy's Navigational and Seamanship Training Ship. It has less capability than HMNZS Manawanui, but can carry a portable recompression chamber. It is capable of supporting MCM and other diving operations only in New Zealand.

RNZN divers have a range of capabilities that allow them to perform a variety of tasks in both the land and maritime environments. While the ODT's primary role is in MCM operations, their diving skills enable them to contribute to a range of other operational activities, including under water force protection and engineering, search and recovery, and beach survey. Assistance is also provided to other agencies.

Highlights

During the reporting period, the Mine Countermeasures (MCM) and MCM Diving Forces:

- » completed Whangarei and progressed Lyttelton MCM Q routes;
- » deployed to Chatham Islands to assist the Department of Conservation and Ministry of Fisheries;
- » undertook a short notice search for illegal fishing vessel in response to a request from the National Maritime Coordination Centre;
- » achieved all diving targets; including regular support to EOD tasks; and
- » participated in trials on new exercise Murena mines.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
MCM Support Vessel (HMNZS Manawanui) and Operational Diving Team available for military tasks. When HMNZS Manawanui is deployed outside of New Zealand waters, HMNZS Kahu will undertake the tasks of the MCM Support Vessel on the New Zealand station.	HMNZ Ships Manawanui and Kahu, and the ODT were available for military tasks. HMNZS Manawanui did not deploy overseas during the reporting period.
Crews at manning levels as specified by RNZN Personnel States.	Insufficient replacement personnel were available to fill established Senior and Leading Hand Diving positions on HMNZS Manawanui. Only one of the two specified ODT's is fully manned.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database.	Equipment types, numbers and spares were at the required configuration states for both ships. During the reporting period, major planned maintenance was carried out on HMNZS Manawanui.
HMNZS Manawanui will be mission available for 223 days, of which 130 to 150 days will be at sea.	HMNZS Manawanui was mission available for 217 days and spent 122 days at sea.
HMNZS Kahu will be mission available for 245 days, of which 130 to 150 days will be at sea.	HMNZS Kahu was mission available for 210 days and spent 107 days at sea. The reason for the decrease in mission availability and days at sea was due to the requirement for essential maintenance.
The Diving Team will spend approximately 360 hours (target range 340 – 380 hours) on operational dive training and MCM readiness training in diving techniques for the disposal of mines and other explosive devices. (The diving hours refer to actual time in the water).	The Diving Team conducted 438 hours of dive and MCM readiness training. Current manpower challenges will constrain the continued achievement of this target until the second team can be guaranteed.
Quality Specifications	
Readiness	
MCM Support Vessel and Operational Diving Team that meet specified DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	DLOC readiness criteria were capable of being met in accordance with Schedule 4.
MCM Support Vessel and Operational Diving Team carry out a range of training activities in accordance with the NZDF EAS and the NZBR 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	A range of training activities was carried out in accordance with the NZDF EAS and NZBR 99 to achieve DLOC.
Combat Viability	
Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.	Personnel met the collective training standards and qualification requirements for military tasks, however, experience levels were partially met. Insufficient replacement personnel were available to fill established Senior and Leading Hand positions on HMNZS Manawanui.
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Required standards were all achieved.
Effective interoperability when working with friendly forces.	Effective interoperability when working with friendly forces was capable of being achieved. Interoperability with NZDF and multi agency units was achieved on numerous occasions with training and operational tasking.
Deployability	
Ships and Diving Teams capable of generating OLOC within designated response times in accordance with Schedule 4 to the NZDF Output Plan.	While HMNZS Ships Manawanui and Kahu and the ODT remained at DLOC throughout the reporting period, they were not capable of generating OLOC due to constraints on divers.
Stores and provisions embarked to allow tasking.	Stores and provisions were embarked to allow tasking.

TARGETS	PERFORMANCE ACHIEVED
Materiel state satisfactory to permit tasking.	Materiel state was satisfactory to permit tasking.
Personnel state satisfactory to permit tasking.	At various times, insufficient replacement personnel were available to fill some key positions on both HMNZS Manawanui and HMNZS Kahu. There are specific personnel gaps in the ODT and in general for the Navy's requirement for qualified divers.
Sustainability	
Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for designated operational period (OVP).	Sufficient munitions were available to maintain OLOC for the designated OVP.
Fuel, stores and provisions available to maintain OLOC for designated OVP.	Fuel, stores and provisions were available to maintain OLOC for the designated OVP.
Personnel available for sustainment/rotation.	Personnel were available, but only through careful management and allocating them to areas of highest priority, while accepting gaps elsewhere. The overall state of the Diving Branch can be characterised as "very fragile." It is noteworthy that Navy diving personnel sustained two consecutive operational deployments to Lebanon.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 4 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
14.588	Personnel	15.249	12.146	12.018
10.151	Operating	11.651	8.030	7.624
3.130	Depreciation	3.689	2.137	2.126
5.933	Capital Charge	7.098	4.818	4.814
33.802	Total Expenses	37.687	27.131	26.582
Revenue				
34.783	Revenue Crown	37.311	26.947	26.947
0.367	Revenue Other	0.376	0.184	0.182
35.150	Total Revenue	37.687	27.131	27.129
1.348	Net Surplus (Deficit)	-	-	0.547
Cost by Output				
14.535	Output 4.1	13.173	12.329	11.758
19.267	Output 4.2	24.514	14.802	14.824

OUTPUT EXPENSE 5: NAVAL PATROL FORCES

Description

The provision of Offshore and Inshore Patrol Vessels (OPVs and IPVs) capable of conducting maritime operations and operations in support of MAO&T for the security and protection of New Zealand's economic border and Exclusive Economic Zone (EEZ). The OPVs will also be prepared to conduct sovereignty and resource protection patrol operations in the Southern Ocean, Ross Dependency, South Pacific region, and further afield when directed.

Output Expense Components

Provide Offshore and Inshore Patrol Vessels prepared to conduct maritime operations (predominantly MAO&T) under Employment Contexts 1 to 3, as applicable to type of vessel. (For details on Employment Contexts, see Section 2).

Note: Subject to availability and the Government's requirements, tasking of these vessels may take place in other EC areas.

Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments and the community.

Outputs in Output Expense 5

Output 5.1 – Offshore Patrol Forces

The provision of OPVs prepared to conduct maritime operations, predominantly MAO&T. This output also includes contributions to some community services when not committed to operations.

Output 5.2 – Inshore Patrol Forces

The provision of IPVs prepared to conduct maritime operations, predominantly MAO&T. This output also includes contributions to some community services when not committed to operations.

Overview

The NPF consisted of the Inshore Patrol Craft (IPC), HMNZ Ships Wakakura and Kiwi for the first five and a half months of the reporting period. HMNZS Wakakura and HMNZS Kiwi were formally decommissioned from operational service on 11 December 2007 at the Devonport Naval Base. Sister ships, HMNZS Hinau and HMNZS Moa were decommissioned on 23 January 2007, with the fifth IPC, HMNZS Kahu, remaining as the Navigational and Seamanship Training Ship and backup MCM Support Vessel, as part of Output 4 (Mine Countermeasures (MCM) and MCM Diving Forces.) The NPF was expected to be supplemented by the first two IPVs, Rotoiti and Hawea, and the OPV Otago by the end of the reporting period. This did not eventuate due to delays in the delivery of these vessels. The IPVs and OPVs are now all expected to be commissioned during 2008/09.

Highlights

During the reporting period, the Naval Patrol Force:

- » contributed to a "whole of government" approach by providing MAO&T support to agencies including the Department of Conservation, New Zealand Customs Service and Ministry of Fisheries around the New Zealand coast;
- » provided adequate platforms from which Navy and other government agencies have conducted operations and gained experience that is proving valuable in the transition to the Protector fleet; and
- » celebrated the launching and naming of the OPVs, Otago and Wellington, and the first three IPVs, Rotoiti, Hawea and Pukaki.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
The OPVs, HMNZ Ships Otago and Wellington, with embarked Seasprite helicopter as required, available for military tasks and MAO&T.	These ships were not delivered or accepted during the reporting period and therefore were not available for military tasks and MAO&T.
The IPVs, HMNZ Ships Rotoiti, Hawea, Pukaki and Taupo, available for military tasks and MAO&T.	The IPVs were not delivered or accepted into service and were therefore not available for military tasks and MAO&T.
OPV and IPV crew at manning levels as specified by RNZN personnel states.	Ships' crew for the first OPV and first two IPVs were at the specified manning levels, but did not join their ships due to delays in the ships' delivery.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database.	Not applicable for the OPVS or IPVs. For the IPCs, this was achieved.
For 2007/08, the OPVs will be mission available for / days at sea as follows (based on last available delivery dates):	
HMNZS Otago mission available for 178 days of which 80 to 100 days will be at sea.	HMNZS Otago was not delivered or accepted into service during the reporting period, and therefore was not mission available.
HMNZS Wellington mission available for 17 days of which 10 to 20 days will be at sea.	HMNZS Wellington was not delivered or accepted into service during the reporting period, and therefore was not mission available.
For 2007/08, the IPVs will be mission available for / days at sea as follows (based on last available delivery dates):	
HMNZS Rotoiti mission available for 184 days of which 140 to 160 days will be at sea.	HMNZS Rotoiti was not delivered or accepted into service during the reporting period, and therefore was not mission available.
HMNZS Hawea mission available for 168 days of which 80 to 100 days will be at sea.	HMNZS Hawea was not delivered or accepted into service during the reporting period, and therefore was not mission available.
HMNZS Pukaki mission available for 83 days of which 35 to 55 days will be at sea.	HMNZS Pukaki was not delivered or accepted into service during the reporting period, and therefore was not mission available.
HMNZS Taupo mission available for 39 days of which 15 to 35 days will be at sea.	HMNZS Taupo was not delivered or accepted into service during the reporting period, and therefore was not mission available.
<p><i>Notes:</i></p> <p>(1) <i>OPV delivery dates were expected to be: HMNZS Otago, November 2007 HMNZS Wellington, May/June 2008</i></p> <p>(2) <i>IPV delivery dates are expected to be: HMNZS Rotoiti, September 2007 HMNZS Hawea, December 2007 HMNZS Pukaki, March 2008 HMNZS Taupo, June 2008</i></p> <p>(3) <i>The current Inshore Patrol Craft (IPC), HMNZ Ships Moa, Kiwi, Wakakura and Hinau, will be phased out and disposed of.</i></p>	<p><i>These delivery dates were not achieved.</i></p> <p><i>Confirmed delivery dates for the Protector Fleet remain uncertain.</i></p> <p><i>HMNZ Ships Hinau and Moa were decommissioned on 23 January 2007, and HMNZ Ships Wakakura and Kiwi were decommissioned on 11 December 2007. HMNZS Kahu remained in service during the reporting period.</i></p>
Quality Specifications	
Readiness	
Patrol Vessels that meet the OLOC criteria for MAO&T and the DLOC readiness criteria for other EC tasking, as required, in accordance with Schedule 4 to the NZDF Output Plan.	The IPCs, HMNZ Ships Wakakura and Kiwi, met the OLOC criteria for MAO&T and the DLOC readiness criteria for other EC tasking during their period of operational service, prior to being decommissioned.

TARGETS	PERFORMANCE ACHIEVED
Patrol vessels that carry out a range of training activities in accordance with the NZDF EAS and the NZBR 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	The IPCs, HMNZ Ships Wakakura and Kiwi carried out a range of training activities in accordance with the NZDF EAS and NZBR 99 to achieve DLOC during their period of operational service prior to being decommissioned.
Combat Viability	
Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.	Personnel met the required standards for the IPCs, for the period of operational service.
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Required standards for the IPCs were met for the period of operational service.
Effective interoperability when working with friendly forces.	Effective interoperability for the IPCs when working with friendly forces was capable of being achieved. Effective interoperability for the IPCs was achieved when working with other agency staff for MAO&T, during the period of operational service.
Deployability	
Patrol Vessels capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	The IPCs, HMNZ Ships Wakakura and Kiwi, were capable of generating OLOC within designated response times, during the period of operational service.
Stores and provisions embarked to allow tasking.	Stores and provisions were available to allow tasking of the IPCs during the period of operational tasking.
Materiel state satisfactory to permit tasking.	The materiel state was satisfactory to permit tasking of the IPCs, during the period of operational service.
Personnel state satisfactory to permit tasking.	The personnel state was satisfactory to permit tasking of the IPCs during the period of operational service.
Sustainability	
Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for designated operational viability period (OVP).	Munitions were available for the IPCs to maintain OLOC for the designated OVP, during the period of operational service.
Fuel, stores and provisions available to maintain OLOC for designated OPV.	Fuel, stores and provisions were available for the IPCs to maintain OLOC for the designated OVP during the period of operational service.
Personnel available for sustainment/rotation.	Personnel were available for sustainment/rotation of the IPCs, during the period of operational service.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 5 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
10.634	Personnel	34.632	28.529	29.752
5.628	Operating	23.965	13.507	10.356
1.093	Depreciation	11.581	4.914	3.167
9.324	Capital Charge	15.043	14.962	14.939
26.679	Total Expenses	85.221	61.912	58.214
Revenue				
27.221	Revenue Crown	84.822	61.541	61.541
0.135	Revenue Other	0.399	0.371	0.411
27.356	Total Revenue	85.221	61.912	61.952
0.677	Net Surplus (Deficit)	-	-	3.738
Cost by Output				
14.043	Output 5.1	35.751	26.782	24.918
12.636	Output 5.2	49.470	35.130	33.296

OUTPUT EXPENSE 6: MILITARY HYDROGRAPHY, AND HYDROGRAPHIC DATA COLLECTION AND PROCESSING FOR LINZ

Description

The provision of HMNZS Resolution, specialist personnel and support infrastructure to conduct military hydrography and hydrographic data collection and processing which meets contractual commitments to Land Information New Zealand (LINZ).

Output Expense Components

Provide Hydrographic Forces prepared for the conduct of military hydrography support to amphibious forces under Employment Contexts 1 to 5, and hydrographic data collection and processing in accordance with contractual arrangements with LINZ. (For details on Employment Contexts, see Section 2).

Note: *The ability for HMNZS Resolution and the Deployable Hydrographic Support Unit (DHSU) to leverage opportunities to help achieve the Ocean Survey 20/20 Vision¹ and also provide Output Expense 4 products (predominantly Q-route surveys) will continue to be explored, commensurate with primary output expense (Output Expense 6) tasking.*

Contribute to a range of services in support of the Government and the community when not committed to primary operations.

Output 6.1: Military Hydrography

The provision of HMNZS Resolution to conduct military hydrography.

Output 6.2: Hydrographic Data Collection and Processing for LINZ

The provision of HMNZS Resolution, specialist personnel and support infrastructure to conduct hydrographic data collection and processing which meets contractual commitments to Land Information New Zealand (LINZ).

Deployment Impact: This Output Expense is being run at a level sufficient to meet commercial (LINZ) and operational requirements thus allowing the allocation of some personnel for Output 16 operations.

Overview

HMNZS Resolution is an ocean-going offshore survey vessel, capable of operating anywhere in the world and is the main hydrographic data collector for the RNZN. Hydrographic survey work is also undertaken in the inshore areas by the Detached Hydrographic Survey Unit (DHSU) utilising the Survey Motorboat Adventure or any other vessel as required. Hydrographic data is processed onboard and ashore with some assistance provided by the Joint Geospatial Support Facility (JGSF) to meet the contractual requirements of LINZ.

Additionally, some HMNZS Resolution sea time is made available to the Defence Technology Agency (DTA) to advance oceanographic research on behalf of the NZDF and a significant portion of sea time is allocated to supporting RNZN training, particularly the generation and maintenance of a military hydrography capability.

The JGSF provides geospatial intelligence and products to support NZDF planning for military operations at all levels of command within the NZDF. Its products range from marine, topographical and aviation maps and charts, to sophisticated 3D digital models.

The contracted output level has been achieved in accordance with the LINZ Memorandum of Understanding for HMNZS Resolution services.

Highlights

During the reporting period the Hydrographic Forces:

- » fully achieved the contracted output level in accordance with the LINZ Memorandum of Understanding for HMNZS Resolution services;
- » participated in Exercise Croix du Sud held in New Caledonia;
- » completed the hydrographic survey of shipping routes for the sea-lanes around Hawke Bay and progressed shipping lanes through Poverty Bay;
- » transporting and escorted the New Zealand Governor General and official party for an official visit to Samoa and Tokelau Islands; and

¹ *Ocean Survey 20/20 is a multi-agency programme that aims to survey New Zealand's ocean and coastal resources to describe resource potential and develop tools for ocean management.*

- » uplifted 16 Department of Conservation personnel from Raoul Island and transported them to New Zealand.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
HMNZS Resolution available to conduct military hydrography and hydrographic tasks for LINZ under contract.	HMNZS Resolution was available to conduct military hydrography and hydrography tasks for LINZ under contract.
The DHSU available to conduct military hydrography either independently or in support of other NZDF force elements.	The DHSU was available to conduct military hydrography independently and in support of NZDF force elements.
The Hydrographic Business Unit available to support the collection and processing programmes.	Throughout the reporting period, the JGSF provided the required support to meet operational and LINZ MOU requirements for HMNZS Resolution and the DHSU.
Crew at manning levels as specified by RNZN Personnel States.	Shortfalls in manning levels at the Leading Hydrographic Survey Technician and Senior Rating level remain. These shortfalls also affect the manning of DHSU and its availability for survey tasks.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database.	Equipment status met requirements for required configuration states, however, age related defects of some key hydrographic equipment, evident last year, continue to increase. A decision will be needed within the next year on the future of HMNZS Resolution's echo sounders.
HMNZS Resolution will be mission available for 275 days during which 2,975 survey miles and 40 sea days will be on hydrographic tasks as contacted by LINZ. A further 14 sea days will be spent on military hydrography tasks.	HMNZS Resolution was mission available for 243 days and spent a total of 162 days at sea. A percentage of these days were spent on military hydrography and support to the DTA and other government agencies.
During sea time under contract to LINZ, the hydrographic vessel will maintain sea operational efficiency in accordance with the NZBR 99, RNZN Operational Sea-Training Instructions.	Training to maintain operational efficiency was achieved in accordance with NZBR 99.
Quality Specifications	
Readiness	
Hydrographic Vessel that meets the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	DLOC readiness criteria were capable of being achieved.
Hydrographic Vessel that carries out a range of training activities in accordance with the NZDF EAS and the NZBR 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	A range of training activities were carried out in accordance with the NZDF EAS and NZBR 99 to achieve DLOC.
Combat Viability	
Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.	Collective training standards were met, however, insufficient replacement personnel were available to fill established Senior and Leading Hand Hydrographic Technician positions on HMNZS Resolution. The requirement to replace these personnel will have a direct impact on the Navy's ability to sustain hydrographic outputs.
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Required standards were achieved.

TARGETS	PERFORMANCE ACHIEVED
Effective interoperability when working with friendly forces.	This was achieved for HMNZS Resolution while operating with HMNZ Ships Te Kaha and Te Mana. The deployable hydrographic capability demonstrated effective interoperability while participating in Exercise Croix Du Sud.
Deployability	
Hydrographic Vessel capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	OLOC was capable of being achieved within the designated response times.
Stores and provisions embarked to allow tasking.	Stores and provisions were able to be embarked to allow tasking.
Materiel state satisfactory to permit tasking.	Materiel was satisfactory to permit tasking.
Personnel state satisfactory to permit tasking.	Personnel state was satisfactory to permit tasking.
Sustainability	
Munitions available, as specified in the Warrant of Armament Stores to maintain OLOC for designated operational viability period (OVP).	Munitions were available to maintain OLOC for the designated OVP.
Fuel, stores and provisions available to maintain OLOC for OVP.	Fuel, stores and provisions were available to maintain OLOC for the OVP.
Personnel available for sustainment/rotation.	Insufficient replacement personnel were available to fill established Senior and Leading Hand Hydrographic and Technician positions on HMNZS Resolution and DHSU.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 6 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
6.445	Personnel	6.111	6.930	6.902
3.386	Operating	5.877	6.202	5.969
1.099	Depreciation	1.913	0.760	0.757
1.526	Capital Charge	1.235	1.378	1.379
12.456	Total Expenses	15.136	15.270	15.007
Revenue				
6.334	Revenue Crown	5.815	8.608	8.608
6.120	Revenue Other	9.321	6.662	6.476
12.454	Total Revenue	15.136	15.270	15.084
(0.002)	Net Surplus (Deficit)	-	-	0.077
Cost by Output				
6.466	Output 6.1	9.148	8.780	8.793
5.990	Output 6.2	5.988	6.490	6.214

OUTPUT EXPENSE 7: LAND COMBAT FORCES

Description

The provision of land combat force elements (command, control and intelligence, and manoeuvre elements) prepared for the conduct of land operations. This expense also includes contributions to a range of services to the Government and the community.

Output Expense Components

Provide land combat forces (command, control and intelligence, and infantry and reconnaissance force elements) prepared for the conduct of land operations under Employment Contexts 1, 2, 3, 4 & 5, as applicable. (For details on Employment Contexts see Section 2).

Contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Outputs in Output Expense 7

Output 7.1: Command, Control and Intelligence

The provision of a deployable headquarters prepared to provide operational command, control and intelligence for deployed land forces. It also includes the requirement to provide elements to the framework of a brigade group for simulation and Command Post Exercise-based combined-arms training. This output also provides command of contributions, as required, to a range of services provided to the Government and the community.

Output 7.2: Manoeuvre Elements

The provision of manoeuvre elements (infantry and reconnaissance) prepared for the conduct of land operations. It includes the provision of these elements for a force of up to battalion group size (motorised or non-motorised). It also includes the requirement to provide infantry and reconnaissance elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Deployment Impact: If a battalion group was deployed under Output Expense 16, the Army's need to focus its efforts to support that group would affect DLOC training activities. Deployments under Output Expense 16 which have a high component of Land Combat Forces personnel can accumulatively create a shortfall in training and support staff in New Zealand¹.

Overview

The Land Combat Forces are based on two Infantry Battalions (1st Royal New Zealand Infantry Regiment [1 RNZIR] and 2nd/1st Royal New Zealand Infantry Regiment [2/1 RNZIR]) and a Reconnaissance Squadron (Queen Alexandra's Mounted Rifles [QAMR]). 1 RNZIR and QAMR are equipped with the New Zealand Light Armoured Vehicle (NZLAV). 1 RNZIR is a motorised infantry unit, whilst 2/1 RNZIR is a non-motorised infantry unit. The Territorial Force provides additional capability for reinforcement of these Regular Force units.

Highlights

During the reporting period the Land Combat Forces undertook the following activities:

- » Headquarters, 2nd Land Force Group (HQ 2LFG), conducted Exercise Lion Spirit 07 – a simulation assisted Command Post Exercise allowing a medium by which to practice contemporary war fighting command and control within a three Block war scenario.
- » HQ 2LFG also participated in Exercise Suman Protector 07, which was another Command Post Exercise conducted at the Royal Malaysian Air Force Base at Butterworth in Malaysia. Exercise Suman Protector 07 was a FPDA multinational simulation assisted exercise designed to plan and conduct joint operations.

¹ Even though a battalion group has not been deployed, the accumulative effect of three ongoing, concurrent operational deployments in Afghanistan (company group), Timor-Leste (company group), and Solomon Islands (enhanced platoon), is causing significant tension between the provision of forces for current operations, and being ready for future and potentially more lethal operations. In essence, when Army Force Elements deploy to the current theatres of operation, they lose a significant proportion of their combat capability, which had been achieved to that point. Upon return they must rebuild for higher EC scenarios. This tension is the key issue facing Army.

- » 1 RNZIR focused on DLOC training through a series of exercises which culminated in Exercise Wolf III (operating with HMNZS Canterbury). Other activities were focused on reorganising company groups for two deployment rotations to Afghanistan.
- » 2/1 RNZIR's primary focus has been supporting operations through the provision of company group sized deployments to Timor-Leste.
- » Other activities conducted by 2/1 RNZIR were Exercise Phantom Major – a confirmation exercise as part of the individual promotion course for combat Captains and Exercise Kris Mere – a bi-lateral exercise with the Malaysian Armed Forces focusing on the maintenance of light infantry capabilities.
- » QAMR has focused on training to DLOC with exercises such as Exercise Romani (collective training). QAMR has continued to train individuals as crew and crew commanders for the NZLAV in order to grow the unit strength, and assist 1 RNZIR during major activities (Exercise Wolf series).
- » The TF battalions have continued to maintain BLOC, however, elements of the TF achieved OLOC for deployment rotations to Solomon Islands. This was achieved through activities such as the TF annual field exercise Tasman Reserve. This is an annual activity which involves the Australian TF reserves, and involves personnel from all TF battalions, supported by regular force elements.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Army, drawing on HQ 2 LFG, HQ 3 LFG, 1 RNZIR, 2/1 RNZIR, QAMR Sqn and 1 NZ MI Coy ² , and with supplementation from the TF Battalion Groups, as required, will provide the initial and rotation land combat force elements to constitute:	
A Company Group (motorised or non-motorised) for tasks under ECs 1 and 2.	An Infantry Company Group was substantially prepared for non-CBRE ³ tasks under EC 1 whilst providing concurrent support to the United Nations and other coalition operations in the South Pacific region and the Middle East. The requirement to provide a company group under EC 2 continues to be achieved through the company group land deployment to Timor-Leste, and the enhanced platoon group deployed to Solomon Islands.
Up to an Infantry Battalion Group (motorised or non-motorised) for tasks under ECs 2 – 5 (inclusive).	The provision of an infantry battalion under EC 2 was unachievable given the extent of Land Forces contributions to current operational commitments. A Battalion Group response for ECs 3 – 5 was unable to be achieved due to current operational commitments, equipment and personnel shortfalls. However, this output has been achieved at a reduced level with the land deployment of the additional company group to Afghanistan (EC 3).
Sub-unit elements as options for independent contribution to a combined force (See notes below).	Owing to current operational commitments, Army was unable to provide additional Land Combat Forces sub-unit elements as independent contributions to a combined force, if necessary.
<p><i>Notes:</i></p> <p>(1) Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS).</p> <p>(2) Notwithstanding the requirement for the Land Combat Forces to be available to constitute a Company Group and a Battalion Group, smaller sub unit elements, as options for contribution to a combined force, are maintained.</p>	

² MI = Military Intelligence
³ Due to a lack of individual protective equipment and NBC training

TARGETS	PERFORMANCE ACHIEVED
An appropriate headquarters (including intelligence and communications support) for command and control of a deployed force.	The requirement to provide a command and control headquarters for a deployed force is being delivered in excess of the output requirement through Army's contribution to the National Command Element for the groups deployed to Afghanistan, Timor-Leste and Solomon Islands.
Army will also provide an appropriate Brigade-level headquarters and the framework for a Brigade Group for simulation and Command Post Exercise-based combined-arms training. The framework for a Brigade Group requires supplementation by TF Battalion Groups.	<p>Army was able to provide a headquarters based on HQ 2LFG, in order to support simulation based command post exercises in a combined arms and coalition environment.</p> <p>The land combat forces (inclusive of Reserves), are capable of providing the framework of an infantry brigade group for training to support simulation based command post exercises in a combined arms and coalition environment. This was achieved with Exercises Lion Spirit and Suman Protector.</p>
Elements contributing to the above forces available at manning levels as specified in Army Tables of Organisation and Equipment (TOE).	Contributing units were staffed on average between 39 – 79% ⁴ (target 85%) of establishment. Ongoing current deployments continue to highlight the shortages of personnel and equipment available for rotation.
Quality Specifications	
Readiness	
Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan as follows:	
DLOC for Company and Battalion Group.	<p>Army was able to provide a company group at DLOC for non-CBRE EC 1 tasks. Army's requirement to provide a company group for EC 2 is achieved with the land contribution to the company group deployed to Timor-Leste and the enhanced platoon group deployed to Solomon Islands.</p> <p>Personnel and equipment required for a Battalion Group could not be achieved given the extent of current operational commitments.</p>
BLOC for Brigade Group framework units (TF Battalion Groups).	BLOC was sustained for TF units, however, elements of the TF achieved OLOC for deployment rotations to Solomon Islands.
Land Combat Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) ⁵ , Army Mission Essential Task Lists (METLs), and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises.	<p>The land combat forces conducted a range of training activities, including sub-unit exercises and a variety of simulation Command Post Exercises.</p> <p>Due to operational commitments, Battalion Group exercises and some other training exercises could not be held.</p>
Combat Viability	
Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks.	<p>The trained state of land combat force elements is sufficient to meet this target for non-CBRE EC 1 and EC 2 contingencies at company group level only.</p> <p>Additional force contributions for ECs 3-5 over and above the company group already deployed to Afghanistan was not attainable.</p>
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Equipment generally met required standards, however, due to shortages of equipment, land combat force elements were partially prepared for low-level EC 1 and EC 2 conflicts only. Army was not equipped to meet higher threat situations under ECs 3-5 – nevertheless, a company group response was provided for Afghanistan.

⁴ Figures include Unit personnel deployed on operations.

⁵ Formerly referred to as the Master Activity Schedule (MAS) in the 2007 SOI. Now renamed the EAS.

TARGETS	PERFORMANCE ACHIEVED
(Cont)	Deficiencies in command and control, firepower, and compatible protection and mobility for combat service support elements would impair effectiveness in conventional military operations, and the more challenging peace support operations. The NZLAV, light operational vehicles, communications equipment, and the introduction of direct fire support weapons will address some of these deficiencies.
Effective standardisation when working with friendly forces.	There have been no significant problems with interoperability and effective standardisation with other friendly forces.
Deployability	
Force elements capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	Force elements were capable of generating OLOC within the designated response times for a company group for non-CBRE EC 1 and EC 2 low-level operations, but were unable to generate OLOC for a battalion group within the designated response times, due to current operational commitments.
Munitions, stores and equipment available for OLOC generation, as specified in unit Tables of Establishment (TOE)/Contingency Plans (CONPLANS).	Ongoing equipment refurbishment and replacement requirements, together with shortages in a range of protective equipment, tentage, radios and night vision equipment has continued to limit the support available for OLOC generation. Despite this, all the equipment mentioned here is currently being introduced into service.
Sustainability	
Munitions, expendable and technical stores available, as specified in CONPLANS to maintain OLOC for designated operational viability period.	Munitions, expendable and technical stores were available from within total Army resources, as required.
Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan.	Personnel were available for reinforcement and rotation of deployed forces in Timor-Leste, Solomon Islands and Afghanistan, however, there was a requirement to regenerate combat skills.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 7 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
129.768	Personnel	137.729	135.536	136.658
74.779	Operating	87.218	84.970	88.285
46.118	Depreciation	61.715	50.580	50.410
50.442	Capital Charge	58.850	53.596	53.627
301.107	Total Expenses	345.512	324.682	328.980
Revenue				
298.820	Revenue Crown	344.709	323.357	323.357
0.688	Revenue Other	0.803	1.325	0.849
299.508	Total Revenue	345.512	324.682	324.206
(1.599)	Net Surplus (Deficit)	-	-	(4.774)
Cost by Output				
21.138	Output 7.1	23.044	23.648	23.709
279.969	Output 7.2	322.468	301.034	305.271

OUTPUT EXPENSE 8: LAND COMBAT SUPPORT FORCES

Description

The provision of land combat support force elements (artillery, engineers, communications and military police) prepared for the conduct of land operations. This expense also includes contributions to a range of services to the Government and the community.

Output Expense Components

Provide land combat support force elements (artillery, engineers, communications, including strategic communications, and military police) for the support of land operations under Employment Contexts 1, 2, 3, 4, & 5, as applicable. (For details on Employment Contexts, see Section 2).

Contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Outputs in Output Expense 8

Output 8.1: Artillery

The provision of artillery elements prepared for the support of land operations, coordination of joint fires including terminal guidance, and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide artillery elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Output 8.2: Engineers

The provision of engineer elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised and non-motorised). It also includes the requirement to provide engineer elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Output 8.3: Communications

The provision of communications elements (including Electronic Warfare elements) prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide communications elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training and the provision of some community support services.

Deployment Impact: The Army communications capability can be stretched when it is required to support a large number of concurrent deployments.

Output 8.4: Military Police

The provision of military police elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide military police elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Overview

The Land Combat Support Forces are provided by 16 Field Regiment, 2 Engineer Regiment, 2 Signals Squadron, 3 Signals Squadron and Force Military Police Company with additional support from the Territorial Force for reinforcement and rotation of these Regular Force units. These forces are integrated with, and complement, the combat forces.

The artillery and air defence forces enable manoeuvre; engineers enhance the mobility and survivability of friendly forces and assist in obstructing enemy movement; communications support command and control through the passage of information; and military police provide support to conduct military investigations and provide close personal protection.

Highlights

During the reporting period the Land Combat Support Forces undertook the following activities:

- » Balancing the tensions between: re-rolling as light infantry, in order to support current land operations in Afghanistan; and the maintenance of the artillery fire support capability for conventional combat operations.

- » Artillery support to Exercise Phantom Major. This was a Company Combat Team training activity.
- » Provided personnel to support command post exercises Lion Spirit and Suman Protector.
- » An Air Defence Troop deployed to Singapore on Exercise Kiwi Walk. This was an exercise aimed at reinforcing interoperability with the Singapore Armed Forces.
- » Exercise Wolf III in support of 1 RNZIR. This was a Combined Arms Combat Team training activity.
- » Exercise Titan. This exercise aimed to re-skill personnel returning from Afghanistan.
- » Exercise Thunder Warrior 08. This was an annual live firing artillery exercise conducted in the Waiouru Training Area with Singaporean Armed Forces.
- » Artillery support to Exercise Northern Kiwi. This was the annual Territorial Force Field exercise.

2 Engineer Regiment has continued to focus on supporting current operational commitments within Afghanistan and Lebanon. 2 Engineer Regiment has also conducted a variety of training activities aimed at maintaining engineering skills and capabilities to support a company group, and regenerating engineering capabilities to support a battalion group to the directed level of capability. These included:

- » Engineer support to Exercise Phantom Major.
- » Engineer support to Exercise Takrouna. This is a confirmation exercise for Officer Cadet School.
- » Exercise Columb Rad. This exercise focused on counter terrorist operations within a contaminated environment.

During the last year 2 and 3 Signals Squadrons' primary focus has been the provision of trained personnel to support United Nations and other coalition operations. The Squadrons have conducted of a variety of training activities, which included:

- » Communications support to Exercises Lion Spirit and Takrouna.
- » Exercise Athena Green 08. The exercise focused on communications support to a Coalition Joint Taskforce conducting a Non-combatant Evacuation Operation within an EC 2 environment.
- » Communications support to Exercise Kris Mere – a bi-lateral exercise conducted with the Malaysian Armed Forces.
- » Communications support to the annual Territorial Force training activity Exercise Tasman Reserve.
- » Exercise Raven Tyro. The exercise was an electronic warfare activity, aimed at familiarising new personnel with electronic warfare standard operating procedures.

The Force Military Police Company has continued to provide and maintain Military Police support within New Zealand.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Army, drawing on 2 LFG and 3 LFG Regular Force artillery, engineer, communications and military police units (16 Field Regt, 2 Engineer Regt, 2 Signal Sqn, 3 Signal Sqn – including an Electronic Warfare element, and Force Military Police Company), and with supplementation from the Territorial Force (TF), as required, will provide the initial and rotation land combat support force elements to support, as applicable:	
A Company Group (motorised or non-motorised) for tasks under ECs 1 and 2.	Army was substantially prepared to provide the engineer elements, communication elements and Military Police detachments required to support an infantry company group for the low-level non-CBRE ¹ EC 1 tasks. Army was substantially prepared to provide the engineer elements, and Military Police detachments required to support an infantry company group for the low-level EC 2 tasks.

¹ Due to a lack of protective equipment and NBC training.

TARGETS	PERFORMANCE ACHIEVED
<i>(Cont)</i>	The requirement to provide communications support to a company group within an EC 2 environment is being delivered in excess of the output requirement with the deployment of communications elements to support the company group in Timor-Leste and the enhanced platoon group deployed to Solomon Islands.
Up to a Battalion Group (motorised or non-motorised) for tasks under ECs 2-5 (inclusive).	<p>During the reporting period 16 Field Regiment was required to re-role as light infantry in order to support operations in Afghanistan. During this period 16 Field Regiment was able to provide a non-sustainable artillery battery (of four guns) to support up to an infantry battalion group. This increased to a six gun artillery battery from January 2008.</p> <p>The Very Low Level Air Defence Troop has not achieved the directed level of capability requirements, as it is still not fully equipped to integrate effectively on the battlefield with other air defence capabilities. This capability is unlikely to progress in FY 08/09 as the Air Defence troop is to deploy to Timor-Leste in late 2008 to mid 2009, as light infantry.</p> <p>Army was capable of providing Land Combat Support Force Elements (Engineers, Communications, and Military Police) to support up to company sized deployments to Timor-Leste and Afghanistan and the enhanced platoon group in Solomon Islands. Army was also substantially prepared to provide a one-off non-sustainable Light Engineer Squadron to support an infantry battalion for the low-level EC 2, EC 3 and EC 5 tasks.</p> <p>Nevertheless, due to the focus on current company group sized operational commitments, Army is unable to meet the Land Combat Support requirements to support a Battalion Group.</p>
Sub-unit elements as options for independent contribution to a combined force. (See notes below).	<p>Of the four Combat Support Elements, Artillery and limited Engineer elements were available.</p> <p>Independent contributions were not possible from communications or Military Police elements owing to the current operational tempo (Communications) and manning situation (Military Police).</p>
Army will also provide artillery, engineer, communications and military police force elements to support the framework for a Brigade Group for simulation and Combined Post Exercise-based combined-arms training; this will require supplementation by TF Battalion Groups.	<p>Army was able to provide artillery, engineer communications and military police elements to support simulation based Command Post Exercises in a combined arms and coalition environment.</p> <p>This was achieved with Exercise Suman Protector and Exercise Lion Spirit.</p>
Land Combat Support Force elements contributing to the above forces available at manning levels as specified in Army Tables of Organisation and Equipment (TOE).	<p>Most Land Combat Support units were staffed at between 70 – 86%² of establishment (target is 85%). However, in many cases personnel are junior soldiers with less than two years' service.</p> <p>Ongoing support to current operational commitments has highlighted shortages in specialist communications trades in particular. Communications sustainability continues to be challenging given the number of concurrent missions.</p>
<p><i>Notes:</i></p> <p>(1) <i>Notwithstanding the requirement for the Land Combat Support Forces to be available to contribute to the Company and Battalion Groups (motorised or non-motorised) elements, as options for an independent contribution to a combined force, are maintained.</i></p> <p>(2) <i>Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS).</i></p>	

² Figures include Unit personnel deployed on operations.

TARGETS	PERFORMANCE ACHIEVED
Quality Specifications	
Readiness	
Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan as follows:	
DLOC for units contributing to Company and Battalion Groups.	<p>An artillery battery³ was available at DLOC to support up to an infantry battalion group.</p> <p>Engineer and military police elements were available at DLOC to support company group tasks for non-CBRE EC1 tasks and EC 2 tasks.</p> <p>Communications support to a company group for non-CBRE EC 1 tasks was achievable.</p> <p>Communications support to a company group EC 2 was achieved with the company group deployment to Timor Leste and the enhanced platoon group deployed to Solomon Islands. Communications support was also provided to the company group deployment to Afghanistan.</p> <p>Army was unable to provide a sustainable Engineer Squadron, a Signals Squadron or a Military Police Platoon to support an infantry battalion group owing to the support provided to current operational commitments.</p> <p>However, a one-off non-sustainable Light Engineer Squadron was available at DLOC to support an infantry battalion for the low-level EC 2, EC 3 and EC 5 tasks.</p>
BLOC for Brigade Group framework units (TF Battalion Groups).	BLOC was maintained for TF units.
Land Combat Support Forces carry out a range of training activities in accordance with the NZDF EAS, Army Mission Essential Task Lists (METLs), and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises.	<p>Land Combat Support Forces conducted a range of training activities, including sub-unit or specialist troop exercises.</p> <p>Because of the large number of operational commitments, opportunities for training in a combined-arms environment were limited to simulation based Command Post Exercises.</p>
Combat Viability	
Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks.	<p>The collective trained state for Engineer and Military Police elements was sufficient to meet the requirements for low-level non-CBRE EC1 and EC 2 company group deployments.</p> <p>Communications support to a company group for non-CBRE EC 1 tasks was achievable.</p> <p>Communications support to a company group for EC 2 was achieved with the company group deployment to Timor Leste and the enhanced platoon group deployed to Solomon Islands.</p> <p>The collective trained state required for combat support force elements to support a battalion group deployment was unachievable due to the level of support provided to current operational commitments.</p> <p>In particular, a continued lack of Artillery Forward Observer (FO) training and Forward Air Controlling (FAC) significantly limits the effect of fire support.</p>

³ Four gun Artillery battery Jul 07 – Dec 07, and six guns from Jan 08.

TARGETS	PERFORMANCE ACHIEVED
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	<p>Combat support force elements were substantially equipped to support a company group for low-level conflict (EC 1 and EC 2).</p> <p>There are equipment limitations on the ability to respond to contingencies involving a higher threat environment (ECs 3–5), due to deficiencies in communications, mobility and combat field engineer equipment.</p> <p>These deficiencies degrade the Army's effectiveness in conventional combat operations and the more demanding peace support operations. These issues are being addressed and combat support equipment is steadily being introduced into service.</p>
Effective standardisation when working with friendly forces.	There have been no significant problems with interoperability and standardisation, except for the lack of cueing and identification equipment for the Air Defence capability, which is still being introduced into service.
Deployability	
Force elements capable of generating OLOC within the designated response time, as specified in Schedule 4 to the NZDF Output Plan.	<p>The Artillery was capable of generating OLOC within the response time⁴, less FAC training and without NATO accreditation. Further testing will be required in theatre if NZ Artillery and FO/FAC parties are to operate.</p> <p>The engineers, communications, and military police elements were capable of generating OLOC within the designated response time for a company group response.</p> <p>Combat support force elements were unable to meet the specified requirements to support a battalion group due Army's current operational commitments.</p>
Munitions, stores and equipment available for OLOC generation, as specified in unit Table of Establishment (TOE)/Contingency Plans (CONPLANS).	Munitions, expendable, and technical stores could be provided utilising total Army resources.
Sustainability	
Munitions, expendable and technical stores available, as specified in CONPLANS, to maintain OLOC for designated operational viability period.	Munitions, expendable, and technical stores could be provided from within total Army resources.
Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan.	<p>Personnel, except Military Police, were available.</p> <p>Army was unable to provide Military Police reinforcement and rotation of deployed forces for continuous operations (in accordance with Schedule 4) in order to support a company group deployment to meet lower-level EC tasks. Military Police personnel shortfalls do not enable Army to provide Domestic Military Police support and concurrently meet EC requirements.</p>

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the Government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

⁴ Four gun Artillery battery Jul 07 – Dec 07, and six guns from Jan 08.

COSTS FOR OUTPUT EXPENSE 8 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
87.588	Personnel	83.638	82.151	82.686
44.976	Operating	42.672	42.071	43.445
29.030	Depreciation	27.909	21.810	22.092
30.590	Capital Charge	28.981	25.622	25.628
192.184	Total Expenses	183.200	171.654	173.851
Revenue				
197.675	Revenue Crown	182.807	171.046	171.046
0.427	Revenue Other	0.393	0.608	0.382
198.102	Total Revenue	183.200	171.654	171.428
5.918	Net Surplus (Deficit)	-	-	(2.423)
Cost by Output				
57.492	Output 8.1	62.359	58.170	58.975
82.845	Output 8.2	66.693	68.682	69.887
35.488	Output 8.3	37.094	36.789	37.030
16.359	Output 8.4	17.054	8.013	7.959

OUTPUT EXPENSE 9: LAND COMBAT SERVICE SUPPORT FORCES

Description

The provision of land combat service support force elements (transport, medical, supply, repair and movements) prepared for the support of land operations. This output expense also includes contributions to a range of services to the Government and the community.

Output Expense Components

Provide land combat service support force elements (transport, medical, supply, repair and movements) required for the support of land operations under Employment Contexts 1, 2, 3, 4, & 5, as applicable. (For details on Employment Contexts, see Section 2).

Contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Outputs In Output Expense 9

Output 9.1: Transport

The provision of transport elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide transport elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Output 9.2: Medical

The provision of medical elements, including dental elements, prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide medical elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Deployment Impact: The Army medical capability can be stretched when it is required to support a large number of concurrent deployments.

Output 9.3: Supply

The provision of supply elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide supply elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Output 9.4: Repair

The provision of repair elements prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide repair elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services. This output includes the provision of recovery assets.

Output 9.5: Movements

The provision of movements elements (including strategic movements, air dispatch and terminal operations staff) prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised or non-motorised). It also includes the requirement to provide movements elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training, and the provision of some community support services.

Overview

Combat Service Support (CSS) is an integral part of the planning, preparation and execution of any operation. Logistics support for Land Combat and Land Combat Support forces includes transport, movements, supply, repair, and medical elements. These elements are drawn from two Logistics Battalions (2 Log Bn and 3 Log Bn), and 2nd Health Services Battalion (2 HSB). All of these elements (particularly specialist medical support) would rely on the Territorial Force to supplement and sustain any major deployment.

Highlights

During the reporting period, the Land Combat Service Support Forces:

- » continued support to current operational commitments within Afghanistan, Solomon Islands, Timor-Leste and Sinai; and
- » supported Exercises Takrouna (officer training), Exercises Thunder Warrior (artillery training) and Northern Kiwi (TF collective training).

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Army, drawing on 2 Logistics Battalion, 3 Logistics Battalion, 2 Health Support Battalion and Logistic Executive, as part of, respectively, 2 LFG, 3 LFG and Army General Staff, with supplementation from the TF Battalion Groups, as required, will provide the initial and rotation combat service support force elements to support, as applicable:	
A Company Group (motorised or non-motorised) for tasks under ECs 1 and 2.	<p>Army was substantially prepared to provide CSS and medical elements for non-CBRE¹ EC1 tasks.</p> <p>The requirement to provide logistic and medical support to a company group within an EC 2 environment continues to be delivered in excess of the output requirement with the deployment of logistic and medical elements to support the company group in Timor-Leste and the enhanced platoon group deployed to Solomon Islands.</p>
Up to a Battalion Group (motorised or non-motorised) for tasks under ECs 2 – 5 (inclusive).	<p>The provision of logistic and medical support to an infantry battalion under EC 2 was unachievable, given the extent of Land Forces contributions to current operational commitments.</p> <p>A Battalion Group response for ECs 3 – 5 was unable to be achieved due to current operational commitments, equipment and personnel shortfalls.</p> <p>However, this output has been achieved at a reduced level with the logistic and medical support provided to the land deployment of a company group to Afghanistan (EC 3).</p>
Sub-unit elements as options for independent contribution to a combined force. (See notes below).	Due to current operational commitments, Army was unable to provide additional Land CSS forces (sub-unit) elements as independent contributions to a combined force.
<p><i>Notes:</i></p> <p>(1) <i>Notwithstanding the requirement for the Land Combat Service Support Forces to be available to contribute to the Company and Battalion Groups (motorised and non-motorised), elements, as options for an independent contribution to a combined force, are maintained.</i></p> <p>(2) <i>Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS).</i></p>	
Army will also provide combat service support elements to support the framework for a Brigade Group for simulation and Command Post Exercise-based combined-arms training; this will require supplementation by the TF Battalion Groups.	Army was able to provide CSS elements to support simulation based Command Post Exercises in a combined arms and coalition environment.
Land Combat Service Support Force elements contributing to the above forces available at manning levels as specified in Army Tables of Organisation and Equipment (TOE).	Most Land CSS units were staffed at between 78 – 80% ² of establishment (target is 85%). However, in many cases personnel are junior soldiers with less than two years' service.

¹ Due to shortages of protective equipment and NBC training.
² Includes Unit personnel deployed on operations.

TARGETS	PERFORMANCE ACHIEVED
Quality Specifications	
Readiness	
Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan as follows:	
DLOC for units contributing to Company and Battalion Groups.	<p>Army was able to provide CSS and medical elements to support a company group at DLOC for non-CBRE EC 1 tasks.</p> <p>Army's requirement to provide CSS and medical elements to support a company group at DLOC for EC 2 is achieved with the land contribution to the company group deployed to Timor-Leste. Medical support was also provided to the company group response in Afghanistan on a tri Service rotational basis with Navy and Air Force.</p> <p>Army was unable to provide a sustainable CSS and medical elements to support a battalion group given current operational commitments.</p>
BLOC for Brigade Group framework units (TF Battalion Groups).	BLOC was maintained for TF units.
Land Combat Service Support Forces carry out a range of training activities in accordance with the NZDF EAS, Army Mission Essential Task Lists (METLs), and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises.	Sustaining current operational commitments, whilst providing ongoing garrison support and transitioning to support new capability, has continued to cause considerable strain on CSS units. As a result, only a limited number of collective training activities were conducted.
Combat Viability	
Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks.	<p>Support to current operations has continued to impact on the level of competence of individual trade skills and the depth of experience across the whole range of CSS functions.</p> <p>Trade qualified and experienced personnel were required to support operations therefore reducing the number of personnel available as instructors/supervisors to provide continuation training and on the job supervision.</p>
Equipment performance, reliability and technology that meet required standards for commitment to military tasks.	<p>Equipment met standards and CSS force elements were substantially equipped to support a company group for low-level conflict (non-CBRE EC 1).</p> <p>The ability to respond to major conventional contingencies was limited due to deficiencies including communications, self-protection, specialist CSS vehicles and bulk handling equipment. These issues are being addressed as part of the equipment procurement process.</p>
Effective standardisation when working with friendly forces.	There have been no significant problems with interoperability and standardisation when operating with friendly forces.
Deployability	
Force elements capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	Army CSS force elements were capable of generating OLOC within designated response times for non-CBRE EC 1 and EC 2 contingencies in support of a company group. They were not capable of meeting OLOC within the designated response times to meet the requirements of a battalion group, due to the level of CSS support required to meet current operational commitments.

TARGETS	PERFORMANCE ACHIEVED
Munitions, stores and equipment available for OLOC generation, as specified in unit TOE (Tables of Organisation and Establishment)/ Contingency Plans (CONPLANS).	Munitions, stores and equipment were available from within total Army resources.
Sustainability	
Munitions, expendable and technical stores available, as specified in CONPLANS, to maintain OLOC for designated operational viability period.	Munitions, expendable and technical stores were available from within total Army resources to maintain OLOC for the designated operational viability period.
Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with the NZDF Output Plan.	Personnel were available in accordance with the NZDF Output Plan.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the Government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 9 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
59.391	Personnel	60.462	62.610	63.861
33.811	Operating	31.675	39.598	40.473
12.814	Depreciation	16.348	13.771	14.321
16.364	Capital Charge	17.772	19.155	19.153
122.380	Total Expenses	126.257	135.134	137.808
Revenue				
120.707	Revenue Crown	125.959	134.717	134.717
0.267	Revenue Other	0.298	0.417	0.339
120.974	Total Revenue	126.257	135.134	135.056
(1.406)	Net Surplus (Deficit)	-	-	(2.752)
Cost by Output				
27.403	Output 9.1	28.762	28.255	28.739
23.288	Output 9.2	25.365	25.544	26.181
33.739	Output 9.3	36.072	37.296	37.940
32.990	Output 9.4	30.062	32.774	33.247
4.960	Output 9.5	5.996	11.265	11.701

OUTPUT EXPENSE 10: SPECIAL OPERATIONS FORCES

Description

The provision of Special Operations Forces, for the conduct of Special and Counter-Terrorist Operations, and the provision of a New Zealand national response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests. These forces will not usually be available for other community support services.

Output Expense Components

Provide Special Operations Forces prepared for:

- » Special Operations (NZ SAS "green role") under Employment Contexts 1 to 5.
- » Counter-Terrorist Operations (NZ SAS "black role") under Employment Context 1D.
- » National Response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD).

(For details of Employment Contexts, see Section 2).

Note: The establishment of a dedicated CBRE IEDD/EOD unit, as approved by the Government, will be set up over the next three to five years. The set up of the unit will not detract from the ability to respond to IEDD and CBRE incidents in the three Central Business Districts (CBDs) of Auckland, Wellington and Christchurch.

Outputs In Output Expense 10

Output 10.1: Special Forces

The provision of Special Forces prepared for the conduct of special operations in support of land operations. It also includes the requirement to provide Special Forces elements to the framework of a brigade group for simulation and Command Post Exercise-based combined arms training.

Deployment Impact: If a high proportion of Output 10.1 were deployed on operations under Output Expense 16, any other concurrent contribution from this output would be very limited. This does not, however, affect the ability of the NZDF to continue to fully deliver force elements for the other two outputs in this expense (Outputs 10.2 and 10.3).

Output 10.2: Counter-Terrorist Forces

The provision of forces at the operational level of capability prepared to conduct counter-terrorist operations within specified response times, either in New Zealand, or in South Pacific countries when requested.

Output 10.3: Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal

The provision of a dedicated military organisation of specialised teams at the operational level of capability prepared for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests. This organisation will not normally be available for other community support services.

Deployment Impact: The number of personnel qualified and available to deliver this output is currently limited. The deployment of any personnel from this output to Output Expense 16 operations would have a major impact on training and the ability of the NZDF to deliver this output.

Overview

Special Operations Forces are maintained at a high state of readiness in order to meet short notice special operations in support of land combat operations, counter-terrorist operations, and the disposal of improvised explosive devices that may threaten public safety or national interests. These forces are drawn from the 1st New Zealand Special Air Service Group (1 NZSAS Gp) and 1st New Zealand Explosive Ordnance Squadron (1 NZ EOD Sqn).

Highlights

During the reporting period, 1 NZSAS Gp has focused on regenerating specialist skills to achieve OLOC in order to meet directed tasks. 1 NZSAS Gp conducted a range of training activities in order to evaluate and maintain a variety of specialist skills. These included:

- » Exercise Kiwi Heart (bilateral special forces training in Singapore).
- » Exercise Northern Entry (unilateral special forces training in Canada).
- » Exercise Northern Light (extreme cold weather training in Norway).

1 NZ EOD Sqn has continued to grow and remains on-track to be fully established by July 2010. Until this time, 1 NZ EOD Sqn remains reliant on supplementation of qualified personnel from all three Services to meet directed output requirements. The capability to neutralise CBRE devices continues to be developed. 1 NZ EOD Sqn conducts a range of activities in order to maintain specialist skills, in particular regular collective training is conducted in order to maintain a 'one-off' CBRE team capability.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Army, drawing on 1st NZ Special Air Service (SAS) Group and Army/NZDF-wide resources, will provide:	
The initial and rotation elements of a SAS Sqn to conduct special operations in support of land combat operations under Employment Contexts 1 – 5 (inclusive), and to provide elements, as appropriate, in support of a Company and/or Battalion Group (motorised or non-motorised).	1 NZSAS Gp was able to meet these requirements.
A Counter-Terrorist Group (CTG) to assist the NZ Police in counter terrorist (CT) operations, including Maritime CT.	A CTG and a Counter-Terrorist Assault Group were available to assist the NZ Police with non-CBRE EC 1 tasks.
A CBRE IEDD/EOD organisation of squadron strength, which has the ability to provide three IEDD Response Teams (one each based at Auckland, Wellington and Christchurch) and a specialist CBR Response Team to undertake emergency national IEDD/CBRE tasks.	1 NZ EOD Sqn continues to maintain this capability with considerable supplementation of qualified personnel from Navy, Army and Air Force units. This arrangement will continue until the unit is fully established. Equipment shortages and a shortage of qualified personnel continue to affect this capability. Nevertheless, these issues are being resolved through equipment purchases and recruiting.
Army will also maintain a SAS Squadron to support the framework of a brigade group for training in New Zealand.	Army was able to maintain a SAS Squadron to support simulation based Command Post Exercises in a combined arms and coalition environment.
<p><i>Notes:</i></p> <p>(1) Although CBRE IEDD is a NZDF responsibility directed by government, Army has been designated the "lead Service." Navy and Air Force will provide trained manpower and specialist support to CBRE IEDD/EOD, as required. [See CDF Directive 22/2005].</p> <p>(2) Cabinet has approved the formation of an independent and separately funded organisation for the conduct of CBRE IEDD/EOD. [See CAB Min (05) 27/4 – 25 Jul 05].</p> <p>(3) If a major element of the Special Forces is committed in support of land combat operations, the Army is not able to provide, concurrently, a like commitment to another operation/mission. A commitment under this output expense in support of land combat operations will not affect the NZDF's ability to provide the required forces for Counter-Terrorist operations and CBRE IEDD/EOD tasks as contained in the NZDF Output Plan.</p>	
Quality Specifications	
Readiness	
Special Forces, Counter-Terrorist (CT) Forces and CBRE IEDD Teams that meet the degrees of notice and DLOC and OLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	Special Forces elements were able to meet the specified readiness standards.
Special Forces, CT Forces and CBRE IEDD Teams carry out a range of readiness training activities in accordance with the NZDF EAS, METLs, and Formation and Unit Training Directives to maintain DLOC and OLOC, as appropriate, in accordance with Schedule 4 to the NZDF Output Plan.	Special Forces elements conducted a range of readiness training activities, including sub-unit and specialist troop exercises.

TARGETS	PERFORMANCE ACHIEVED
Combat Viability	
Personnel that meet the experience levels and qualification requirements for special operations, CT tasks and CBRE IEDD tasks.	Personnel met the training standards, experience levels and qualifications requirements, with the exception of CBRE. There are still shortfalls in personnel within this output to meet the CBRE IEDD requirements, which are being managed by Army. Shortfalls are being addressed through lateral recruitment and retention strategies.
Equipment performance, reliability and technology that meet required OLOC standards for commitment to special operations, CT tasks and CBRE IEDD tasks.	Equipment met standards, however, there are still some specialist equipment shortfalls, which continue to be addressed as part of the procurement process.
Effective standardisation when working with friendly forces.	There were no significant problems with interoperability or standardisation when working with friendly forces.
Deployability	
Special Forces, CT Forces and CBRE IEDD Teams capable of deploying within specified degrees of notice/response times, as applicable, in accordance with Schedule 4 of the NZDF Output Plan.	Special Forces, CT Forces and CBRE IEDD Teams were capable of deploying within specified response times.
Munitions and specialist stores available to OLOC standards.	Munitions and specialist stores were available to OLOC standards.
Sustainability	
Munitions and specialist stores available for the period of special operations, CT tasks and CBRE IEDD tasks.	Munitions and specialist stores were available.
Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 of the NZDF Output Plan.	Personnel were available for reinforcement and rotation of deployed forces, however, shortages of skilled CBRE/IEDD personnel remain.

Costs for Output Expense 10 (GST Exclusive)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
25.158	Personnel	26.190	26.597	27.008
12.414	Operating	13.183	13.908	14.309
5.268	Depreciation	6.810	4.903	5.048
5.305	Capital Charge	5.803	5.655	5.672
48.145	Total Expenses	51.986	51.063	52.037
Revenue				
48.193	Revenue Crown	51.835	50.881	50.881
0.115	Revenue Other	0.151	0.182	0.146
48.308	Total Revenue	51.986	51.063	51.027
0.163	Net Surplus (Deficit)	-	-	(1.010)
Cost by Output				
21.554	Output 10.1	22.905	22.701	23.103
21.554	Output 10.2	22.905	22.701	23.070
5.037	Output 10.3	6.176	5.661	5.864

**OUTPUT EXPENSE 11:
NAVAL HELICOPTER FORCES**

Description

The provision of No 6 Squadron prepared for the conduct of naval helicopter operations. These operations range from support to the Naval Combat Forces, the Naval Support Forces and the Naval Patrol Forces, to the conduct of limited independent operations. This output expense also includes the provision of naval helicopter forces for a range of support services to government and the community, when required.

Output Expense Components

Provide Naval Helicopter Forces, from No 6 Squadron, RNZAF, prepared to support the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, and to conduct limited independent operations under Employment Contexts 1, 2, 3, 4 and 5. (For details on Employment Contexts, see Section 2).

Contribute to a range of services in support of other government departments, including Multi-Agency Operations/Tasks (MAO&T), the community, and foreign and defence policy objectives, when not committed to operations, using the capabilities developed for the operational role.

Overview

Five SH-2G Seasprites are supported by the RNZAF and operated by the RNZN. The Seasprites have primarily been employed as integral air assets for the two Anzac frigates and the new amphibious sealift ship, HMNZS Canterbury, in order to provide a range of capabilities from logistic support to combat operations. During the reporting period, No. 6 Squadron (RNZAF) provided embarked air assets on every occasion the fleet programme required a SH-2G Seasprite in support of a frigate. One embarked period on HMNZS Canterbury did not occur due to aircraft unserviceability enroute to embarkation.

Highlights

During the reporting period, the NHF undertook the following activities:

- » Coordinated the development of an embarked maritime helicopter night vision goggle (NVG) capability and further progressed the embryonic NVG embarked procedures as well as validating the introduction of expanded ship helicopter operating limits for Anzac frigate operations.
- » Provided embarked aviation support to the RNZN during two operational deployments and supported the introduction into service of HMNZS Canterbury.
- » Provided operational support to MAO&T, New Zealand Customs Service and RNZAF/RNZN recruiting tasks has also been provided.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Three SH-2G(NZ) Seasprite helicopters available for military tasks; to be sustainable on operations in accordance with Schedule 4 of the NZDF Output Plan. (Provided from a total fleet of five Seasprite helicopters).	Partially achieved. Two aircraft were available for embarked operations from an effective fleet of five. Limitations in this context were due to the inability to generate sufficient flying hours to support three embarked flights while undertaking required training ashore. Whilst in general terms only two aircraft were available, embarkations in support of Output Expense 2 (Naval Combat Forces) and Output Expense 3.2 (Amphibious Sealift Force) were achieved at reduced rates of effort. Sufficient aircraft were available to meet all shore-based conversion training requirements. Continuation training was limited to maintaining the shore based aircrew at a basic level of capability only.

TARGETS	PERFORMANCE ACHIEVED
Air and ground crews at manning levels as specified by RNZN Personnel States and RNZAF directed personnel levels.	RNZN personnel states for aircrew have been short by up to one crew during the period. RNZAF maintenance manpower, whilst manned at similar levels as other squadrons, has had difficulty in generating sufficient aircraft. The Squadron establishment is currently under review.
Equipment types, numbers and spares at the required configuration state, as represented in the configuration master database and Standing Operating Procedures.	Generally, equipment types and numbers were at the required configuration states. There has been little improvement in contractor support for spares, and support remains below that desired. This situation may improve following the Australian decision to cancel their Seasprite project, and the manufacturer's decision to buy-back the spares associated with this aircraft. A spares supportability review for the NZ Seasprite is due to be completed later this year.
Planned Seasprite flying hours are 1,406, made up as follows:	
<p>For flying while embarked with force elements of the Navy, a total of 510 hours (target range 485 – 535 hours).</p> <p>For shore-based DLOC readiness training – a total of 896 hours (target range 851–940 hours).</p>	<p>The NHF flew a total of 1,025 hours made up of 342 hours embarked and 683 hours from ashore.</p> <p>The reduction in shore-based DLOC readiness training hours was due to maintenance, manpower, spares and serviceability issues.</p> <p>The reduction in embarked hours was due to a combination of the above, coupled with a reduced fleet plan, and therefore restricting the availability of suitable deck time.</p> <p>Whilst embarked elements of this Output Expense are at OLOC, the remainder of the unit is maintaining a basic level of capability due only to the low flying rate. DLOC could be quickly regained if required, but not sustained, unless the capacity to generate hours improves.</p>
<p><i>Notes:</i></p> <p>(1) <i>No 6 Squadron will remain under full command of CAF</i></p> <p>(2) <i>Operational command will be exercised through ACC and OC 485 Wing for shore-based activities. When ships' flights are required to embark, operational command will be assigned by ACC to the MCC, who will in turn assign operational control to the ship's CO.</i></p> <p>(3) <i>The RNZAF is responsible for the training of RNZN Seasprite helicopter aircrew and the provision and training of Ship's Flights maintenance personnel, for operational employment by the RNZN.</i></p>	
Quality Specifications	
Readiness	
Naval Helicopter Forces that meet the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	The NHF met DLOC readiness criteria to conduct naval helicopter operations as demonstrated in embarked deployments with the Naval Combat Force. Nevertheless, this was limited to two deployable Seasprites due to a lack of spare parts and shortage of qualified maintenance personnel.
Naval Helicopter Forces carry out a range of training activities in accordance with the NZDF EAS, the Squadron Training Programme, and the NZBR 99 (RNZN Operational Sea Training Instructions) to achieve DLOC.	The NHF was able to practice most mission essential tasks in conjunction with a wide cross section of potential coalition partners to achieve DLOC. It participated in complex multinational warfare exercises as integral air assets of deployed Naval Combat Forces throughout Asia, Australia, the Pacific and the Persian Gulf.

TARGETS	PERFORMANCE ACHIEVED
Combat Viability	
Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks.	All air and ground crews were qualified in accordance with their respective manuals of training. Experience across all aircrew categories was adequate, although capability was reduced due to a lack of flying hours. Lack of experience amongst technical tradesmen, particularly with respect to embarked operations is of some concern and may impact on achievement of targets in the future. This is currently being managed by avoiding large changes to personnel afloat, where possible. Additional training activities, such as alongside training and RAN deck training facilities, are being undertaken to compensate for embarked experience.
Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks.	The Seasprite airframe and engines are suitable for all of the tasks assigned. The mission equipment is generally adequate for most low threat level tasks. However, equipment deficiencies exist for operations in medium or higher threat military environments. No 6 Squadron is working with the Integrated Mission Support Squadron to enhance the Defensive Aids Suite in the medium term. Obsolescence issues relating to a significant number of avionics and tactical systems will become a major operational inhibitor if not addressed. A contract has been signed for software support for the tactical navigation system and a project for the forward looking infra red replacement has been initiated. A decision on a mid-life upgrade for the Seasprite hinges upon the outcome of the Seasprite spares supportability review.
Effective standardisation when working with friendly forces.	NHF doctrine, training and operating procedures allowed integration with friendly forces as demonstrated during international exercises including multi lateral coalition forces in the Persian Gulf.
Deployability	
Naval Helicopter Forces capable of generating OLOC within the designated response times, as specified in Schedule 4 to the NZDF Output Plan.	The NHF was capable of generating OLOC within the designated response times for lower threat level employment contexts, however, it is unable to generate OLOC for some capabilities in the medium to high threat environment, due to constraints of mission equipment.
Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Schedule 4 to the NZDF Output Plan and NZAP(S) 700.	Sufficient aircraft, munitions and stores were available to generate OLOC for basic surveillance and attack roles in a low threat environment.
Sustainability	
Aircraft, munitions, expendable and technical stores available, as specified in NZAP(S) 700, to maintain OLOC for designated operational viability period.	Partially achieved. Two aircraft, together with munitions and stores, were available for the designated operational viability period from an effective fleet of five. This quantity achieved the requirements of Output Expenses 2 (Naval Combat Forces) and Output 3.2 (Amphibious Sealift Forces). Due to the delay in delivery of the Offshore Patrol Vessels (Output Expense 5.1,) the third Seasprite was not required.
Personnel available for sustainment/rotation of the Naval Helicopter Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan.	There were insufficient maintenance personnel for sustainment/rotation of the NHF on continuous operations in accordance with Schedule 4.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the Government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 11 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
20.265	Personnel	19.504	20.514	21.091
22.126	Operating	22.459	22.602	20.728
20.331	Depreciation	20.757	17.650	18.394
21.810	Capital Charge	21.950	18.307	18.355
84.532	Total Expenses	84.670	79.073	78.568
Revenue				
85.586	Revenue Crown	84.290	78.617	78.617
0.351	Revenue Other	0.380	0.456	0.443
85.937	Total Revenue	84.670	79.073	79.060
1.405	Net Surplus (Deficit)	-	-	0.492

OUTPUT EXPENSE 12: MARITIME PATROL FORCES

Description

The provision of No 5 Squadron prepared for 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. This expense also includes the provision of Orion aircraft for a range of services to government and the community.

Output Expense Components

Provide Maritime Patrol Forces, from No 5 Squadron RNZAF, prepared for the conduct of maritime surveillance, search and rescue missions, and maritime air operations under Employment Contexts 1, 2, 3, 4 and 5. (For details of Employment Contexts, see Section 2).

Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives when not committed to operations, using the capabilities developed for the operational role.

Overview

The Maritime Patrol Force, with a fleet of six P-3K Orion aircraft, is fully prepared for NZ EEZ and South Pacific search and rescue and regional surveillance and partially prepared for contribution to collective global security operations. The main limitation to preparedness is sensor and ordnance capability and obsolescence. The sensor capability limitation is being addressed through the P-3 System Upgrade Project. The long term development plan has a project identified for air-to-surface weapons but work has yet to start on that project.

Preparedness is also limited by personnel numbers and experience. A major regeneration programme has begun to increase crew numbers with a 20% growth in operational crew numbers this year. Overall experience is still low, with retention of skilled aircrew and maintenance personnel being a major problem. Experience is being rebuilt through the exercise and training programme.

Overall the maintenance flight on average was manned at 70%. At this current level of strength the maintenance flight are capable of surging to produce 2,400 hours of flying. However, this output level carries a level of risk with maintenance supervision identified as the major hazard.

Whilst the operational flight has recovered personnel numbers, there remains a critical shortage of Qualified Flying Instructors and a significant shortage of crew executives such as Tactical Co-ordinators, Air Electronic Officers and First Pilots.

Highlights

During the reporting period, the Maritime Patrol Force:

- » participated in the following exercises to improve inter-operability:
 - » *Republic of Korea – Rokiwi bi-annual exercise. A bilateral maritime coordinated protection exercise.*
 - » *Japanese Maritime Self Defence Force – Affiliation visit and Proliferation Security Initiative (PSI) Exercise. Participation in a multi-national exercise for the prevention of proliferation of Weapons of Mass Destruction (WMD) and people smuggling.*
 - » *UK Forces and NATO nations – Joint Warrior. Coordinated protection of shipping and over-land support to land and air forces.*
 - » *Five Power Defence Agreements Exercise Bersama Shield Series – A joint exercise based in the South China Sea for the collective security of the Malaysian Peninsula.*
 - » *Australian Defence Force – Four coordinated protection exercises conducted throughout the year to improve coordination between our two forces.*
 - » *Canada – Exercise Fincastle – a multi-national exercise in support of the Canadian Battle Group work-up for the Afghanistan deployment.*
 - » *New Zealand – Opportunity training conducted during foreign navy port visits to NZ. This included a two week exercise with HMAS Rankin, intercept and exercising with Japanese Maritime Self Defence force training fleet.*
- » completed high explosive bombing training;
- » conducted four patrols in total in support of Operation Mawsoni (Southern Ocean patrols) including one landing and overnight at Antarctica, and surveillance of the Commission for the Conservation of Antarctica Marine Living Resources area;

- » conducted eight search and rescue missions in response to requests for support from the Rescue Coordination Centre, New Zealand;
- » conducted flying in support of the National Maritime Coordination Centre with patrols including fisheries surveillance and targeted operations, increasing maritime domain awareness for NZ Customs Service, and supporting NZ Police; and
- » conducted nine Operation NORPAT deployments (Pacific Maritime Surveillance patrols).

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Two P-3K Orion aircraft available for deployed military tasks; aircraft to be sustainable on operations in accordance with Schedule 4 of the Output Plan. (Provided from a total fleet of six Orions). (See Note below).	Two P-3K Orion aircraft were available for deployed military tasks in accordance with Schedule 4 of the Output Plan through the reporting period. However, sustainment beyond six months would have been at risk under current staffing levels and spares availability.
A third P-3K Orion for maritime Search and Rescue and other emergency tasks, as required.	One P-3K aircraft was available for maritime search and rescue (SAR) and other emergency tasks for 97% of the reporting period. All callouts were met within the required two hour degree of notice. On five occasions tasks were passed to 40 Squadron, due mainly to spares availability and maintenance personnel shortages.
Air and ground crews up to the RNZAF directed personnel levels.	There were insufficient personnel to meet RNZAF directed air and ground crew personnel levels. 5 Squadron staffing averaged at 77% for the period, with shortages in experienced maintenance Sergeants (less than 50%), which limited aircraft availability and maintenance turn around times. Although aircrew staffing levels have improved through a larger than normal conversion course and better achievement of readiness training activities (RTA), executive aircrew levels (66% of first pilots, tactical coordinators and air electronic officers), limited the amount of tasking that could be conducted and would have prevented sustainment of long deployed operations.
Equipment types and numbers as specified in Schedule 4 to the NZDF Output Plan, the Air Force publication NZAP(S) 700 and Standard Operating Procedures.	Equipment types and numbers were achieved, as specified, however, issues remain with some equipment obsolescence. Electro-optic equipment recently fitted to three P-3K Orion aircraft has increased efficiency by enabling contacts to be investigated from greater distances and thereby saving on fuel.
Planned annual Orion flying hours are 2,550 (target range 2,422 – 2,677 hours).	The MPF flew 2,329 hours. The marginal under fly in relation to the target range was due to delays in conducting the acceptance test and evaluation flying on the upgraded P-3K2, lower than planned SAR and a small decrease in RTA. The latter will be recovered in the second part of 2008.

TARGETS	PERFORMANCE ACHIEVED
<p><i>Note:</i> The number of P-3K Orion aircraft available during 2007/08 (through to 2009/10) will be affected by the LTDP rolling programme to upgrade the Orion fleet and will reduce the full capacity of this output. At least one aircraft will be removed from service at any one time during the upgrade programme. In addition, the remaining aircraft will continue to be cycled through group and phase servicing requirements. This will have an affect on the likely sustainable duration of any operational deployments and the ability to rotate any such deployments. The requirement to sustain core and DLOC training will also affect the nature and extent of tasking that can be undertaken by the fleet during the period.</p>	<p>The development of the prototype aircraft at the contractor site is now approximately nine months behind schedule, with associated delays expected to impact on aircraft availability. The production programme is not yet finalised but it is expected that aircraft availability will be affected for at least one year longer with project completion now expected to be 2011/12.</p> <p>A positive impact of the delay to the upgrade project has been that more experienced personnel have been available to provide instruction and mentoring as the Squadron builds staffing levels. Consequently, the Squadron is in a better position to properly staff the upgraded fleet.</p>
Quality Specifications	
Readiness	
Maritime Patrol Forces that meet the specified DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	The MPF met the specified DLOC readiness criteria for routine NZ and South Pacific operations but, due to personnel shortages and equipment limitations, was only partially prepared to conduct complex maritime air operations. Equipment limitations meant only a basic level of anti-submarine warfare capability was achieved.
Maritime Patrol Forces carry out a range of training activities in accordance with the NZDF EAS, RNZAF METLs (under update) and the Squadron Training Programme to achieve DLOC.	Achieved. Exercise Bersama Shield in support of FPDA partially achieved its training activity for this exercise as the aircraft became unserviceable with three sorties remaining to be flown. One operational conversion course and several crew executive and specialist upgrades were also achieved.
Combat Viability	
Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks.	Collective training standards were achieved but air and ground crew capability are both limited by shortages at supervisory experience levels.
Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Aircraft met the required performance and reliability standards. The sensor and communications equipment performance is inadequate to meet the required standards due to low sensitivity, rising obsolescence and limited capacity. The P-3K2 upgrade specifically addresses sensor and communication equipment inadequacy.
Effective standardisation when working with friendly forces.	Crew skill levels and aircraft availability figures are comparable to friendly forces. Current communication suite, weapons fit and self-protection is below standard of friendly forces. The P-3K2 upgrade will address a large part of the communications issue. Separate projects are listed on the LTDP to address self protection and weapons inadequacies.
Deployability	
Maritime Patrol Forces capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	Fully achieved. Crew skill levels have improved through the achievement of RTA this year.
Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Schedule 4 to the NZDF Output Plan and NZAP(S) 700.	The MPF had insufficient munitions and stores to generate OLOC for other than short term, low threat environments.

TARGETS	PERFORMANCE ACHIEVED
Sustainability	
Aircraft, munitions, expendable and technical stores available, as specified in NZAP(S) 700, to maintain OLOC for designated operational viability period.	The MPF had insufficient munitions and stores to maintain OLOC for other than short term, low threat environments.
Personnel available for sustainment/rotation of the Maritime Patrol Forces on continuous operations as specified at Schedule 4 to the NZDF Output Plan.	There were insufficient personnel to sustain the MPF on continuous operations in accordance with Schedule 4 to the Output Plan.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 12 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
51.641	Personnel	50.544	48.718	50.668
55.538	Operating	54.144	57.653	53.237
21.733	Depreciation	20.445	17.199	17.165
31.086	Capital Charge	29.023	26.166	26.214
159.998	Total Expenses	154.156	149.736	147.284
Revenue				
159.488	Revenue Crown	153.342	148.886	148.886
0.853	Revenue Other	0.814	0.850	0.873
160.341	Total Revenue	154.156	149.736	149.759
0.343	Net Surplus (Deficit)	-	-	2.475

OUTPUT EXPENSE 13: FIXED WING TRANSPORT FORCES

Description

The provision of No 40 Squadron prepared for the conduct of strategic and tactical air transport operations, including Aeromedical Evacuation (AE). This expense also includes the provision of air transport aircraft for a range of support services to government and the community.

Output Expense Components

Provide Fixed Wing Transport Forces, from No 40 Squadron RNZAF, prepared for the conduct of strategic and tactical air transport operations under Employment Contexts 1, 2, 3, 4, and 5. For details of Employment Contexts, see Section 2.

Contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives, when not committed to operations, using the capabilities developed for the operational role.

Outputs in Output Expense 13

Output 13.1: B757-200 Transport Force

The provision of Boeing 757-200 aircraft prepared for strategic air transport tasks and to provide some support services for government and the community.

Note: *The planned modifications to the B757-200 aircraft in FY 2006/07 will reduce the full availability of the fleet.*

Output 13.2: C-130 Transport Force

The provision of C-130 Hercules aircraft prepared for both strategic and tactical air transport operations and for some support services for government and the community.

Overview

No 40 Squadron, with a fleet of two Boeing 757-200 and five C-130 Hercules aircraft, supported a wide range of government, NZDF, and community activities during the reporting year. Ongoing commitments included support to the NZDF PRT in Afghanistan, the New Zealand Antarctic Research Programme, and NZDF deployments in Solomon Islands and Timor-Leste. Introduction into service activities for the B757 modification and C-130 Life Extension Programme (LEP) over the period has stretched personnel resources and continued shortfalls to critical supervision areas remain an issue.

The availability of the Boeing 757-200 fleet was reduced to one aircraft for the period July 2007 to October 2007, and no aircraft were available from November 2007 to June 2008, due to modifications. The modification project includes provision of a cargo capability that should complement the C-130 airlift capability, a modest VIP fit, and avionics upgrades necessary to comply with evolving global air traffic requirements. At the time of writing, the first aircraft had completed successful test flights and was due to return to New Zealand in July 2008 for a period of testing and evaluation before generating full capability. The modifications will provide the Government and NZDF with an increased airlift capability.

The C-130 fleet has been dominated by the impact of the LEP. The modifications include some structural and mechanical upgrades aimed to extend the aircrafts' life to the planned withdrawal date of 2017. The most visible changes will be to the flight deck where digitisation of avionics was necessary to meet evolving global air traffic requirements. Despite the modifications, the engines, propellers, and some other systems will remain as possible sources of unserviceabilities.

The overall reduced availability of airlift has necessitated a need for more robust planning in order to adequately support activities. Extensive coordination has been required and is ongoing, both within NZDF and with external government agencies. The reduced fleet size has significantly increased the impact of any unscheduled maintenance as there is limited, if any, options for redundancy. Aircraft availability, however, is only one element in capability and the criticality of personnel is being realised. Concurrent operational and training commitments are being exacerbated by the introduction into service activities. Competing demands for skilled supervisors, flying and technical, across the RNZAF reaffirms the need for an awareness of risk as No 40 Squadron heads towards testing and evaluation of the modified fleets.

Highlights

During the reporting period the FWTF conducted the following activities by aircraft type.

B757

- » Completed support flights for Task Group Manu (Timor–Leste), Operation Rata (Solomon Islands), and Task Group Crib (Afghanistan).

C–130

- » Completed two Task Group Teal deployments in support of TG CRIB. In addition, there was ongoing support to NZDF deployments in Timor–Leste and Solomon Islands.
- » Completed Operation Antarctica commitments, including a propeller change that was undertaken in extreme climatic conditions in Antarctica, and proved the agility of personnel in terms of operational capabilities.
- » Conducted a Maple Flag readiness training activity conducted at Canadian Defence Force Base, Cold Lake for two crews for advanced combat training. The C–130 also completed the Advanced Airlift Tactics Training Centre training cycle for combat qualifications of a crew.
- » Completed Exercise Skytrain at RNZAF Base Woodbourne, near Blenheim, meeting most training objectives for initial combat qualifications.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Two C–130 Hercules aircraft available for deployed military tasks; to be sustainable on operations in accordance with Schedule 4 of the NZDF Output Plan. (Provided from a total fleet of five C–130 Hercules aircraft). ¹	Fully achieved throughout period. Two C–130 Hercules were available for deployed military tasks in accordance with Schedule 4 of the output plan.
A third Hercules to be available for specified tasks under EC 1D and emergency tasks, as required.	Fully achieved throughout period. A third Hercules was available for EC 1D coverage. ²
One Boeing 757–200 available for strategic transport tasks; to be sustainable for the expected duration of strategic transport tasks in accordance with Schedule 4 of the NZDF Output Plan. (Provided from a fleet of two B–757–200 aircraft). ³	One B–757 aircraft was available for strategic transport tasks for five months of the reporting period (June – October 2007). For the rest of the period, aircraft were undergoing modification in the upgrade programme.
An Aeromedical Evacuation (AE) element for strategic and tactical AE in support of land operations. ⁴	A dedicated AE capability has not yet been realised by the RNZAF. The Hercules remains available for AE, albeit not yet specifically equipped for it. Personnel dedicated to this capability are not yet available.
Air and ground crews up to the RNZAF directed personnel levels. “Crews” include AE support staff; this will include joint and/or civilian medical staff for strategic and tactical AE, as required.	C–130 air crews were maintained at the directed levels. B–757 air crews were below directed levels throughout the period. An additional B–757 crew is expected to be generated in late 2008. Personnel resources have been required to fulfil project and introduction into service positions.

- ¹ The number of C–130 Hercules aircraft available during 2007/08 (through to 2009/10) will be affected by the LTDP rolling programme to upgrade the C–130 fleet and will reduce the full capacity of this output. At least one C–130 aircraft will be removed from service at any one time during the upgrade programme. While the number of aircraft required by the Output Plan for OLOC should be maintained for most of this period, there will be periods where only two C–130 aircraft will be available given the need to continue to cycle aircraft through group and phase servicing requirements. The reduced fleet size will have an affect on the duration of any operational deployments and the ability to rotate any such deployments. The requirement to sustain core and DLOC training will also affect the nature and extent of tasking that can be undertaken by the C–130 fleet during the period.
- ² Where dedicated EC 1 coverage is not available alternative arrangements are established. In some instances there are short gaps in capability arising from unscheduled servicing requirements or tasking.
- ³ The number of Boeing 757 aircraft available during 2007/08 will be affected by the LTDP modification programme for the B–757 fleet and will reduce the full capacity of this output. For most of the period only one B–757 will be available except for six months in the middle of the programme (Aug 07 to Feb 08) when no B–757 aircraft will be available. In the period Oct 07 to Feb 08, B–757 Operational Testing and Evaluation (OT&E) will be conducted. During this period one B–757 may be available for limited tasking – as part of and to meet the OT&E requirements.
- ⁴ The RNZAF is required to provide forward, tactical and strategic Aeromedical Evacuation (AE) services, including responsibility for the provision of AE-qualified personnel and associated AE equipment. For fixed wing tactical and strategic AE it is likely that, for high dependency cases, specialist support would be sought from other Services of the NZDF and/or non-defence resources.

TARGETS	PERFORMANCE ACHIEVED
<i>(Cont)</i>	The result is a continued shortfall in critical supervision areas. Ground crews have been below directed levels, due to a shortage of experienced maintenance supervisors.
Equipment types and numbers as specified in Schedule 4 to the NZDF Output Plan, the Air Force publication NZAP(S) 700, and Standard Operating Procedures.	Aircraft were generated in accordance with Schedule 4 within the constraints of the modification programme (Boeing 757) and the LEP (C-130).
Planned annual flying hours are:	
The Boeing 757s will fly a total of 950 hours (target range 903 – 997).	The Boeing 757s flew 273 hours. Planning was initially based on at least one Boeing 757 being available for the latter half of the reporting period, however, unforeseen delays to the modification programme resulted in both aircraft being unavailable since November 2007.
The Hercules will fly a total of 2,166 hours (target range 2,058 – 2,274). ⁵	The C-130 Hercules flew 1,814 hours. A majority of the under fly is a result of unforeseen delays in the C-130 LEP, resulting in almost no acceptance testing and evaluation flying being conducted (2.6 hours out of 200 planned hours). The remainder of the shortfall is attributable to lower than planned SAR and disaster relief and a reduction in RTA hours due to weather and aircraft unserviceability.
Quality Specifications	
Readiness	
Fixed Wing Transport Forces that meet the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.	DLOC readiness criteria were achieved within the constraints of the upgrade projects and reduced aircraft availability.
Fixed Wing Transport Forces carry out a range of training activities in accordance with the NZDF EAS, RNZAF METLs (under update) and the Squadron Training Programme.	RTAs undertaken included NZ based activities (Tactical Exercise and Exercise Skytrain) and overseas activities (Advanced Airlift Tactics Training Centre, Joint Readiness Training Centre, and Maple Flag.)
Combat Viability	
Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks.	Achieved.
Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Achieved.
Effective standardisation when working with friendly forces.	Effective standardisation was achieved, with limitations. The FWTF continues to use doctrine standards and procedures that allow integration with friendly forces. The lack of a night vision capability remains a limitation to interoperability. Further, participation at the Joint Readiness Training Centre provided crews an ability to be assessed from an interoperability perspective by US Air Force/National Guard personnel.
Deployability	
Fixed Wing Transport Forces capable of generating OLOC within designated Response Times, as specified in Schedule 4 to the NZDF Output Plan.	The C-130 fleet was capable of generating OLOC within the designated response times, as specified in Schedule 4 for low and medium threat environments, within the constraints of the LEP. For example, two deployments in support of the PRT in Afghanistan were undertaken.

⁵ The total C-130 annual flying hours' allocation has been adjusted to reflect the reduction in the number of C-130 aircraft available and the total number of hours that can be generated and supported by the C-130 fleet during that period.

TARGETS	PERFORMANCE ACHIEVED
(Cont)	The B-757 fleet was capable of generating OLOC within the designated response times, as specified in Schedule 4, except during periods of unavailability due to induction into the upgrade programme. ⁶
Aircraft, expendable and technical stores available to generate OLOC, as specified in Schedule 4 to the NZDF Output Plan and NZAP (S) 700.	C-130 fleet. Aircraft and stores were available to generate OLOC, as specified in Schedule 4 for low and medium threat environments, within the constraints of the LEP. B-757 fleet. Aircraft and stores were available to generate OLOC, as specified in Schedule 4, except for periods of unavailability due to induction into the upgrade programme. ⁶
Sustainability	
Aircraft, expendable and technical stores available, as specified in NZAP(S) 700, to maintain OLOC for designated operational viability period.	C-130 fleet. Aircraft and stores were available to maintain OLOC for the designated OVP, within the constraints of the LEP. B-757 fleet. Aircraft and stores were available to maintain OLOC for the designated OVP, apart from periods of unavailability due to the upgrade programme.
Personnel available for sustainment/rotation of the Fixed Wing Transport Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan.	For both fleets, personnel were available and all criteria were fulfilled for sustainment/rotation on continuous operations, as specified by Schedule 4, but at reduced numbers due to the upgrade and extension programmes. Training activities, in particular simulator training, remains difficult to achieve because of limited instructor numbers and availability.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 13 (GST EXCLUSIVE)

ACTUAL 2006/07 [\$ MILLION]	CATEGORY	MAIN ESTIMATES [\$ MILLION]	SUPPLEMENTARY ESTIMATES [\$ MILLION]	ACTUAL 2007/08 [\$ MILLION]
Expenditure				
45.639	Personnel	58.662	57.564	59.930
74.282	Operating	78.619	66.875	63.490
23.204	Depreciation	26.646	22.631	20.961
32.063	Capital Charge	32.453	30.953	30.975
175.188	Total Expenses	196.380	178.023	175.356
Revenue				
172.955	Revenue Crown	194.619	176.346	177.346
1.019	Revenue Other	1.761	1.677	1.432
173.974	Total Revenue	196.380	178.023	178.778
(1.214)	Net Surplus (Deficit)	-	-	3.422
Cost by Output				
74.692	Output 13.1	79.569	64.980	65.497
100.496	Output 13.2	116.811	113.043	109.859

⁶ Both aircraft were unavailable from November 2007.

**OUTPUT EXPENSE 14:
ROTARY WING TRANSPORT FORCES**

Description

The provision of No 3 Squadron prepared for the conduct of tactical air transport operations, including Aeromedical Evacuation (AE), and counter-terrorist operations. This expense also includes the provision of helicopters for a range of support services to government and the community.

Output Expense Components

Provide Rotary Wing Transport Forces, from No 3 Squadron RNZAF, prepared for the conduct of tactical air transport operations, including Aeromedical Evacuation under Employment Contexts 1, 2, 3, 4, and 5. (For details on Employment Contexts, see Section 2).

Undertake MAO&T (Multi-Agency Operations/Tasks), and contribute to a range of services in support of other government departments, the community, and foreign and defence policy objectives, when not committed to operations, using the capabilities developed for the operational role.

Overview

The 14 UH-1H Iroquois helicopters perform a wide range of tasks in support of NZDF operations and activities, in addition to supporting other government agencies and the community. The primary role of the Iroquois is the provision of tactical air transport to both conventional and special military operations. Other tasks include Aeromedical Evacuation and Search and Rescue. A fleet of five Bell 47G-3B-2 helicopters provide a conversion training role.

The introduction into service of the NH90 Medium Utility Helicopter (MUH) and A-109 Training and Light Utility Helicopter (TLUH) are beginning to impact on the current capability. Although positive growth has been achieved in the aircrew pool, experienced personnel (aircrew and maintenance) are increasingly being employed in support of the introduction into service project, such that the RWTF overall capability is slowly reducing. This impact can be safely managed.

Low staffing of maintenance personnel continues to be an area of concern, as manning levels remain below establishment. Although the RWTF continues to produce the required flying hours, even with low manning, there is a cost in reduced deployed operations and capability, reduced supervision levels, and increased outsourcing of deeper level maintenance.

Highlights

During the reporting period, the RWTF:

- » continued successful support to Task Group Manu, under Operation Koru – involving two Iroquois helicopters and around 30 personnel permanently deployed in Timor-Leste. (The serviceability of the two deployed Iroquois has been well over 90%.);
- » deployed two additional aircraft to RAAF Townsville for tactical flying in a tropical environment;
- » completed readiness training activities including Exercises Blackbird (mountain flying), Pekapeka (night flying), and Steel Talon (tactical support to Army); and
- » provided helicopter support to the NZ Army, RNZN, NZ Police, Civil Defence, Department of Conservation, and a variety of other civilian and government agencies.

Performance

Performance measurement for this Output Expense is in accordance with the standard measures for operational force outputs shown earlier in this section and those measures listed in the NZDF 2007 Statement of Intent.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
Six UH-1H Iroquois helicopters available for military tasks; to be sustainable on operations in accordance with Schedule 4 of the NZDF Output Plan. (Provided from a total fleet of 14 Iroquois helicopters).	Six helicopters were available for military tasks in accordance with Schedule 4, however, crew shortages limited the ability to sustain a deployable capability.
Two additional helicopters on standby for rapid response tasks under EC1 and for Search and Rescue.	Two aircraft were available for rapid response tasks under EC1 and one aircraft was available for Search and Rescue in accordance with Schedule 4 of the NZDF Output Plan.

TARGETS	PERFORMANCE ACHIEVED
A Forward and Tactical AE element for the support of land operations.	Forward and Tactical AE was available when required. High dependency cases require Army medical support on board.
Air and ground crews up to the RNZAF directed personnel levels.	Air and ground crew numbers have generally been around 70 – 90 percent of establishment, with a slight trend up throughout in the period. At the time of writing, there were 13 air crews with a target of 17 crews.
Equipment types and numbers as specified in Schedule 4 to the NZDF Output Plan, the Air Force publication NZAP(S) 700 and Standing Operating Procedures.	The Iroquois helicopter was equipped and supported as specified, and additional resources were allocated to the second deployable technical pack-up.
Planned annual Iroquois flying hours are 4,909 (target range 4,664 – 5,154 hours).	The Iroquois flew 4,591 hours. Factors affecting the marginal reduction in flying hours from the target range included a fleet wide maintenance issue and a reduction of planned activities in support of other government agencies. The hours that were flown included all core and readiness activities, as well as operations in Timor-Leste, in addition to supporting other agencies when required.
<p><i>Notes:</i></p> <p>(1) <i>The RNZAF is required to provide forward and tactical Rotary Wing Aeromedical Evacuation (AE) services, including responsibility for the provision of AE-qualified personnel and associated AE equipment.</i></p> <p>(2) <i>Seasprite naval helicopters are provided under Output Expense 11. No 6 Sqn, RNZAF is responsible for their maintenance and for the training of crews to DLOC. For the planned annual Seasprite flying hours see Output Expense 11.</i></p>	
Quality Specifications	
Readiness	
Rotary Wing Transport Forces that meet the specified DLOC readiness standards in accordance with Schedule 4 to the NZDF Output Plan.	The RWTF was capable of meeting the readiness requirements for DLOC across all roles and tasks, however, a shortfall of personnel leaves the RWTF only partially prepared for sustained operations. The RWTF maintained OLOC for EC1D (terrorism and acts of sabotage within NZ).
Rotary Wing Transport Forces carry out a range of training activities in accordance with the NZDF EAS, RNZAF Mission Essential Task Lists (METLs) (under update) and the Squadron Training Programme.	The RWTF conducted training activities with other NZDF units, NZ government agencies and foreign forces. Activities included Exercise Steel Talon (tactical transport operations), Exercise Blackbird (mountain flying), Exercises Tropic Townsville (tropical operations), Croix Du Sud (French-led evacuation exercise) and Exercise Pekapeka (night vision goggle operations).
Combat Viability	
Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks.	Air and ground crews were trained in accordance with the appropriate standards and met the levels of experience required for the conduct of military tasks.
Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks.	Aircraft and equipment performance and reliability continue to limit the capability of the RWTF. In particular, the performance of the Iroquois in bad weather, at night and in hot and high conditions is unsatisfactory. The problem of main rotor blade delamination continues to be effectively managed, but at additional cost in both increased consumption of rotor blades and an increased maintenance burden. The NZDF Medium Utility Helicopter Project (NH90) will address these issues.

TARGETS	PERFORMANCE ACHIEVED
Effective standardisation when working with friendly forces.	RWTF doctrine, training and procedures allow smooth integration with a variety of friendly forces in limited, low-level contingency operations such as in Timor-Leste. The lack of RWTF exposure to a large scale combined exercise for over a decade limits the ability to effectively measure standardisation in higher level, combined arms operations.
Deployability	
Rotary Wing Transport Forces capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.	The RWTF was capable of generating OLOC within the designated response time. The current Iroquois fleet lacks adequate levels of aircraft performance and self-protection to meet the OLOC requirements in a medium/high-threat environment, as specified in Schedule 4 to the NZDF Output Plan.
Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Schedule 4 to the NZDF Output Plan and NZAP(S) 700.	Sufficient stores are currently being made available to generate OLOC. Some additional aircraft spares have been purchased to allow concurrent operations and exercise deployments such as Tropic Townsville and Croix Du Sud.
Sustainability	
Aircraft, munitions, expendable and technical stores available, as specified in NZAP(S) 700, to maintain OLOC for designated operational viability period.	Aircraft, expendable and technical stores were available to maintain OLOC for designated periods.
Personnel available for sustainment/rotation of the Rotary Wing Transport Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan.	The RWTF is not currently manned to support continuous operations at the level specified in Schedule 4 to the NZDF Output Plan. The RWTF would need to be fully manned in order to meet the full commitment, but with manning averaging 85%, there is a commensurate reduction in sustainability.

Contribution to Services Provided to Government and the Community

A consolidated NZDF summary of the availability to provide services to the government and community, and of services provided during the year, is shown in the section on Services in Support of the Government and the Community.

COSTS FOR OUTPUT EXPENSE 14 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
50.462	Personnel	41.385	43.396	44.305
33.928	Operating	35.234	38.379	37.487
7.596	Depreciation	11.909	11.171	11.035
16.067	Capital Charge	25.944	25.913	25.784
108.053	Total Expenses	114.472	118.859	118.611
Revenue				
107.180	Revenue Crown	114.125	118.236	118.236
0.933	Revenue Other	0.347	0.623	0.659
108.113	Total Revenue	114.472	118.859	118.895
0.060	Net Surplus (Deficit)	-	-	0.284

OUTPUT EXPENSE 15: MISCELLANEOUS SUPPORT ACTIVITIES

Description

The provision of the NZDF training infrastructure and planned support to regional Defence Forces and the New Zealand community that is provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme (MAP), support for the New Zealand Cadet Forces (NZCF), training of Limited Service Volunteers (LSVs) and the provision of Service Museums.

Output Expense Components

Provide the training infrastructure and planned support to regional Defence Forces and the New Zealand community, using identified elements of the NZDF.

Note: The NZCF comprises 343 NZCF officers and 3,419 cadets within 106 Cadet Force Units across New Zealand. The personnel figures fluctuate from month to month, especially at the end of the school year.

Outputs in Output Expense 15

Output 15.1: Mutual Assistance Programme

The provision of instructors, facilities and resources to conduct training for, and provide technical advice to, regional defence forces and law enforcement agencies under the Mutual Assistance Programme (MAP). Assistance is provided in New Zealand and in participant countries.

Output 15.2: NZ Cadet Forces Support

The provision of personnel to provide general policy guidance, uniforms, administrative support and military training assistance, for all approved New Zealand Cadet Forces (NZCF) units.

Output 15.3: Limited Service Volunteer Training

The provision of NZDF training staff and facilities required for participation in the community training scheme to encourage the unemployed or disadvantaged youth towards employment.

Output 15.4: Service Military Museums

The provision of staff, infrastructure and resources to Service Museums to ensure the preservation and presentation of New Zealand's significant military history.

Highlights

During the reporting period, the NZDF continued to provide valuable training and technical assistance to countries within the Pacific and Asian regions under the MAP. Highlights included Vietnam joining the programme as a partner country, the involvement of Singapore developing into a full bi-lateral relationship, the re-admission of Thailand into the programme; and the increased level of activity provided in the South Pacific.

The NZDF continued to provide a high level of support to NZCF and LSV training activities. For the NZCF, this comprised 38 courses for cadets and 26 courses for NZCF officers. Four courses were run for LSVs; three of which achieved a completion rate of more than 75%.

The Army Museum completed a successful showing of the Passchendaele Exhibition which coincided with the 90th Anniversary of the Battle of Passchendaele.

The redevelopment of the main history gallery at the RNZAF Museum is the most significant change in its 21-year history and will see a more people-focused approach to the history of the RNZAF.

The Navy Museum delivered a total of four exhibitions or displays, most significant of which were the Lt Cdr W. Sanders VC exhibition located in the Navy Museum and the Antarctic display located in the Devonport Ferry terminal.

Performance

Output performance will be measured by the degree of satisfaction expressed by the authorities requesting the assistance – in accordance with their annual programmes.

Training and administrative support will be provided in accordance with NZDF quality standards as modified with senior staff from the requesting organisation. For Service Museums, an annual review against Service Museum benchmarks and periodic review against the New Zealand Museum Standards Scheme will be used.

Quality will be assessed by the regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available. This will include:

- » **For MAP.** The monitoring and analysis of MAP activities within each country programme through various processes, including post-activity reports and evaluation of the training outcomes against identified need.
- » **For NZCF.** The effectiveness of the support provided to the NZCF is assessed from the reports of Area Coordinators, Cadet Unit Commanders, feedback from the public and the overall evaluation by the Commandant NZCF.
- » **For LSVs.** Analysis of the training objectives achieved, the reported post-course employment status of Scheme participants, and feedback from the public and the Ministry of Social Development (MSD).
- » **For Service Military Museums.** Feedback from the individual museum trust boards and NZDF command, "public satisfaction" surveys, annual and periodic reviews, and the number of visitors per financial year.

TARGETS	PERFORMANCE ACHIEVED
Quantity Specifications	
<p>Training and technical assistance for the Mutual Assistance Programme (MAP) – anticipated to be in the range of 200 to 250 activities. Each activity could include formal training, technical advice, attachments, study, mobile training teams, and exchanges both in New Zealand and overseas.</p>	<p>The MAP delivered 108 out of 163 planned training activities¹, which included training assistance to MAP partners via Mutual Assistance Training Teams (MATTs), technical advisors, NZDF courses, tertiary study, exchanges and attachments. The gap between the revised planned target of 163 and actual target of 108 is largely attributable to MAP partner countries failing to nominate personnel for courses for which they had reserved places. In a small number of cases candidates were not accepted as they did not meet the required language standard for courses.</p> <p>Of the total activities completed, about 70 per cent of that total was undertaken with Pacific MAP partners while the rest were conducted with South East Asian MAP partners. Around 75 per cent of the annual MAP operating and personnel expenditure of about \$2 million was spent on Pacific MAP activities, while the majority of the rest was expended on MAP activities conducted with Asian partners.</p> <p>The main outcomes during the reporting period were as follows:</p> <ul style="list-style-type: none"> » MAP talks were conducted with the Cook Islands, Brunei, Malaysia, Philippines, Thailand, Papua New Guinea and Tonga. A MAP component was part of the whole of government security talks held with Vanuatu and military-military talks held with Vietnam. At these various talks the NZDF reinforced the intention to develop five – year MAP plans from 2009/10 at the next round of talks. » The Technical Adviser post in Samoa was concluded in August 2007. Under the Pacific Disciplined Forces Strategy, NZ Police will take the lead in providing appropriate assistance to the Samoan Police Force. Discussions continued with Malaysia to conclude the MAP sponsored instructor post in Pulada by the end of 2008 and establish a bi-lateral instructor position at their Armed Forces Staff College. » Talks were conducted with the Australian Defence Cooperation Programme staff prior to the Defence Coordinating Group. » Talks were also held with other donors under the umbrella of the Quadrilateral Defence Coordinating Group, NZ, Australia, France and USA, to ensure better co-ordination between the respective military assistance programmes in the Pacific.

¹ During the reporting year, the planned range of 200–250 activities was revised to 150–200, which better reflects the number and type of activities that could be realistically provided.

TARGETS	PERFORMANCE ACHIEVED
(Cont)	<ul style="list-style-type: none"> » Collaboration continues with NZ Police on the provision of training assistance to disciplined forces in the South Pacific. » The New Zealand Government approved Vietnam joining the MAP as a partner country. Following talks in October 2007 discussions continued about suitable activities in areas such as peacekeeping, flight safety and attendance on respective staff courses. The first activity under this new MAP relationship was a visit to NZ by a flight safety team of three hosted by the RNZAF. » After a 35-year partnership, and the approval of the Singapore–New Zealand Defence Coordinating Group, Singapore concluded its MAP involvement on 30 June 2008 and will change to a fully bi-lateral relationship. In a small but significant way, the MAP has contributed to the development of one of our original MAP partner countries. » Thailand was re-admitted to the MAP and talks held to discuss areas for re-engagement in 2008/09. » NZDF personnel attended UN courses in Malaysia and the Philippines for Military Observers and military–civilian co-ordinators respectively. » The level of MAP activity with Tonga has again increased reflecting the strengthened relationship between our respective forces. » As for Tonga, the level of activity for PNG continued to increase. In particular, the MAP has sponsored a number of activities including a PNG Defence Force senior rating attending the RNZN Senior Sailor Seminar, senior PNGDF officers attending the ARF Peacekeeping Conference in Singapore (co-hosted by NZ and Singapore) and a PNGDF Chaplain attending a Military Christian Fellowship conference in Australia. Assistance to the PNGDF Commercial Support Programme continues, with the Joint Logistics Support Organisation now having the lead in this specialist area. <p>Seven MATTs were successfully completed as follows:</p> <p>Tonga</p> <ul style="list-style-type: none"> » A RNZN team reviewed diver training requirements and equipment safety and serviceability. » A NZDF engineer assisted the ADF DCP Technical Adviser install a computer network for the TDS. Two visits were conducted to complete the work. » A visit was conducted to assess the requirements to conduct a regional MATT (first aid training) in Tonga planned for November 2008. <p>Papua New Guinea</p> <ul style="list-style-type: none"> » A senior RNZN officer conducted an assessment of PNGDF Naval training requirements. <p>Cook Islands</p> <ul style="list-style-type: none"> » A RNZAF armourer conducted a review of armoury security and procedures and provided specialist technical advice during a very successful arms amnesty.

TARGETS	PERFORMANCE ACHIEVED																								
(Cont)	<p>» A RNZN team conducted Leadership training under the auspices of the Naval Excellence programme.</p> <p>Malaysia</p> <p>» A senior NZ Army Dental officer held discussions with the MAF to consider their personnel gaining dental experience in NZ (This was an activity that was regularly conducted in the past).</p> <p>A summary of MAP activities provided during the reporting period, by country, is shown in the table at the end of this section.</p>																								
Support for the New Zealand Cadet Forces (NZCF) in 2007/08 will involve the conduct of 36 courses for NZCF officers and 40 courses for cadets – amounting to about 2,764 officer training days and 9,879 cadet training days. Permanent staff includes 27 Tri-Service, Regular Force training and support staff and four civilian administrative staff. (Note: Training days do not include community projects completed at the local level).	<p>Support has been achieved for 102 cadet units comprising 350 officers and 3,928 cadets. A total of 1,987 officer training days and 9,086 cadet training days were conducted. This comprised 26 courses for NZCF officers and 38 courses for cadets. The average cadet parade attendance during the year was 2,961.</p> <p>Officer training days were lower than planned due to a delay in the introduction of the replacement cadet rifle requiring the cancellation of a number of range safety officers courses and officer update weekends programmed to familiarise officers using rifles. The reduction in cadet training days was due to a lower than scheduled attendance at outdoor leadership courses.</p>																								
Special Training for Limited Service Volunteers (LSV), to include five courses (each of six weeks duration) for up to a total of 720 unemployed people between the ages of 17 and 25 years for the training year (1 July 07 – 30 June 08).	<p>Four courses have been conducted throughout the 07/08 training year with a fifth scheduled for 26 May – 05 Jul 08 (05/08).</p> <p>01/08 20 Aug – 30 Sep 07:</p> <table> <tr> <td>144</td> <td>Accepted</td> </tr> <tr> <td>103</td> <td>Commenced Training</td> </tr> <tr> <td>79</td> <td>Completed Training</td> </tr> </table> <p style="text-align: right;">Completion rate: 77%</p> <p>02/08 15 Oct – 25 Nov 07:</p> <table> <tr> <td>83</td> <td>Accepted</td> </tr> <tr> <td>64</td> <td>Commenced Training</td> </tr> <tr> <td>55</td> <td>Completed Training</td> </tr> </table> <p style="text-align: right;">Completion rate: 86%</p> <p>03/08 04 Feb – 15 Mar 08:</p> <table> <tr> <td>76</td> <td>Accepted</td> </tr> <tr> <td>63</td> <td>Commenced Training</td> </tr> <tr> <td>50</td> <td>Completed Training</td> </tr> </table> <p style="text-align: right;">Completion rate: 79%</p> <p>04/08 31 Mar – 10 May 08:</p> <table> <tr> <td>117</td> <td>Accepted</td> </tr> <tr> <td>99</td> <td>Commenced Training</td> </tr> <tr> <td>66</td> <td>Completed Training</td> </tr> </table> <p style="text-align: right;">Completion Rate: 67%</p> <p>Total number trained: 250 (excl 05/08)</p>	144	Accepted	103	Commenced Training	79	Completed Training	83	Accepted	64	Commenced Training	55	Completed Training	76	Accepted	63	Commenced Training	50	Completed Training	117	Accepted	99	Commenced Training	66	Completed Training
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The provision of staff, infrastructure and resources to Service Museums to ensure the preservation and presentation of New Zealand's significant military history. Service Museums at Devonport (Navy), Waiouru (Army) and Wigram and Ohakea (Air Force).	<p>Staff, infrastructure and resources were provided to ensure the preservation and presentation of New Zealand's significant military history.</p> <p>The Navy Museum delivered a total of four exhibitions or displays, most significant of which were the Lt Cdr W. Sanders VC exhibition located in the Navy Museum and the Antarctic display located in the Devonport Ferry terminal.</p> <p>As at the time of writing, the Navy Museum remains closed for maintenance.</p>																								

TARGETS	PERFORMANCE ACHIEVED
(Cont)	<p>Due to the theft of medals, the Army Museum was closed over the period 2 – 10 December 2007. Key exhibitions which were displayed through the year included:</p> <ul style="list-style-type: none"> » Passchendaele » Traveller to an Antique Land » New Zealand Memorial in London » Men in Khaki » Up the Blue <p>The Air Force Museum's personnel establishment in the collections management area was increased by three during the reporting period. One capital and several additional large facilities management projects were funded.</p> <p>The Air Force Museum annual Open Day was titled "SOS Heroes" and featured emergency services and community support organisations. The Museum also hosted the Christchurch City Council sponsored Antarctic Festival Open Day and the annual ANZAC Day service.</p>
Quality Specifications	
Complete the MAP country programmes and activities – consistent with the MAP policy objectives and outcomes agreed with the participant defence forces or law enforcement agencies, and that are also consistent with NZDF practices.	Based on the feedback received, all MAP training and projects undertaken achieved the standards identified with recipient countries.
Meet the training, course and exercise objectives of the NZ Cadet Forces.	Training delivered by the NZDF to the NZCF has been consistent throughout the organisation, has met the objectives of the NZCF and met the nationally agreed standards.
Conduct courses that meet the requirements of the NZQA framework, where appropriate.	Where appropriate, courses were conducted to meet the requirements of the NZQA framework.
Meet NZDF standards for the administrative support provided to NZCF units.	Although permanent staff support during the year has been maintained at slightly below the establishment of 27 Regular Force personnel and five civilian staff, the required standards have been met.
Complete training courses to standards agreed in a Memorandum of Understanding (MOU) between the NZDF and the Ministry of Social Development (MSD).	<p>Numbers supplied to attend the courses is a Ministry of Social Development (MSD) output, with the nomination process being managed by Work and Income NZ (WINZ). The LSV Company is currently working with WINZ to help improve awareness of and attendance at these courses.</p> <p>The MOU MSD and the NZDF expects the LSV Company to achieve an 80% success rate for candidates who start/complete each course. This has averaged out to a 77% completion rate for the 07/08 Training Year (TY) which is on par with the 05/06 and 06/07 TYs; the drop in percentage for course 04/08 (67% completion rate) reflects an increase in students not meeting the required course standards.</p> <p>A new MOU covering the period 1 July 2007 to 30 June 2010 was signed, which provides for an annual subsidy from MSD of \$1.575 million. This represents an increase in payment of \$56,000 per annum from the previous MOU.</p>

TARGETS	PERFORMANCE ACHIEVED
Services provided in accordance with the relevant Trust Deeds and the MOUs between each of the Services and the individual museum trust boards.	<p>Services have been provided in accordance with the relevant Trust Deeds and MOUs between each of the Services and the individual museum trust boards. The RNZAF/Museum Trust Board MOU was updated during the year to reflect the change in museum structure following the closure of the Ohakea Exhibition Centre.</p> <p>Almost 90% of visitors to the Navy Museum found the exhibitions 'excellent' or 'very good' and 100 % of visitors rated their visit as either 'excellent' or 'very good'.</p> <p>In-house surveys conducted by the Army Museum continue to indicate patrons have provided positive feedback on facilities and exhibitions.</p> <p>Visitor survey results for the RNZAF Museum report a 100% return at the "satisfied" or "very satisfied" level.</p>

Summary of MAP Activities by Country for the Reporting Year 2007/08

	SOUTH PACIFIC							ASIA						
	Cook Is	PNG	Samoa	Solomon Is	Timor Leste	Tonga	Vanuatu	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
NZDF Command and Staff College		1				1		1	1	1	1			3
Training in NZ (RNZN)		2								2				
Training in NZ (NZ Army)		13	3		1	19	4	3		1	2	6		
Training in NZ (RNZAF)			1				1			2	2			
Attachments in NZ		1				1	2				2			
NZDF Technical Advisers ¹	1		1			1	2			1				
Mutual Assistance Training Teams visiting ²	2	1				3				1				
Sponsored Activities		4	1			1	1		1	1			1	3
MAP talks	✓	✓				✓	✓	✓		✓	✓		✓	2

1. Based in country for 2-3 years

2. Denotes number of NZDF teams, not people

COSTS FOR OUTPUT EXPENSE 15 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
6.881	Personnel	6.877	6.726	7.068
4.773	Operating	4.634	5.206	4.728
0.555	Depreciation	0.537	0.721	0.683
1.513	Capital Charge	1.641	1.642	1.641
13.722	Total Expenses	13.689	14.295	14.120
Revenue				
12.113	Revenue Crown	12.339	12.895	12.895
1.394	Revenue Other	1.350	1.400	1.400
13.507	Total Revenue	13.689	14.295	14.295
(0.215)	Net Surplus (Deficit)	-	-	0.175
Cost by Output				
1.736	Output 15.1	1.977	1.818	1.619
2.919	Output 15.2	2.897	2.760	2.859
2.856	Output 15.3	2.576	2.770	2.883
6.211	Output 15.4	6.239	6.947	6.759

OUTPUT EXPENSE 16: OPERATIONALLY DEPLOYED FORCES

Description

The provision of deployed force elements at the Operational Level of Capability for military operations, including the commitments agreed by the Government under which the NZDF contributes to peace support and other operations conducted in support of the United Nations and other international agencies. This includes the provision of individuals, observers, advisers, instructors, headquarters staff, and complete force elements and contingents, when necessary, to operational missions, and the conduct of any additional training required to meet any special conditions or the higher threat levels anticipated.

Output Expense Components

Provide individuals, small detachments, units and equipment prepared to meet government's agreed commitments to operational missions.

Note: Brief histories of New Zealand's current government-approved contribution to the various operational missions are shown at pp 148 – 151 of the 2007 NZDF Statement of Intent.

Overview

Operational deployments directed by the Government require input from all three Services. Operational Command of these forces is assigned to Commander Joint Forces New Zealand for military operations and for mutually agreed Joint (more than one Service) and Combined (more than one Nation) training. New Zealand currently contributes to a wide range of peace support activities and military operations under Output Expense 16 (as described in the following pages). Headquarters Joint Forces New Zealand facilitates the planning, command and conduct of these operations, along with the provision of operational support to other government departments such as the New Zealand Customs Service, the Department of Conservation, NZ Police, and the Ministry of Fisheries.

Highlights

- » Planning, deployment and the rotation of force elements in support of Operation Enduring Freedom, operations in Timor-Leste and Solomon Islands as well as various smaller missions, including:
- » Operation Lima. 10 NZDF personnel were deployed in February 2007 to UNMACC-SL as an Explosive Remnants of War Disposal (ERWD) Team and were based in Tyre, Southern Lebanon, where they located, mapped and destroyed unexploded ordinance. This team was withdrawn in February 2008.
- » Operation Tiki III. In May 2008 the NZDF deployed HMNZS Te Mana, together with associated land-based staff in support of Operation Enduring Freedom. Their role is to patrol assigned sectors in the Persian Gulf in support of Coalition Maritime Security Operations.

Performance

Output performance is measured by the degree of satisfaction expressed by the authorities requesting the assistance and within budget. The key measurement elements are: complete satisfaction with the performance of duties throughout the deployment; satisfactory performance of equipment provided by the NZDF, when applicable; and budget considerations. The performance measures are: the evaluation of reports from the host organisation; the evaluation of reports from the senior "in-theatre" NZDF commander; the evaluation of reports from visiting NZ politicians and NZDF staff; the level of capability achieved by individuals, detachments or units prior to departure is assessed by the designated Operational Commander; and each deployment is to be completed within a Cabinet-approved budget.

Quantity

Targets

Maintain the commitments specified by Government in its approval for each task/mission/operation.

As at 1 April 2007, actual commitments included:

» OP KORU – All Task Groups (Timor-Leste)	151
» UNTSO (Middle East) [OP SCORIA]	8
» MFO (Sinai) [OP FARAD]	26
» EUFOR (Bosnia) [OP STANDARD]	3
» EUFOR (Bosnia) [OP FORD]	8
» UNMIK (Kosovo) [OP KOSTER]	1
» UNAMI (Iraq) [OP HAVEN, Task Group IRON]	1

» <i>OP ARIKI (Afghanistan) [Task Group CRIBB]</i>	107
» <i>OP ARIKI (Afghanistan) [Task Group KEA]</i>	7
» <i>OP ARIKI (Tampa, Florida, USA) [Task Group SPEAK]</i>	3
» <i>OP ARIKI (Afghanistan) [Task Group AFFIRM]</i>	1
» <i>OP ARIKI (Arabian Sea area) [Task Group TROY]</i>	5
» <i>OP SUDDEN (Sudan)</i>	3
» <i>OP RATA II (Solomon Islands)</i>	43
» <i>UNCMAC (Republic of Korea) [OP MONITOR]</i>	3
» <i>USCENTCOM Staff Officer</i>	1
» <i>UNMACC-SL (Southern Lebanon) [OP LIMA]</i>	10
» <i>Total NZDF personnel deployed</i>	381

Performance Achieved

At the start of the reporting period (1 July 2007), 427 NZDF personnel were posted overseas on operations; by May 2008 this number had increased to 604. HMNZS Te Mana's crew of 175, who are deployed on Operation Tiki III in the Gulf, were largely responsible for this increase. In addition to these operations, NZDF ships, aircraft and military units have routinely been deployed in the Asia/Pacific region for training exercises, patrols and surveillance support to Pacific nations, which have seen up to an additional 329 personnel deployed.

NZDF personnel served on the following missions during 2007–08:

REGION AND MISSION	NZDF COMMITMENT
Pacific	
United Nations Integrated Mission in Timor-Leste (UNMIT) (Operation KORU) (Task Group TOA) (Task Group KAIHANGA) (Task Group MANU)	The NZDF currently has one UN Military liaison Officer deployed to Dili in Timor Leste and also provides the Chief Military Liaison Officer (CMLO). One Logistics Officer and one Personnel Officer are deployed to support the Office of Defence Force Development (ODFD) and are based at Taci Tolu. A NZDF Infantry Company Group of 148 is deployed to Timor Leste under command of an ADF led Combined Joint Task Force (CJTF). The Senior National Officer is the Deputy Commander of CJTF 631. The NZDF have deployed a 3 Squadron RNZAF helicopter detachment consisting of 2 UH-1H helicopters and 32 personnel to provide support to CJTF 631.
Regional Assistance Mission Solomon Islands (RAMSI) (Operation RATA II)	A NZDF platoon of 43 persons is currently in theatre operating under the command of CTF 635. One Officer is the Deputy Commander of CTF 635.
Asia	
Support to Multinational Operations against trans-national terrorism in Afghanistan (Operation ARIKI) (Task Group KEA/RUA) (Task Group TROY) (Task Group CRIB) (Task Group SPEAK) (Task Group AFFIRM) (Task Group TEAL)	The NZDF maintains a presence of 135 personnel as a Provincial Reconstruction Team (PRT) in Bamyán, Afghanistan. 12 personnel are based in Bagram as the PRT National Support Element. One NZDF Officer is currently deployed to the Coalition Joint Task Force HQ (CJTF 82). Three NZDF personnel are deployed to the International Security Assistance Force (ISAF) HQ in Kabul, two as Staff Officers and one as a driver in the support, works, plans and mine awareness areas. Two NZDF Sergeants are attached to a British battalion as part of the United Kingdom Leadership Training Team (UKLTT-A) of the Office of Military Cooperation in Afghanistan (OMC-A). Six NZDF personnel provide a support mechanism for NZDF Force Elements deployed to the Gulf Region and to assist co-located coalition partners. Three NZDF officers are based at US CENTCOM in Florida to provide planning advice, liaison and assistance for Operation Enduring Freedom in Afghanistan. The NZDF contributes one officer to work as a Military Advisor in the Military Advisory Unit (MAU) of the UN Assistance Mission Afghanistan (UNAMA). Twice a year a NZDF C-130 Hercules and 35 NZDF personnel deploy to the Middle East in support of TG Crib rotations in Afghanistan. A chartered aircraft is also used for strategic personnel lift during the rotations.

REGION AND MISSION	NZDF COMMITMENT
(Cont)	TG Maanaki consists of two medical personnel attached to the Canadian lead Multi National Medical Centre based in Kandahar. HMNZS Te Mana with its crew of 175 and a land based support team of five has been deployed to the Arabian Gulf since May 2008 in support of Coalition Maritime Security Operations.
UN Command Military Armistice Commission in Korea (UNCMAC) (Operation MONITOR)	Three NZDF officers are deployed to the United Nations Command Military Armistice Commission (UNCMAC) in the Republic of Korea, one in Operations, one in corridor control and one in joint duties. (In August 2007 the Defence Minister, the Hon Phil Goff, announced that New Zealand would extend its commitment to UNCMAC for two years to August 2009.)
Middle East	
United Nations Assistance Mission to Iraq (UNAMI) (Operation Haven) (Task Group IRON)	This mission currently comprises one NZDF Military Liaison Officer who is based in Baghdad.
Multinational Force and Observers, Sinai (MFO) (Operation FARAD)	The Multinational Force and Observers (MFO) is an 11 nation commitment based at El Gorah in the north of the Sinai Peninsula, established to uphold the conditions set down in the Treaty of Peace signed between Egypt and Israel in 1979. The NZDF contribution currently consists of a 26-person contingent.
UN Truce and Supervisory Organisation (UNTSO) (Operation SCORIA)	The NZDF currently have eight personnel committed to the mission. NZDF personnel are located in UNTSO HQ, Jerusalem; Observer Group Golan – Damascus and Tiberias (OGG–D and OGG–T); and Observer Group Lebanon (OGL).
UN Mine Action Co-ordination Centre – Southern Lebanon (UNMACC–SL) (Operation LIMA)	In February 2007, NZDF deployed a 10 person Explosive Remnants of War Disposal (ERWD) team to Southern Lebanon. The Team operated in Direct Support to UNMACC–SL for one year. The team located, mapped and destroyed unexploded ordnance. The Team, which consisted of an Explosive Ordnance Disposal (EOD) team and a Technical Assistance team, was withdrawn in February 2008.
Europe	
UN Mission In Kosovo (UNMIK) (Operation KOSTER) EUFOR (Bosnia) [OP STANDARD] EUFOR (Bosnia) [OP FORD]	The NZDF maintains one staff officer as a Military Liaison Officer attached to the UNMIK HQ in Pristina. NZDF contributions to Bosnia ceased during 2007.
Africa	
United Nations Mission in Sudan (UNMIS) (Operation SUDDEN)	The NZDF currently have three officers deployed to UNMIS. One is employed as a Staff Officer at UNMIS Headquarters in Khartoum and the two UN military observers are based in Melut.

Quality

The NZDF continues to receive positive feedback on its performance on overseas missions, including those below.

During the annual bilateral dialogue between the Ministers of Defence for New Zealand and Australia in March 2008, both Ministers highlighted the excellent interoperability between the New Zealand and Australian Defence Forces forged through successive regional deployments and regular combined exercises.

The 15-year contribution by NZDF personnel to Bosnia was officially recognised at a ceremony held in Sarajevo by the Commander of the European Union Forces (EUFOR), Rear Admiral Hans-Jochen Witthauer.

In announcing the decision in August 2007 to extend New Zealand’s commitment to the United Nations Command Military Armistice Commission (UNCMAC) in the Republic of Korea for a further two years, the Defence Minister, the Hon Phil Goff, noted that NZDF personnel serving with UNMAC, which is a multinational mission led by the United States, had earned a high degree of respect from other military personnel they served alongside from Australia, Canada, Colombia, Thailand, the Philippines, Turkey and the United Kingdom.

The valuable work the NZDF's Provincial Reconstruction Team undertakes in Afghanistan, including supporting NZAID projects, was publicly recognised by Dr Sarabi, the Governor of Bamyan province, during a recent visit to Wellington.

The value of New Zealand's contribution to the Multinational Force and Observers based on the Sinai Peninsula was also re-affirmed during a visit to Wellington by the Director General of the MFO Ambassador James Larocco.

In September 2007, a New Zealand Army soldier, Lance Corporal Joshua Roewen of the Royal New Zealand Army Logistics Regiment serving with the Multinational Force and Observers on the Sinai Peninsula, received a Chief of Defence Force Commendation in recognition of his courage and professionalism after an attack by a suicide bomber in Egypt.

In addition to several formal letters of appreciation received from Commanders-in-Chief regarding the NZDF contributions to OEF operations and UN missions, advice and emails received from the NZDF Liaison Officer to the United Nations indicates that the NZDF is held in very high regard as a "Troop Contributing Nation". Letters of appreciation were received from government departments for inter-departmental support provided by the NZDF to local and overseas operations.

The performance of the NZDF against the following targets was assessed against United Nations Department of Peace Keeping Operations requirements.

TARGETS	PERFORMANCE ACHIEVED
Personnel to be at OLOC before deployment.	Personnel were at OLOC before departure.
Services provided to the satisfaction of Coalition Commanders, Contingent Commanders and staff responsible for each task.	Services were provided to the satisfaction of Coalition Commanders, Contingent Commanders and staff responsible for each task. A number of personnel achieved citations and certificates of merit from various missions.
Standards achieved as agreed with the parent organisation requesting NZDF participation.	Standards were met.
Timely replacement of each element or individual, when requested.	In most instances individuals were replaced as required with suitably qualified personnel. NZDF-wide personnel shortfalls remain a risk.

COSTS FOR OUTPUT EXPENSE 16 (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
7.889	Personnel	-	21.794	21.632
29.159	Operating	74.976	49.498	44.699
-	- Depreciation	0.267	-	0.002
-	- Capital Charge	0.075	-	-
37.048	Total Expenses	75.318	71.292	66.333
Revenue				
36.696	Revenue Crown	74.517	70.875	69.875
0.352	Revenue Other	0.801	0.417	0.401
37.048	Total Revenue	75.318	71.292	70.276
-	Net Surplus (Deficit)	-	-	3.943
Cost by Output				
2.679	Output 16.1	3.123	4.273	4.212
34.369	Output 16.2	72.195	67.019	62.121

Cost

Note, that until the start of FY 2008/09 Output Expense 16 is subject to a three-year, Multi-Year Appropriation (MYA) for funding purposes. The Government has agreed that from 2008/09 funding will change on an annual basis. The MYA table and an indicative annual breakdown of costs are included in the NZDF 2007 Statement of Intent.

Multi-Year Appropriation (MYA)

As recommended by the Defence Capability and Resourcing Review (DCARR) and under the Defence Sustainability Initiative (DSI), funding for Output Expense: Operationally Deployed Forces has been placed under a MYA. If government requires the NZDF to undertake a major operational deployment and the cost of this deployment cannot be managed within the MYA, the NZDF may request an additional appropriation from Cabinet for the incremental costs of this deployment. Any such appropriation would be additional to the DSI funding package.

SERVICES IN SUPPORT OF THE GOVERNMENT AND THE COMMUNITY (INCLUDING MULTI-AGENCY OPERATIONS AND TASKS [MAO&T])

General

Conducting the training activities needed to maintain DLOC for operational employment also produces within the NZDF the capacity to deliver a range of services in support of other government departments, the community, and foreign and defence policy objectives.

Approval levels for the provision of these services range from Cabinet/Ministerial level for significant events to unit commanders for minor local support tasks. Generally, however, tasks will be approved on the direction of CDF, a single Service Chief, or COMJFNZ.

Some general services are pre-planned or are, at least, reasonably predictable. Such tasks include ceremonial support, and planned assistance to the NZ Antarctic Programme, the Department of Conservation (DOC) and the NZ Police. The frequency of other tasks, primarily of an emergency nature such as search and rescue, assistance to civil defence, are less predictable. The NZDF maintains elements at specified degrees of notice (DON) for response to such emergencies.

The following pages describe the availability of NZDF units for emergency tasks, and a summary of services provided to the Government and community during the year. This support was delivered by a combination of both deployable Force Elements and non-deployable Support or Training units. Costs for these activities are reported within the relevant Output Expenses.

Performance

The quality of general services provided by the NZDF to other government departments, the community, and foreign and defence policy objectives is that the services be provided to the satisfaction of the requesting authority. For MAO&T, the quality of assistance will be in accordance with the details of formal agreements/MOUs.

Elements Available For Emergency Tasks

SERVICE	PERFORMANCE ACHIEVED – ELEMENTS AVAILABLE (WITH DEGREES OF NOTICE (DON) WHERE APPLICABLE)
Navy	
One Frigate (or alternative vessel) at eight hours' DON for emergency tasks, including Search and Rescue (SAR) and Medical Assistance/Evacuation.	One frigate or alternative vessel was available.
One Inshore Patrol Vessel (IPV), once in service, at eight hours' DON for emergency tasks, including SAR.	Inshore Patrol Craft were available for emergency tasking up to December 2007, when HMNZS Ships Wakakura and Kiwi were decommissioned. Alternative vessels were available to respond to emergency tasks for the remainder of the reporting period.
One Diving Team at 12 hours' DON for emergency tasks, including underwater search and explosive ordnance disposal (EOD). ¹	Availability was maintained throughout the period.
One 25-person Civil Defence Response Group.	One 25-person Civil Defence Response Group was available at Devonport.
On-shore personnel for fire fighting, as available.	Availability was maintained throughout the period.
Army	
Personnel in North Island and South Island at 48 hours' DON for emergency tasks, including SAR, Fire Fighting, and Casualty/Medical Evacuation.	Personnel were available at the designated notice.
Personnel On Call for Civil Defence:	
» HQ elements in North Island and South Island to support a Civil Defence HQ.	These elements were available from HQ JFNZ.
» Four 25-person Response Groups.	The designated personnel and groups were available at Waiouru, Linton, Trentham and Burnham.
» Two 100-person National Reserve Groups.	The designated personnel from 2 and 3 Land Force Groups were available.
» One 500-person Reserve.	The designated personnel from 2 and 3 Land Force Groups were available.

SERVICE	PERFORMANCE ACHIEVED - ELEMENTS AVAILABLE (WITH DEGREES OF NOTICE (DON) WHERE APPLICABLE)
EOD Teams in North Island and South Island at 12 hours' DON ¹ .	EOD teams were available.
In-camp personnel for fire fighting, as available.	Availability was maintained throughout the period.
Air Force	
One Iroquois helicopter at two hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation.	One Iroquois was available for tasking at two hours' DON for emergency tasks.
One Orion (or one Hercules if an Orion is not available) at two hours' DON for emergency tasks, including SAR and Aeromedical Evacuation.	One aircraft (Orion or Hercules) was available at two hours' DON for emergency tasks.
One Hercules at 14 hours' DON for emergency tasks.	One Hercules aircraft was maintained on 14 hours' DON for emergency tasks.
One EOD team at 12 hours' DON ¹ .	An EOD team was available at 12 hours' DON.
One 25-person Civil Defence Response Group at each Air Base, and elements to support a Civil Defence HQ.	A 25-person Civil Defence response group was maintained at each of Whenuapai, Ohakea and Woodbourne Air Bases. Staff Officers to support National Civil Defence Headquarters were available from Headquarters Joint Forces New Zealand (HQ JFNZ).
On-base personnel for fire-fighting, as available	Availability was maintained throughout the period.

MULTI-AGENCY OPERATIONS AND TASKS (MAO&T)

The term Multi-Agency Operations and Tasks (MAO&T) is used within several of the NZDF Output Specification Tables contained in this Annual Report. The term is used within the relevant tables to draw a clear distinction between "general support" to the community and the more formal, pre-planned support to specific government departments and agencies, under the whole of government approach to, for example, protection of the New Zealand EEZ and border security. MAO&T refers to the formal operational support and training for such operations and tasks that the NZDF (Navy, Army and Air Force) provides, and that are being developed, with other government departments and agencies – such as the Ministry of Fisheries, NZ Customs Service, NZ Police, Ministry of Foreign Affairs and Trade, Department of Conservation, Maritime New Zealand, and related agencies. The Navy and Air Force, in particular, work closely, individually and collectively with such agencies. The Government has emphasised the general direction and increased importance of the civilian/military requirements associated with the NZ EEZ and border control.

The NZDF will continue to work closely with other government departments and agencies to plan formal arrangements for these requirements. It needs to be noted that, while existing formal support to other government departments and agencies continued during 2007/08, significant increase in this support cannot be guaranteed until new/replacement/upgraded vessels (such as the MRV, OPVs and IPVs) and aircraft are introduced into service.

The reporting of MAO&T with government departments and other general support to the government and the community is to be, by exception, against the table below.

¹ Explosive Ordnance Disposal (EOD) only. [Improvised Explosive Device Disposal (IEDD) comes under Output Expense 10].

GOVERNMENT AND COMMUNITY SUPPORT PROVIDED

During reporting period, the NZDF provided a wide range of services in support of foreign and defence policy objectives, other government departments and the community. A summary of actual support provided is shown in the following table:

NZDF SUPPORT TO	SUPPORT PROVIDED BY NZDF
<p>NZ Police <i>(excluding SAR)</i></p>	<p>3 Squadron RNZAF helicopters provided 281 flying hours in support of training and general operations.</p> <p>NZ Army and RNZAF provided a variety of military support to the NZ Police including catering support, battle training facilities, rifle ranges, sniper, motorcycle and technical training facilities involving 245 personnel days and 4,372 km driven.</p> <p>40 Squadron RNZAF conducted one flying hour in support of an EOD exercise and 5 Squadron RNZAF provided 21 flying hours in support of various operations and reconnaissance support.</p> <p>The RNZN Operational Diving Team provided assistance in searching for a sunken vessel and murder weapon for 136 personnel hours.</p> <p>NZ Army Force MP Company provided personnel for a total of 12 personnel hours and travelled 100 km in support of police callouts.</p> <p>The NZDF provided personnel and equipment for Exercise Resolution, which involved 818 personnel hours, 1,000 km travelled, five hours' flying time transporting 11 personnel and 6,636kg of equipment.</p>
<p>Land, Sea and Air SAR <i>(in support of NZ Police, RCCNZ, NadiRCC, SuvaMCC or other requesting agency)</i></p>	<p>NZ Army personnel, rationing and a vehicle were provided to assist with SAR training courses totalling four personnel days and 204 km.</p> <p>RNZAF units provided 32 personnel for a total of 40 days and 630 km travelled in support of land based SARs.</p> <p>3 Squadron RNZAF provided 90 flying hours in support of SARs and exercises. 5 Squadron flew 62.5 hours on seven SAR tasks in the Tonga region, and six hours on one medical evacuation task in Vanuatu, which also involved 22 personnel hours and transported 32 passengers.</p> <p>The Rescue Coordination Centre New Zealand (RCCNZ) called on the services of RNZAF Liaison Officers on nine occasions who, along with communications, operations and intelligence personnel, provided 156 personnel hours in support of SAR operations.</p>
<p>Ministry of Civil Defence and Emergency Management</p>	<p>The NZ Army provided 11 personnel and vehicles in support of the Northland Civil Defence flood emergency in July 2007, which totalled six personnel days and 60 km driven. RNZAF 3 and 6 Squadrons provided 24 flying hours and 261 km driven by NZDF vehicles for the emergency. A P-3K Orion from 5 Squadron RNZAF also flew over the area to survey damage and relay information back to rescue teams on the ground.</p> <p>RNZAF personnel and personnel from HQ JFNZ were involved with the planning and conduct of Exercise Ruaumoko – a Civil Defence exercise, which involved 120 personnel hours.</p>
<p>Department of Conservation (DOC)</p>	<p>HMNZ Ships Te Kaha and Canterbury conducted Raoul Island re-supplies totalling seven sea days. Fifteen Naval personnel from HMNZS Philomel deployed to Raoul Island for 21 days, totalling 2,520 personnel hours.</p> <p>HMNZ Ships Te Mana, Canterbury, Endeavour, Kahu, Resolution, Kiwi and Wakakura conducted a total of 60 days of maritime patrols.</p> <p>3 Squadron RNZAF conducted 12 hours' flying time at Aoraki National park.</p> <p>A RNZAF C-130 aircraft conducted an air drop of 580Kg of supplies to Raoul Island involving two flying hours.</p> <p>Limited Service Volunteer trainees and staff assisted DOC with various tasks to "Give back to the Community" in Peel Forest near Geraldine, totalling 338 personnel hours.</p>
<p>Department of Corrections</p>	<p>Nil.</p>

NZDF SUPPORT TO	SUPPORT PROVIDED BY NZDF
Environmental Risk Management Authority	Nil.
NZ Fire Service and National Rural Fire Authority	<p>NZ Army and RNZAF personnel attended 194 callouts covering motor vehicle accidents, rural, domestic and structural fires, training, and alarm activations totalling 197 personnel days and 5,115 km driven.</p> <p>3 Squadron RNZAF flew 13 hours in support of fire training.</p>
Ministry of Fisheries	<p>HMNZ Ships Canterbury, Endeavour, Kahu, Kiwi, Resolution, Te Mana and Wakakura conducted a total of 85 sea days in patrols off the New Zealand coast.</p> <p>RNZAF P-3K aircraft conducted standard fisheries patrols totalling 176 flying hours in the reporting period. Operations, intelligence and communications support to surveillance flights totalled 47 personnel days.</p> <p>6 Squadron RNZAF helicopters provided 13 flying hours of support.</p> <p>Two RNZAF personnel were involved in a conference that involved 46 personnel hours.</p>
Ministry of Foreign Affairs and Trade (MFAT)	<p>HMNZ Ships Te Kaha, Te Mana, Canterbury, Endeavour and Resolution conducted good will/diplomacy visits to ports in Western Samoa, Malaysia, Japan, China, the Philippines, Australia, United Arab Emirates, Qatar and Bahrain totalling 61 days.</p> <p>RNZAF B757 and C-130 aircraft transported a total of 189 personnel, 6,097 kg of goods totalling 357 flying hours.</p> <p>5 Squadron RNZAF conducted Southern Ocean/Ross Sea and Pacific Island patrols on flights totalling 153 flying hours.</p>
Government House	<p>NZDF personnel and vehicles were provided in support of credential and other ceremonies totalling 393 man days and 5,172 km driven.</p> <p>42 Squadron RNZAF provided 10 flying hours in support of the Governor General of New Zealand.</p>
Ministry of Health	RNZAF Base Auckland provided facilities for driver training.
Department of Internal Affairs	<p>NZDF personnel provided ceremonial and logistical support (Guards, wreath layers, Bands, Door Openers, transport, crowd control, saluting batteries etc) for welcome ceremonies for the Presidents of Ireland, Uruguay, Mexico, Singapore, Vanuatu, Vietnam, the Head of State for Samoa, CDF United Kingdom, Supreme Commander Thailand, Deputy Chief of Staff (Personnel) Hellenic National Defence General Staff, CDF Australia and support to the State Funeral of Sir Edmund Hilary. Other support was accorded for the Speaker of the Russian Federation, Waitangi 2008, Commonwealth Day and numerous wreath laying ceremonies. A total of 387 personnel days and 10,370 km driven were provided.</p> <p>40 Squadron RNZAF flew four hours in support of the State Funeral for Sir Edmund Hilary.</p>
Maritime New Zealand (MNZ)	HMNZS Endeavour responded to a maritime emergency off 90 Mile Beach in Northland for seven hours.
New Zealand Customs Service	<p>HMNZ Ships Te Kaha, Te Mana, Canterbury, Endeavour, Kahu, Kiwi, Resolution, and Wakakura provided 90 sea days of patrolling in support of NZ Custom's activities.</p> <p>RNZAF P-3K aircraft of 5 Squadron carried out standard customs patrols and surveillance of the Northern EEZ and yacht routes, flying a total of 163 hours.</p> <p>Facilities and personnel were also provided for team building activities and leadership training involving six NZDF personnel and 20 personnel hours.</p>
Department of Prime Minister and Cabinet (DPM&C)	NZDF units provided support for a Victoria Cross presentation, the coronation of the Maori King and the Tangi of Archbishop Vercoe. A 3 Squadron RNZAF helicopter provided nine flying hours and a 42 Squadron RNZAF King Air Aircraft provided 22 flying hours. The RNZN and NZ Army between them provided 41 personnel days with 10,000 km driven by NZDF vehicles.
Explosive Ordnance Disposal (EOD)	NZDF EOD personnel attended 93 callouts and dealt with a wide range of items including marine markers, power gel, flares, mortars, and grenades, as well as various ammunition and practice munitions. During the course of the reporting period 118 personnel days were utilised and 21,709 km travelled in NZDF vehicles.

NZDF SUPPORT TO	SUPPORT PROVIDED BY NZDF
Support to the NZ Antarctic Programme (NZAP)	Seven NZDF personnel assisted the Harewood Air Movements Section during August 2007. Pre Deployment Training commenced in September 2007 for 30 personnel prior to their deployment to Harewood and Scott Base for the Summer season. Up to 30 NZDF personnel were deployed to Harewood (16) and Scott Base (14) during the season. RNZAF C-130 Hercules provided four return flights totalling 57 flying hours and the NZ Army provided accommodation.
Disaster Relief (South Pacific)	40 Squadron RNZAF flew 44 hours carrying emergency aid provisions to Papua New Guinea.
General Medical Assistance/Support	NZ Army attended to 256 civilian personnel during the reporting period and assisted the St Johns Ambulance Service and NZ Fire Service. A total of 1,042 km was travelled and involved 665 personnel hours. The RNZN Hyperbaric Chamber and the associated medical staff treated 21 civilian divers. A total of 610 personnel days were used with 908 km driven. 6 Squadron RNZAF flew one hour in support of Auckland Hospital.
Detection of Pollution	Nil.
Other Agency Support, as applicable	On behalf of the Civil Aviation Authority, a Seasprite helicopter from 6 Squadron photographed the crash site and debris at Whenuapai, involving one flying hour.
General Community Support	All three services of the NZDF continued to provide a wide range of support to communities and organisations across New Zealand such as Rotary, Lions, Red Cross, RSA's, other service-related clubs, schools, mayoral receptions, parades, concerts, youth organisations, expos, displays, marae, etc. Activities included ceremonial, band performances, logistics support, base visits, provision of personnel and facilities, funeral support for ex-servicemen and training. In excess of 3,360 personnel days and 3,729 km of travel were provided. Additionally, 3, 6 and 40 Squadrons RNZAF provided 48 flying hours carrying 396 passengers and 1,738 kg of freight.
General Training Courses	NZ Army facilities, personnel and vehicles were used to train Red Cross personnel. Twelve personnel days were used and 600 km travelled. A Customs led one-day training course conducted at HMNZS Philomel for multi agencies.

COSTS FOR SERVICES IN SUPPORT OF THE GOVERNMENT AND THE COMMUNITY (INCLUDING MULTI-AGENCY OPERATIONS AND TASKS [MAO&T])

The NZDF costs its outputs on the basis of maintaining training activities needed to maintain DLOC for operational employment, and pre-planned support to other government departments and agencies under MAO&T. As a consequence of the DLOC training activities, the NZDF also has the capacity to deliver a range of services to respond to emergencies and other tasks.

No direct attribution of cost has been made for these services. All costs for these activities are budgeted within Output Expenses 2 to 14.

SECTION FIVE**Veterans' Affairs New Zealand****VETERANS' AFFAIRS NEW ZEALAND: INFORMATION AND MANAGEMENT**

Veterans' Affairs New Zealand is the Government's principal adviser on veterans' issues. Veterans' Affairs New Zealand is responsible for providing advice on, and facilitating the delivery of, a range of services to individual veterans and their families, in recognition of the needs generated as a result of the veteran's service. To achieve this intent, Veterans' Affairs New Zealand is responsible for the delivery of a wide range of services.

Veterans' Affairs New Zealand does this by:

- » providing advice to the Minister of Veterans' Affairs and other Ministers and departments and agencies on aspects of policy relating to veterans;
- » managing the government's relationship with veterans and their representative organisations;
- » ensuring that the assessment of veterans' entitlements is undertaken fairly and accurately; and
- » facilitating and co-ordinating the services provided to veterans and their families by other government departments and agencies.

The Veterans' Affairs portfolio comprises two appropriations under one Vote:

- » Vote Veterans' Affairs – Defence. This vote is administered by Veterans' Affairs New Zealand and includes the provision of policy advice on, and administration of, a wide range of issues relating to veteran entitlements care and recognition.
- » Vote Veterans' Affairs - Social Development. This vote is administered by the Ministry of Social Development, and includes the processing and payment of War Disablement and Veterans' Pensions and concessions, and Rehabilitation Loan Scheme payments. This vote will be covered in the Ministry of Social Development Annual Report to Parliament.

ACCOUNTABILITY ARRANGEMENTS

The Chief of Defence Force, as Chief Executive of the New Zealand Defence Force, is responsible to the Minister of Veterans' Affairs for the financial management of Veterans' Affairs New Zealand under the Public Finance Act 1989. The Director, Veterans' Affairs, on behalf of the Chief of Defence Force, is responsible to the Minister of Veterans' Affairs for the delivery of the Veterans' Affairs New Zealand outcomes and outputs.

As a semi-autonomous body within the New Zealand Defence Force during the reporting period, Veterans' Affairs New Zealand is subject to the accountability and monitoring provisions of the Public Finance Act 1989 but does not come under the auspices of the State Sector Act 1988.¹

PRIMARY LEGISLATION

The primary legislation associated with Veterans' Affairs New Zealand is contained in the:

- » War Pensions Act 1954;
- » Burial and Cremation Act 1954;
- » Patriotic and Canteen Funds Act 1947;
- » Veterans' Affairs Act 1999; and
- » Defence Act 1990

LINKS WITH THE GOVERNMENT'S POLICY AND THEMES

The provision of specific services to veterans, in recognition of their contribution to the development of New Zealand's national identity, contributes to Government Theme 3: "National Identity".

The provision of policy advice on veterans' related issues, the co-ordination of the services provided to veterans and their families by other government departments and agencies, facilitating access to services

¹ As the result of a recent review, the newly formed Veterans' Affairs New Zealand lost its semi-autonomous status and became a business unit of the NZDF from 1 July 2008.

within the broader community and the development of constructive working relationships with veterans' organisations, contributes to Government Theme 2: "Families – young and old".

The work undertaken by Veterans' Affairs New Zealand contributes to achieving the following outcomes for veterans:

- » The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.
- » Eligible veterans and their dependants have access to the appropriate services in recognition of their Service.
- » The community will be aware of the role veterans played and continue to play in developing New Zealand as a nation.

CONTRACTS FOR SERVICE

Veterans' Affairs New Zealand maintains a number of contracts for the manufacture and installation of plaques and headstones, the maintenance and development of Services Cemeteries throughout New Zealand, and the provision of services under the auspices of case management.

OUTCOMES: VETERANS' AFFAIRS NEW ZEALAND

The specific initiatives addressed within the Veterans' Affairs New Zealand outcomes for 2007/2008 are reported below.

The veterans' perspective is considered as part of government decision – making on issues that impact on their lives.

The veteran community is diverse and has a broad range of issues that cross the boundaries of a number of agencies. It is critical therefore, that Veterans' Affairs New Zealand is able to work effectively with other state sector agencies to ensure that issues that are of concern to veterans can be pursued and there is consultation on issues that may impact on the veteran community.

Veterans' Affairs New Zealand is included in the Ministry of Health's consultation process on the health of the elderly and the sustainability of disability support services. Veterans' Affairs New Zealand is also a member of the organochlorines² monitoring group.

Veterans' Affairs New Zealand has also been included in a number of cross sector working groups and forums.

Veterans' Affairs New Zealand works closely with, and is actively involved in, a collaborative grouping of veterans' affairs agencies from Australia, Canada, the United Kingdom and United States of America. This forum provides a number of opportunities to share information and current practices.

Eligible veterans and their dependants have access to the appropriate services in recognition of their Service.

A major piece of work is the rewrite of the War Pensions Act 1954. Cabinet decided this project was best led by the Law Commission and Veterans' Affairs New Zealand has provided a staff member to assist the Law Commission with the project.

The Secretary for War Pensions reviews 10% of the decisions made by the War Pensions Claims Panels to ensure consistency of decision making. Any issues identified as a result of this process are addressed by the Secretary and form part of the claims panel's training process. Any veteran with any query relating to a War Disablement or Veterans' Pension can raise the query with the Secretary for War Pensions.

In December 2007 the Government signed a Memorandum of Understanding (MOU) with the Royal New Zealand Returned and Services Association and Ex Vietnam Services Association to address the concerns of Vietnam veterans. This has involved Veterans' Affairs New Zealand in the:

- » development and implementation of a registration process for Vietnam veterans and their families;
- » implementation of system for the payment of ex-gratia payments to veterans and their family members who have medical condition specified in the MOU;
- » development of a structure for the delivery of one-off comprehensive medical check and the promotion of those medical checks;
- » development of terms of reference for a panel of experts to provide advice on the application of international research into veterans issues in the New Zealand context; and
- » development of options for the implementation of centres of excellence in Veterans Homes.

² Any of various hydrocarbon pesticides that contain chloride.

Another major piece of work was the machinery of government review undertaken by an officials group lead by the State Services Commission. As a result, a new structure for Veterans' Affairs New Zealand was implemented. The new structure involved the incorporation of the Ministry of Social Development's War Pension Services unit with Veterans' Affairs New Zealand. At the time of writing, the newly formed Veterans' Affairs New Zealand lost its semi-autonomous status and became a business unit of the NZDF from 1 July 2008.

Work was undertaken with the Ministry of Social Development over the introduction of the veterans' version of the SuperGold Card. A veteran's version of the SuperGold Card was released in late August 2007. The card has been distributed to over 18,000 veterans.

Work has also commenced on a veterans card for veterans who are under 65.

The operational policy surrounding Services Cemeteries is being reviewed constantly to ensure that it accurately reflects the intent of the legislation. A new database to allow for more effective management of orders and special requirements, such as unveilings and other special events has been implemented.

Work has also been undertaken to transfer the capital works programme for Services Cemeteries onto a five year programme so that both Veterans' Affairs New Zealand and local authorities can begin to plan for the long term development of cemeteries.

The community will be aware of the role veterans played and continue to play in developing New Zealand as a nation.

A commemoration was held in Gallipoli in April 2008 to commemorate the 93rd anniversary of the Gallipoli Landings.

VANZ assisted with the co-ordination of the Minister of Veterans' Affairs trip to Merdeka Day in Malaysia during August 2007. This involved the Minister meeting up with the veterans who had received money from the Minister of Veterans' Affairs Commemoration Fund to attend the Merdeka Day commemorations.

In September 2007, VANZ lead a veteran group to the commemoration of the 90th Anniversary of the Battle of Passchendaele. The group took part in the events planned by the Belgian local authorities in the area. All the veterans had family members who were involved in the Battles on the Western Front.

VANZ co-ordinated a veteran group as part of the Minister of Veterans' Affairs visit to the Socialist Republic of Vietnam in February 2008.

VANZ also co-ordinated the veteran group for the dedication of the statue of the New Zealand Soldier on Sydney's Anzac Bridge in April 2008.

In addition, Veterans' Affairs New Zealand administers funding for veterans' groups to hold reunions and to allow veterans to undertake battlefield revisits. In the 2007/08 year, funding was provided to 152 veterans to assist them to travel overseas to attend commemorations of events or reunions of the units of which they were a part, and which had special significance to them. Veterans were funded to travel to commemorations marking the 50th anniversary of 'Merdeka' - the independence of the Federated States of Malaya and the State of Singapore from Britain, Battle of Coral and Balmoral, the Korean War, battle field tour of Vietnam, and the commemoration of the role of 3rd Div in New Caledonia.

Funding was also been provided to four groups to assist with the organisation of New Zealand based events and reunions.

VANZ was also involved in the organisation of the New Zealand involvement in the Last Post Essay competition. This competition is for students in their last year of secondary school. The two Belgium winners travelled to New Zealand in July 2007. The New Zealand winner visited Belgium in September 2007 and attended the commemoration of the 90th Anniversary of the Battle of Passchendaele.

Statement of Objectives and Service Performance

DEPARTMENTAL OUTPUT EXPENSE D1: POLICY AND ADMINISTRATION

Description

Under this output expense the Minister of Veterans' Affairs purchases the provision of policy advice on, and administration of, a wide range of issues relating to veterans' entitlements care and recognition.

This includes:

- » Policy advice to the Minister of Veterans' Affairs on veterans' entitlements, care and recognition, including legislation, major policy proposals and the development of new initiatives of significance to the sector.
- » Ministerial servicing and support – briefings, draft responses to Ministerial correspondence and Parliamentary Questions, Official Information Act enquiries, Ombudsman enquiries.
- » The provision of administration for the War Pensions Advisory Board and the War Pensions Appeal Board.
- » The administration of the Rehabilitation Loan Scheme.
- » The administration of the contracts for service relating to the maintenance and development of Services Cemeteries.
- » Quality audits of the maintenance and development work carried out in Services Cemeteries.
- » The co-ordination of New Zealand's participation in the commemoration of significant military anniversaries.

Links to Veterans' Affairs New Zealand Outcomes 1 and 3.

TARGETS	PERFORMANCE ACHIEVED
Provide policy advice to the Minister of Veterans' Affairs on veterans' entitlements, care and recognition	
Quantity Specifications	
The number of occasions that the Minister will seek advice, or the CDF feels need to offer it, will depend on a range of factors beyond the control of Veterans' Affairs New Zealand.	
The anticipated range of key submissions includes the following:	
» Statutory Reports to Parliament	2
» Submissions to Cabinet	5 – 12
» Special Briefing Papers	20 – 30
	2
	9
	22
Quality Specifications	
The Minister will expect expert advice to be delivered in accordance with the agreed statutory time frames and in accordance with the defined characteristics of quality advice: purpose, logic, accuracy, options, consultation, practicality and presentation.	Advice was delivered within the agreed or statutory time frame and in accordance with the defined characteristics of quality advice.
Replies within 20 days of receipt of requests, if not otherwise specified.	100% of all responses were completed within the requested time frame.
95% of first drafts of all policy papers accepted by the Minister.	The Minister accepted 100% of first drafts of all policy papers.
90% of all other responses accepted without amendment.	97% of all responses were accepted without amendment.

TARGETS	PERFORMANCE ACHIEVED
Provide Ministerial servicing and support	
Quantity Specifications	
The anticipated range of written submissions includes the following:	
» Ministerial Correspondence 200 – 300	262
» Parliamentary Questions 50 – 100	20
» Select Committee Reports 2 – 5	None Required
Quality Specifications	
Submissions will be delivered in accordance with the agreed time frames and in accordance with Cabinet Office guidelines. The aim is the provision of a comprehensive service: the capacity to react quickly; the regular evaluation of policy for effectiveness in achieving required outcomes and timely briefings on significant issues; and support for the Minister, as required, in Cabinet Committees, Select Committees and in the House.	Submissions were delivered in accordance with the agreed time frames and met Cabinet Office guidelines.
95% of all responses will be completed within requested time frames; 20 working days if not otherwise specified.	79% of all responses were completed within the requested time frame.
95% of all responses will be accepted without amendment.	96% of all responses were accepted without amendment.
Provide administration for the War Pensions Advisory Board and War Pensions Appeal Board	
Quantity Specifications	
Meetings of the War Pensions Appeal Board will be arranged by the Board Secretary at least six weekly.	The War Pensions Appeal Board met on three separate days. The Board did not meet at least six weekly due to the need to appoint a new secretary in the second half of the year.
Meetings of the War Pensions Advisory Board will be arranged by the Secretary for War Pensions as required.	The War Pensions Advisory Board did not meet during this year due to a lack of a quorum. This issue is being addressed.
Quality Specifications	
All arrangements and actions will meet the Boards' requirements.	All arrangements and actions for the War Pensions Appeal Board met the Boards' requirements.
95% of all actions defined by the Boards will be completed within 20 working days, if not otherwise specified.	100% of all actions defined by the War Pensions Appeal Board were notified to claimants within 20 working days of receipt. Where required, any necessary follow up action was commenced within 20 working days of receipt.
Provide Management of the Rehabilitation Loan Scheme	
Quantity Specifications	
The monitoring of loan payment schedules will be completed by the 7th of the month following receipt.	24 loan schedules were cleared for payment by the 7th of the month following receipt.
Quality Specifications	
Information provided will be of sufficient quality to enable the Ministry of Social Development to make payments.	Information provided to the Ministry of Social Development was of sufficient quality to enable the payments to be made.
100% of all actions will be completed within the agreed time frame.	100% of actions were completed within the agreed time frame – the 7th of the month following receipt.
Administration of maintenance agreements and contracts for service relating to the maintenance and development of Services Cemeteries	
Quantity Specifications	
Administering maintenance agreements covering an estimated 181 Services Cemeteries.	179 maintenance agreements have been put in place with cemetery authorities and are being administered.

TARGETS	PERFORMANCE ACHIEVED
An estimated 100 (in the range of 50 to 150) contracts for service will be administered.	186 contracts for service for the maintenance and development of Services Cemeteries have been agreed and have been administered.
Two contracts for manufacture and 47 contracts for installation will be administered.	Two contracts for manufacture are being administered. 48 contracts for installation are being administered.
Quality Specifications	
Contracts to be current, legally correct and clearly specify maintenance and development requirements.	Contracts were current, legally correct and clearly specify maintenance and development requirements.
There will be no breaches of contracts by Veterans' Affairs New Zealand.	There were no breaches of contract by Veterans' Affairs New Zealand.
Serious breaches of contracts by contractors will be managed as per the conditions in the contract.	There were no breaches of contract.
Quality Audits of Services Cemeteries	
Quantity Specifications	
Quality audits will cover the 181 Services Cemeteries in New Zealand on a rotational basis over a three-year period.	There were 155 quality audits of Services Cemeteries carried out during the reporting period (FY 2007/08). An audit programme is in place to ensure there are quality audits to cover the 181 Service Cemeteries on a rotational basis over a three-year period.
Quality Specifications	
Quality audits will ensure that specifications outlined in contracts have been met.	The quality audits identified that work had been carried out in accordance with the contract and that there were no breaches of contract.
Services Cemeteries' standards are being maintained to the satisfaction of Veterans' Affairs New Zealand, Local Authorities, the RSA and veterans' representative organisations.	Services Cemeteries were maintained to the satisfaction of Veterans' Affairs New Zealand, Local Authorities, the Royal New Zealand Returned Services Association and veterans' representative organisations.
Co-ordinate New Zealand's participation in the commemoration of significant military anniversaries	
Quantity Specifications	
The number of anniversaries that New Zealand will be involved in will depend on a range of factors beyond the control of Veterans' Affairs New Zealand. An anticipated range of two to four events will require co-ordination.	VANZ was involved in the co-ordination of five commemorative events. VANZ assisted the co-ordination of the Minister of Veterans' Affairs trip to Merdeka Day in Malaysia in August 2007. In September 2007 VANZ was involved in managing the veteran component in three commemorative events. VANZ lead the veteran group to the commemoration of the 90th Anniversary of the Battle of Passchendaele. All the veterans had family members who were involved in the Battles on the Western Front. VANZ co-ordinated a veteran group as part of the Minister of Veterans Affairs visit to the Socialist Republic of Vietnam in February 2008. VANZ co-ordinated the veteran group for the dedication of the statue of the NZ Soldier on Sydney's Anzac Bridge in April 2008. In a joint lead with the Commonwealth Department of Veterans Affairs Australia, VANZ continues to be involved in the coordination of the yearly Anzac Day ceremonies at Gallipoli.

TARGETS	PERFORMANCE ACHIEVED
Quality Specifications	
The Minister will expect participation in commemorative events to be delivered in accordance with agreed parameters and budget.	All events were delivered in accordance with agreed parameters and budget.
The event co-ordination will be to the satisfaction of the key stakeholders.	The event co-ordination was to the satisfaction of the key stakeholders.

COST OF OUTPUT EXPENSE D1: POLICY AND ADMINISTRATION (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
0.398	Personnel	–	3.210	1.777
2.415	Operating	4.901	1.691	1.405
2.813	Total Expenses	4.901	4.901	3.182
Revenue				
2.783	Revenue Crown	4.901	4.901	4.901
–	– Revenue Other	–	–	0.008
2.783	Total Revenue	4.901	4.901	4.909
(0.030)	Net Surplus (Deficit)	–	–	1.727

DEPARTMENTAL OUTPUT EXPENSE D2: SERVICES TO VETERANS

Description

Under this output expense the Minister of Veterans' Affairs purchases the assessment of entitlements and benefits and the provision of appropriate services.

This includes:

- » The assessment and review of entitlements and benefits – War Disablement Pensions, Veterans' Pensions and burial in Services Cemeteries.
- » The provision and installation of ex-service memorials for eligible veterans.
- » The provision of Case Management for veterans and their families.

Links to Veterans' Affairs New Zealand Outcome 2.

TARGETS	PERFORMANCE ACHIEVED
Assess and review entitlements to War Pensions and Veterans' Pensions	
Quantity Specifications	
An estimated 14,000 (in the range 13,500 – 14,500) decisions on new or reviewed disabilities will be made by the War Pensions Claims Panels.	The War Pensions Claims Panels made decisions on 15,645 applications for disabilities. There were 11,762 applications for new disabilities to be included in War Disablement Pensions and 1,695 applications for reviews of War Disablement Pensions for existing disabilities. In addition, 404 claims for additional pensions under Section 23 of the War Pensions Act 1954 were considered and 1,784 death attributability cases were considered.
An estimated 500 (in the range of 450 – 550) decisions on applications for War Disablement Pensions will be reviewed by the National Review Officer.	The National Review Officer undertook 417 reviews of the decisions of the War Pensions Claims Panel, at the request of the veteran concerned.
An estimated 300 (in the range of 250 – 350) decisions on applications for claims for War Disablement Pensions to be re-opened will be considered by the National Review Office.	The National Review Officer considered the re-opening of 394 claims for re-consideration by the War Pensions Claims Panel, on the basis of the new information provided by the veteran concerned.
An estimated 600 (in the range 550 – 650) administrative and retrospective reviews will be undertaken by the Secretary of War Pensions.	The Secretary for War Pensions undertook 703 administrative and retrospective reviews of War Disablement Pension claims.
An estimated 50 (in the range of 45 – 55) decisions will be reviewed by the War Pensions Appeal Board.	The War Pensions Appeal Board considered 47 individual war pension cases.
An estimated 150 (in the range 100 – 200) decisions on eligibility for Veterans' Pensions will be made by the Secretary for War Pensions.	The Secretary for War Pensions undertook 292 reviews of Veterans' Pension issues at the request of the veteran concerned.
Quality Specifications	
Assessments and Reviews of entitlements will be conducted against extant policy.	Assessments and Reviews of entitlements were conducted against extant policy.
95% of assessments will be completed within 10 working days of receipt by the War Pensions Claims Panel.	100% of assessments were completed within 10 working days of receipt by the War Pensions Claims Panel.
95% of reviews and re-openings will be completed within three months of receipt by the National Review Officer.	69% of reviews and re-openings were completed within three months of receipt by the National Review Officer. The increased medical complexity of claims has meant that each claim takes longer to consider.
95% of reviews will be completed within three months of receipt by the Secretary for War Pensions.	The Secretary for War Pensions completed 93% of reviews of War Disablement Pension issues within three months of receipt.

TARGETS	PERFORMANCE ACHIEVED
95% of Appeals will be heard within three months of receipt by the War Pensions Appeal Board.	The War Pensions Appeal Board heard 34% of appeals within three months of receipt by the War Pensions Appeal Board. The reason for only 34% of appeals being heard was due to the need to appoint a new board secretary, which created delays in board sittings.
Provide plaques and headstones for eligible veterans	
Quantity Specifications	
Administration of applications for ex-service memorials. This includes assessment of entitlement and arranging supply and installation.	Applications were assessed for entitlement and supplied and installed within agreed terms.
An estimated 2,100 (in the range of 1,500 – 2,500) applications for plaques and headstones will be processed.	1,961 orders for ex-service memorial plaques and headstones were assessed for eligibility, ordered from the manufacturer and installation arranged.
Quality Specifications	
The manufacture of plaques and headstones will meet technical specifications and be manufactured in accordance with agreed contract standards.	The manufacture of plaques and headstones meet technical specifications and were manufactured in accordance with agreed contract standards.
Decisions on eligibility will be made within legislative parameters.	Decisions on eligibility were made within legislative parameters.
99.5% of ex-Service Memorials will be factually correct, meet technical specifications as contracted and be correctly installed.	99% of ex-Service memorials were factually correct, technically correct and correctly installed.
75% of ex-Service Memorials to be manufactured and installed within four months (where correct documentation has been supplied with the application).	When correct documentation was supplied, 37% of all ex-Service memorials were manufactured and installed within four months of receipt. There have been difficulties with turn around times. The work undertaken with the manufacturers in January 2008 meant that in the last quarter, when correct documentation was supplied, 71% of all ex-service memorials were manufactured and installed within four months.
Provide Case Management	
Quantity Specifications	
An estimated 2,000 (in the range of 2,000 – 2,500) veterans will be case managed. The veterans' needs will be individually assessed and services and support from within the veteran's community will be put in place where required.	4,757 veterans were case managed. Their needs were individually assessed and appropriate services and supports were put in place from within the veteran's own community. The high number achieved for this target was due to more veterans being referred to case management.
An estimated 70 (in the range of 60 – 80) veterans' families will be provided with counselling.	40 veterans' families were provided with counselling and additional assistance.
An estimated 20 (within the range of 15–25) children of Vietnam and Operation Grapple veterans will be provided with additional health services.	33 children of Vietnam and Operation Grapple veterans were provided with additional health services.
An estimated 300 (in the range of 250–350) contracts for service will be administered.	2,066 contracts for service were administered. The high number of contracts for service achieved for this target was due to more veterans being referred to case management.
Quality Specifications	
The service provided will be based on the needs of the veteran and/or their family. The provision of the service will be timely. The range of services provided will be appropriate to the needs of the veterans and/or their family. A holistic approach will be taken to the provision of services and support.	Due to the fact that a review of VANZ and the way it operated was underway, the case management satisfaction survey was not undertaken. A survey of all services will be undertaken once the new structure for VANZ is in place to establish a benchmark for service enhancement.

TARGETS	PERFORMANCE ACHIEVED
95% of all new referrals to case management will be assigned a case manager within five working days.	100% of all new referrals to case management were assigned a case manager within five working days.
100% of all active cases will be contacted every four months (in the range one to four months) to monitor progress and the effectiveness of the interventions put in place.	100% of all active cases were contacted in quarters 1, 3 and 4 and 88% of cases were contacted in quarter 2, to monitor the progress and the effectiveness of the interventions put in place. Call backs did not meet the required standard in the second quarter, due to the increase in the number of cases being managed and the fact that the service was not fully staffed.
85% of all veterans and their families that are part of the case management service will be satisfied that the service delivered is appropriate to meet their needs.	Due to the fact that a review of VANZ and the way it operated was underway, the case management satisfaction survey was not undertaken. A survey of all services will be undertaken once the new structure for VANZ is in place to establish a benchmark for service enhancement.

COST OF OUTPUT EXPENSE D2: SERVICES TO VETERANS (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
Expenditure				
1.212	Personnel	–	1.136	1.238
1.012	Operating	2.630	1.494	1.161
2.224	Total Expenses	2.630	2.630	2.399
Revenue				
1.713	Revenue Crown	2.153	2.153	2.153
0.538	Revenue Other	0.477	0.477	0.381
2.251	Total Revenue	2.630	2.630	2.534
0.027	Net Surplus (Deficit)	–	–	0.135

**NON-DEPARTMENTAL OUTPUT EXPENSE 01:
DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES**

Description

Under this output expense the Minister of Veterans' Affairs purchases the maintenance and development of Services Cemeteries.

TARGETS	PERFORMANCE ACHIEVED
Develop and maintain Services Cemeteries	
Quantity Specifications	
All 181 Services Cemeteries will have a maintenance agreement specifying the maintenance standards in place.	179 Services Cemeteries have maintenance agreements, specifying maintenance standards, in place.
Contracts for capital works in Services Cemeteries to be managed in accordance with an agreed annual programme.	Capital works were managed in accordance with the annual agreed programme.
Quality Specifications	
90% of all contracts for capital works and maintenance in Service Cemeteries to comply with agreed contract standards.	100% of all contracts for capital works and maintenance in Services Cemeteries complied with agreed contract standards.
Works to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	Works were to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.

COST OF OUTPUT EXPENSE 01: DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES (GST INCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
0.725	Total Expenses	0.746	0.746	0.745

NON-DEPARTMENTAL OUTPUT EXPENSE 02: SUPPORT FOR VETERANS AND THEIR FAMILIES

Description

Under this output expense the Minister of Veterans' Affairs purchases support for veterans and their families.

This includes:

- » The provision of counselling for veterans' families.
- » Reimbursement of out of pocket expenses for veterans' children with specified conditions.
- » Additional support for veterans to facilitate them remaining in their own homes for as long as possible.
- » Additional support for veterans to facilitate their rehabilitation.
- » Support for the surviving partner of a veteran after the death of a veteran.

TARGETS	PERFORMANCE ACHIEVED
Support for Veterans and their Families	
Quantity Specifications	
The number of interventions put in place will depend on a range of factors beyond the control of Veterans' Affairs New Zealand. It is estimated that 250 to 350 contracts for service will be put in place.	2,066 contracts for service for the provision of services to support veterans and their families are in place. The high number of contracts for service achieved for this target was due to more veterans and their families being eligible for assistance.
Quality Specifications	
95% of all contracts for service to comply with agreed contract standards.	100% of all contracts for the provision of services to support veterans and their families complied with agreed contract standards.
The services provided will be to the satisfaction of the veteran and/or their family.	Feedback provided from the veterans and their families during routine call backs to check on the services provided indicate that the services delivered were to their satisfaction.

COSTS FOR OUTPUT EXPENSE 02: SUPPORT FOR VETERANS AND THEIR FAMILIES (GST EXCLUSIVE)

ACTUAL 2006/07 (\$ MILLION)	CATEGORY	MAIN ESTIMATES (\$ MILLION)	SUPPLEMENTARY ESTIMATES (\$ MILLION)	ACTUAL 2007/08 (\$ MILLION)
0.665	Total Expenses	1.027	1.027	0.963

SECTION SIX

NZDF Financial Statements

STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the New Zealand Defence Force, for the preparation of the New Zealand Defence Force's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the New Zealand Defence Force for the year ended 30 June 2008.

Signed by



J. Mateparae
Lieutenant General
Chief of Defence Force

12 August 2008

Countersigned by



M. Horner
Chief Financial Officer

12 August 2008

AUDIT REPORT

TO THE READERS OF NEW ZEALAND DEFENCE FORCE'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of the New Zealand Defence Force. The Auditor-General has appointed me, J R Smaill, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements, statement of service performance and schedules of non-departmental activities included in the annual report of the New Zealand Defence Force for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the New Zealand Defence Force on pages 118 to 124 and 127 to 145:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the New Zealand Defence Force's financial position as at 30 June 2008; and
 - the results of its operations and cash flows for the year ended on that date.

- The statement of service performance of the New Zealand Defence Force on pages 31 to 101 and 105 to 113:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

- The schedules of non-departmental activities on pages 125 to 126 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2008.

The audit was completed on 12 August 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the New Zealand Defence Force's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2008. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the New Zealand Defence Force.



J R Smail
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the New Zealand Defence Force for the year ended 30 June 2008 included on the New Zealand Defence Force's website. The New Zealand Defence Force's Chief Executive is responsible for the maintenance and integrity of the New Zealand Defence Force's website. We have not been engaged to report on the integrity of the New Zealand Defence Force's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and the related audit report dated 12 August 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		NOTE	30 JUN 08 ACTUAL (\$000)	30 JUN 08 MAIN ESTIMATES (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
Income					
1,806,812	Crown	3	1,874,992	1,975,271	1,874,992
9,490	Departmental	4	10,062	9,064	10,642
6,586	Other		6,954	8,226	8,143
	– Gain – Unrealised foreign exchange		14,799	–	14,451
1,765	Gain – Sale of fixed assets		–	–	–
1,263	Interest		78	100	100
1,825,916	Total Income		1,906,885	1,992,661	1,908,328
Expenditure					
649,722	Personnel cost	5	691,791	655,813	682,616
550,702	Operating costs	6	556,870	621,898	573,160
290,608	Depreciation and amortisation	7	279,755	338,618	281,400
346,845	Capital charge	8	356,601	376,232	356,601
1,837,877	Total Output Expenditure		1,885,017	1,992,561	1,893,777
92,149	Other operating expenses	9	1,940	–	2,700
1,930,026	Total Expenditure		1,886,957	1,992,561	1,896,477
(104,110)	Net Surplus / (Deficit)		19,928	100	11,851

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		NOTE	30 JUN 08 ACTUAL (\$000)	30 JUN 08 MAIN ESTIMATES (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
Balance at 1 July					
3,212,513	General funds	10	3,570,383	3,689,625	3,570,383
1,285,919	Revaluation reserve	10	1,132,138	1,284,507	1,132,138
4,498,432			4,702,521	4,974,132	4,702,521
(104,110)	Net surplus / (deficit) for the year		19,928	100	11,851
(170,485)	Total revaluation gains / (losses) taken to equity		514,633	–	(12)
(274,595)	Total Income and Expense for the Period		534,561	100	11,839
(6,182)	Repayment of surplus	17	(7,069)	(100)	(100)
479,812	Capital contribution		73,395	127,585	73,395
5,054	Other		–	–	–
4,702,521	Balance as at 30 June		5,303,408	5,101,717	4,787,655
3,570,383	General funds	10	3,655,619	3,817,210	3,653,523
1,132,138	Revaluation reserve	10	1,647,789	1,284,507	1,134,132

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		NOTE	30 JUN 08 ACTUAL (\$000)	30 JUN 08 MAIN ESTIMATES (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
Assets					
Current Assets					
129,061	Cash and cash equivalents		80,530	33,139	25,918
15,548	Debtors and other receivables	11	17,691	8,934	9,465
137,788	Debtor – Crown		197,738	–	197,738
30,080	Prepayments	12	33,306	791,714	30,059
83,617	Inventories	13	82,820	105,690	91,769
396,094	Total Current Assets		412,085	939,477	354,949
Non – Current Assets					
4,378,984	Property, Plant and Equipment	14	4,957,082	4,146,687	4,459,146
15,808	Intangible Assets	15	16,756	19,622	18,227
157,183	Inventories	13	171,355	161,898	170,428
4,551,975	Total Non – Current Assets		5,145,193	4,328,207	4,647,801
4,948,069	Total Assets		5,557,278	5,267,684	5,002,750
Liabilities					
Current Liabilities					
162,558	Creditors and other payables	16	163,053	93,768	142,245
6,182	Repayment of surplus	17	7,069	100	100
5,753	Provisions	18	5,586	6,488	3,990
21,611	Employee entitlements	19	27,636	21,491	21,500
196,104	Total Current Liabilities		203,344	121,847	167,835
Non – Current Liabilities					
49,444	Employee entitlements	19	50,526	44,120	47,260
49,444	Total Non – Current Liabilities		50,526	44,120	47,260
245,548	Total Liabilities		253,870	165,967	215,095
4,702,521	Net Assets		5,303,408	5,101,717	4,787,655
Taxpayers' funds					
3,570,383	General funds		3,655,619	3,817,210	3,653,523
1,132,138	Property, Plant and Equipment revaluation reserves		1,647,789	1,284,507	1,134,132
4,702,521	Total Taxpayers' funds		5,303,408	5,101,717	4,787,655
4,948,069	Total Liabilities and Taxpayers' funds		5,557,278	5,267,684	5,002,750

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 MAIN ESTIMATES (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
Cash Flow – Operating Activities				
1,732,116	Receipts from Crown	1,815,042	2,113,059	1,815,042
7,056	Receipts from Departments	11,281	9,064	10,552
7,132	Receipts from Revenue Other	3,670	8,326	14,416
(646,664)	Payments to employees	(681,368)	(663,193)	(681,711)
(521,826)	Payments to suppliers	(553,549)	(630,898)	(596,711)
(346,845)	Payments for capital charge	(356,601)	(376,232)	(356,601)
2,859	Goods and services tax (net)	2,367	(6,512)	(3,005)
233,828	Net cash flow from operating activities (Note 23)	240,842	453,614	201,982
Cash Flows – Investing Activities				
8,501	Receipts from sale of Property, Plant and Equipment	1,910	–	1,587
(607,741)	Purchase of Property, Plant and Equipment	(352,792)	(588,680)	(373,925)
–	Purchase of Intangible assets	(5,704)	–	–
(599,240)	Net cash flow from investing activities	(356,586)	(588,680)	(372,338)
Cash Flows from Financing Activities				
479,812	Capital Contribution	73,395	127,585	73,395
(131)	Repayment of surplus	(6,182)	(110)	(6,182)
479,681	Net cash flow from financing activities	67,213	127,475	67,213
114,269	Net increase / (decrease) in cash	(48,531)	(7,591)	(103,143)
14,792	Cash at the beginning of the year	129,061	40,730	129,061
129,061	Cash and cash equivalents at the end of the year	80,530	33,139	25,918

GST has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Capital Commitments		
1,119,859	Property, Plant and Equipment	812,964
	– Intangible assets	–
1,119,859		812,964
488,042	Not later than one year	334,028
622,412	Later than one year and not later than five years	478,936
9,405	Later than five years	–
1,119,859	Total Capital Commitments	812,964
Non – Cancellable Operating Lease Commitments		
12,421	Not later than one year	12,214
30,655	Later than one year and not later than five years	28,452
74,541	Later than five years	67,110
117,617	Total Non – Cancellable Operating Lease Commitments	107,776
Other Non – Cancellable Contracts		
99,759	Not later than one year	123,170
21,162	Later than one year and not later than five years	77,876
4,189	Later than five years	2,225
125,110	Total Other Non – Cancellable Contracts	203,271
1,362,586	Total Commitments	1,124,011

Capital Commitments

Capital commitments are mostly with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF.

Non – Cancellable operating lease commitments

The majority of these leases are for premises and King Air B200 aircraft. These leases have a non – cancellable period ranging from 12 months to 20 years.

Other Non – Cancellable Contracts

Other contracts are for the purchase of goods and services, and include outstanding purchase orders.

The accompanying notes form part of these financial statements

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS AS AT 30 JUNE 2008**Unquantifiable Contingent Liabilities**

The NZDF has potential contingent liabilities relating to war exclusion clauses within life insurance policies held by members of the armed forces.

Quantifiable Contingent Liabilities

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
8,237	Potential claims from legal proceedings and disputes	6,096
3,500	Restructuring cost	6,700
11,737	Total quantifiable contingent liabilities	12,796

The potential claims from legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the NZDF's statutory role. The NZDF is currently disputing these claims.

The NZDF is jointly responsible for redundancy compensation payments if a restructuring of the dockyard contract occurs.

Contingent Assets

The NZDF has no contingent assets (2007 nil).

STATEMENT OF INDEMNITIES FOR THE YEAR ENDED 30 JUNE 2008

The Accident Compensation Corporation (ACC) against all claims, costs, liabilities and losses suffered by ACC in connection with a contract to provide surgical, clinical and hyperbaric oxygen treatment services at the Naval Hospital.

Airways Corporation in respect of air traffic control services.

Auckland District Health Board (ADHB) against all claims, costs, liabilities and losses suffered by ADHB in connection with a contract to provide surgical services at the Naval Hospital.

Auckland International Airport Limited in respect of an agreement to permit NZDF to train at airport facilities.

Canterbury District Health Board against loss or damage resulting from negligence or omission by Army medical personnel training at Christchurch Hospital.

Capital Properties (Wellington) Ltd under the Development Agreement and Lease for the Defence Headquarters Building. NZDF will also have granted indemnities in respect of other premises it leases in Wellington.

City Forests Limited in respect of an agreement to permit NZDF to train on City Forests Limited's land.

GAEA Technology Inc in respect of a contract for provision of information relating to Seasprite engines.

Hughes Global Services Inc. against any breach by the New Zealand Defence Force of the terms of a lease to access a satellite owned by the company.

The NZ Blood Services in respect of blood products.

Wenita Forest Products Limited in respect of an agreement to permit NZDF to train on Wenita Forest Products Limited's land.

The accompanying notes form part of these financial statements

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2008

	SUPPLEMENTARY ESTIMATES (\$000)	SECTION 26A CHANGES (\$000)	TOTAL APPROPRIATION (\$000)	ACTUAL (\$000)
Vote Defence Force				
1 Military Policy Development, Coordination & Advice	10,204	410	10,614	10,388
2 Naval Combat Forces	385,241	2,100	387,341	385,932
3 Naval Support Forces	92,677	(925)	91,752	90,365
4 Mine Countermeasures (MCM) and MCM Diving Forces	27,131	(430)	26,701	26,582
5 Naval Patrol Forces	61,912	(3,000)	58,912	58,214
6 Military Hydrography and Hydrographic Data Collection and Processing for LINZ	15,270	100	15,370	15,007
7 Land Combat Forces	324,682	4,200	328,882	328,980
8 Land Combat Support Forces	171,654	2,620	174,274	173,851
9 Land Combat Service Support Forces	135,134	2,450	137,584	137,808
10 Special Operations Forces	51,063	1,100	52,163	52,037
11 Naval Helicopter Forces	79,073	(350)	78,723	78,568
12 Maritime Patrol Forces	149,736	(4,475)	145,261	147,284
13 Fixed Wing Transport Forces	178,023	(3,075)	174,948	175,356
14 Rotary Wing Transport Forces	118,859	(550)	118,309	118,611
15 Miscellaneous Support Activities	14,295	(175)	14,120	14,120
16 Operationally Deployed Forces	71,292	-	71,292	66,333
Total Vote Defence Force	1,886,246	-	1,886,246	1,879,436
Vote Veterans' Affairs - Defence				
1 Policy & Administration	4,901	-	4,901	3,182
2 Services to Veterans	2,630	-	2,630	2,399
Total Vote Veterans' Affairs - Defence	7,531	-	7,531	5,581
Total Output Appropriations	1,893,777	-	1,893,777	1,885,017
Clearing accumulated disposal costs	2,700	-	2,700	1,940
Total Appropriations	1,896,477	-	1,896,477	1,886,957

STATEMENT OF CAPITAL EXPENDITURE

	SUPPLEMENTARY ESTIMATES (\$000)	TOTAL APPROPRIATION (\$000)	ACTUAL (\$000)
Capital Expenditure			
Capital Expenditure	412,152	412,152	358,496
Total Capital Expenditure	412,152	412,152	358,496

The accompanying notes form part of these financial statements

STATEMENT OF DEPARTMENTAL UNAPPROPRIATED EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

OUTPUT CLASS	30 JUN 08 ACTUAL (\$000)	30 JUN 08 APPROPRIATION (\$000)	30 JUN 08 UNAPPROPRIATED EXPENDITURE (\$000)
Vote Defence Force			
7 Land Combat Forces	328,980	328,882	98
9 Land Combat Service Support Forces	137,808	137,584	224
12 Maritime Patrol Forces	147,284	145,261	2,023
13 Fixed Wing Transport Forces	175,356	174,948	408
14 Rotary Wing Transport Forces	118,611	118,309	302

Explanations of Unappropriated Expenditure:

Vote: Defence Force

Output Class D7: Due to minor unplanned activity changes.

Output Class D9: Due to a depreciation increase as a result of earlier than planned delivery and capitalisation of equipment purchased and minor unplanned activity changes.

Output Class D12: Due to unanticipated increases in employee leave entitlements under the revised military remuneration system and depreciation due to earlier than planned delivery and capitalisation of equipment purchased.

Output Class D13: Due to unanticipated increases in employee leave entitlements due under the revised military remuneration system.

Output Class D14: Due to unanticipated increases in employee leave entitlements due under the revised military remuneration system.

Vote: Veterans Affairs – Defence

There was no unappropriated expenditure for Vote: Veterans Affairs – Defence.

STATEMENT OF THE MULTI YEAR APPROPRIATION EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

The funding for Operationally Deployed Forces has been placed under a Multi-Year Appropriation (MYA). This approach provides flexibility of funding for an output expense for which demand varies from year-to-year. The table shows the total appropriation and actual expenditure from 2005/06 to 2007/08.

	30 JUN 2006 (\$000)	30 JUN 2007 (\$000)	30 JUN 2008 (\$000)
Vote Defence Force – Operationally Deployed Forces			
Original Appropriation	66,999		
Adjustments Appropriation		71,179	(7,311)
Total Adjusted Appropriation	66,999	138,178	130,867
Actual Expenses	22,527	37,048	66,333
Total Accumulated Expenditure	22,527	59,575	125,908
Balance	44,472	78,603	4,959

The accompanying notes form part of these financial statements

Non-Departmental Statements For The Year Ended 30 June 2008

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2008

Vote Veterans' Affairs - Defence

30 JUN 07 ACTUAL (\$000)	DESCRIPTION	30 JUN 08 MAIN ESTIMATES (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)	30 JUN 08 TOTAL APPROPRIATION (\$000)	30 JUN 08 ACTUAL (\$000)
Appropriation for non-departmental output classes					
725	Development & Maintenance of Service Cemeteries	746	746	746	745
665	Support for Veterans and Their Families	1,027	1,027	1,027	963
Appropriations for Other Expenses to be incurred by the Crown					
1,450	Ex Gratia Payments Associated with Vietnam Veterans	1,680	1,680	1,680	1,187
2,840	Total Non-Departmental Expenditure	3,453	3,453	3,453	2,895

Veterans' Affairs New Zealand is responsible for making payments for services supplied under the above non-departmental output class and on behalf of the Minister of Veterans' Affairs, for monitoring the performance of non-departmental providers.

Cabinet agreed to provide ex-gratia payments of \$1.680 million (2007 \$2.055m) to eligible veterans, spouses, natural children and their families, as set out in the provisions of the Vietnam Veterans package.

STATEMENT OF NON-DEPARTMENTAL TRUST MONIES FOR THE YEAR ENDED 30 JUNE 2008

1 JUL 07 OPENING BALANCE (\$000)	DEPOSITS (\$000)	DISTRIBUTIONS (\$000)	30 JUN 08 CLOSING BALANCE (\$000)
12	1	-	13

This is proceeds from the sale of pins from The Year of The Veteran, and is to be distributed to the Veterans Homes.

The accompanying notes form part of these financial statements

SCHEDULE OF NON-DEPARTMENTAL ASSETS FOR THE YEAR ENDED 30 JUNE 2008

Vote Veterans' Affairs - Defence

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Current Non-Departmental Assets		
8,181	Crown Bank Account	1,304
8,181	Total Current Non-Departmental Assets	1,304
Non - Current Non-Departmental Assets		
2,950	Loan to Montecillo Trust	2,950
	- Vietnam Veterans' and Their Families Trust	920
2,950	Total Non - Current Non-Departmental Assets	3,870
11,131	Total Non-Departmental Assets	5,174

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES FOR THE YEAR ENDED 30 JUNE 2008

Vote Veterans' Affairs - Defence

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Current Non-Departmental Liabilities		
7,011	Creditors and Payables	569
7,011	Total Non-Departmental Liabilities	569

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2008 (2007 nil).

STATEMENT OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

There was no unappropriated expenditure for Non-Departmental Expenses.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008

Reporting Entity

The New Zealand Defence Force is a Government Department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

The primary objective of the New Zealand Defence Force is to provide services to the public rather than making a financial return. Accordingly, the New Zealand Defence Force has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the New Zealand Defence Force are for the year ended 30 June 2008. The financial statements were authorised for issue by the Chief of Defence Force on 12 August 2008.

In addition the financial statements include information on the Crown activities that the NZDF administers on behalf of Vote Veterans' Affairs – Defence.

In these financial statements the New Zealand Defence Force is also referred to as the NZDF, and Veterans' Affairs New Zealand is also referred to as VANZ.

Basis of Preparation

The financial statements of the New Zealand Defence Force have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with NZ IFRS as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS. The comparatives for the year ended 30 June 2007 have been restated to NZ IFRS. Reconciliations of equity and net deficit for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed in note 26.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS Statement of Financial Position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings, specialist military equipment and certain financial instruments including derivative instruments.

The financial statements are presented in New Zealand dollars, the NZDF's functional currency and all values are rounded to the nearest thousand dollars (\$'000).

Use of Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires NZDF to exercise judgement in the process of applying the NZDF's accounting policies. Accounting estimates are based on historical experience or other factors. Areas involving a high degree of judgement or complexity or areas where accounting estimates are significant to the financial statements are disclosed under the applicable accounting policies below.

Accounting Policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

Budget Figures

The Budget figures are those presented in Budget Night Estimates (Main Estimates). The Supplementary Estimates figures are the Budget Night Estimates of Appropriation as amended by the Supplementary Estimates. The appropriation figures include transfers made under Section 26A of the Public Finance Act 1989.

Revenue

The NZDF derives revenue through the provision of outputs to the Crown, for services to third parties and interest on funds held in overseas bank accounts. Revenue is measured at the fair value of consideration received. This revenue is recognised when earned and is reported in the financial period to which it relates.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

The NZDF leases training aircraft, office premises and office equipment (mainly multi-functional reprographic equipment). As the lessor retains all the risks of ownership, these leases are classified as operating leases.

Goods and Services Tax (GST)

The financial statements and schedules are prepared on a GST exclusive basis except for Debtors and Receivables and Creditors and Payables in the Statement of Financial Position, which are GST inclusive.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

Taxation

Government Departments are exempt from income tax as public authorities. Accordingly no charge for income tax has been provided for.

Taxpayers' Funds

Taxpayers' funds are the Crown's investment in the NZDF and are measured as the difference between total assets and total liabilities.

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks.

Debtors and Receivables

Debtors and other receivables are recorded at their fair value after providing for impairment. Impairment of a receivable is established when there is objective evidence that the NZDF will not be able to collect amounts due according to the original terms of the receivable.

Inventories

Inventories are held for distribution or consumption in the provision of services and are comprised of munitions, technical spares and consumable items.

Inventory intended to be kept for more than one year has been classified as non-current inventory. No inventory is pledged as security for liabilities.

Inventories are recorded at weighted average cost and the total value of inventory reflects any obsolescence or other impairment.

The obsolescence provision is calculated by identifying specific obsolete inventory items and slow moving inventory lines. A general provision of 35% for stock onboard ships has also been allowed for.

Property, Plant and Equipment

Property, Plant and Equipment (PPE) consists of Land, Buildings, Leasehold Improvements, Specialist Military Equipment, Plant and Equipment, Office and Computer (hardware) Equipment.

PPE is shown at cost or valuation less accumulated depreciation.

Cost

PPE individual assets, or group of assets, costing more than \$5,000 are capitalised.

Revaluation

Land, Buildings and Specialist Military Equipment asset classes are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least once every five years. Valuations use a market based approach except where reliable market evidence is unavailable and then optimised depreciated replacement cost (ODRC) is used to calculate fair value. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Major land holdings are individually revalued using a market-based approach. Minor land holdings are revalued based on the rating valuations.

Buildings with a net book value greater than or equal to \$0.250 million are individually revalued. Buildings with a net book value of less than \$0.250 million are revalued using an appropriate market or construction cost based index.

Specialist Military Equipment (SME) with a net carrying value of \$2 million or more, or groups of like assets with a total carrying value of \$4 million or more are revalued annually using an internally assessed valuation. All other SME is stated at depreciated replacement cost based on a historic internal valuation or depreciated historical cost.

Valuations for Land and Buildings are determined by an independent registered valuer. The internally assessed valuation for SME is reviewed by the independent registered valuer.

Revaluation gains and losses on disposal are included in the Statement of Financial Performance and are determined by comparing the proceeds from the disposal with the carrying value. If a previously revalued asset is sold the amount in the revaluation reserve in respect of these assets is transferred to general funds.

Depreciation

Depreciation is provided on a straight line basis on all PPE except freehold land and capital work in progress so as to allocate the cost, or valuation, of the assets, less any estimated residual value, over their estimated economic useful lives. The estimated economic useful lives are within the following ranges:

- » Buildings 5 – 100 years
- » Leasehold improvements 2 – 20 years
- » Specialist Military Equipment 5 – 55 years
- » Plant and Equipment 5 – 50 years
- » Office and Computer Equipment 2 – 20 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is shorter.

Intangible Assets

Computer application software with a finite useful live costing more than \$5,000 is capitalised and recorded at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. The estimated economic useful life for computer application software is 3 – 20 years.

Employee Entitlements

A provision is made in respect of the NZDF's liability for annual, long service, and incentive leave, civilian sick leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service, incentive leave and retirement benefits have been calculated on an actuarial basis, based on the estimated present value of future entitlements.

ACC Accredited Employer Programme

The NZDF is an ACC Accredited Employer under the Full Self Cover option. The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period any open claims still requiring entitlements are handed back to ACC for management together with the life time cost of these claims. ACC calculates the life time cost of open claims at hand back. The NZDF liability for these claims ceases at this point.

The liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date.

Superannuation

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwisaver, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation Scheme are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Financial Performance as incurred.

Foreign Currency

Foreign currency transactions are converted to the New Zealand currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies at balance date are translated at the closing mid-point exchange rate ruling at that date.

Gains and losses resulting from foreign currency transactions are recognised in the Statement of Financial Performance.

Financial Instruments

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables and foreign currency forward exchange contracts.

All financial instruments are recognised in the Statement of Financial Position except for foreign currency forward exchange contracts. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Statement of Cost Accounting Policies

The NZDF has determined the cost of outputs using the cost allocation system outlined below.

Direct costs of a force element (for example, a squadron, a frigate, a battalion) are attributed directly to an appropriate output.

Support unit costs are charged to outputs using long term drivers that reflect the use of that activity to produce outputs. Drivers for support units include:

- » Planned maintenance and Sea-days (Outputs 2 – 6),
- » Personnel numbers directly related to the Force Elements (Outputs 7 – 10), and
- » Maintenance and Logistic support for aircraft fleets (Outputs 11 – 14).

Overhead costs are charged to outputs using the percentage of that output's gross operating budget (exclusive of capital charge) to the total gross budget (exclusive of capital charge) for all outputs.

The allocation rules are reviewed if there is significant organisational change to alter the continued appropriateness of the rules.

Commitments

Future expenses to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have a penalty or exit cost explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Capital Management Plan

The NZDF's capital is its equity, which is comprised of general taxpayers' funds and revaluation reserves. Equity is represented by net assets.

The NZDF manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The NZDF's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and in compliance with Government Budget processes and with Treasury Instructions.

Although the NZDF is more asset intensive than most Government Departments, this is managed using robust systems, policies, the Capability Management Framework and the resultant Long Term Development Plan.

The objective of managing the NZDF's equity is to ensure the NZDF effectively achieves its strategic goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 2: BUDGET COMPOSITION - NZDF & VANZ

	MAIN ESTIMATES (\$000)	SUPPLEMENTARY ESTIMATES CHANGES (\$000)	SUPPLEMENTARY ESTIMATES (\$000)
Revenue			
Crown	1,975,271	(100,279)	1,874,992
Departmental	9,064	1,578	10,642
Other	8,226	(83)	8,143
Gain	-	14,451	14,451
Interest	100	-	100
Total Revenue	1,992,661	(84,333)	1,908,328
Expenditure			
Personnel	655,813	26,803	682,616
Operating	621,898	(48,738)	573,160
Depreciation	338,618	(57,218)	281,400
Capital charge	376,232	(19,631)	356,601
Total Output Expenses	1,992,561	(98,784)	1,893,777
Other expenses	-	2,700	2,700
Total Expenses	1,992,561	(96,084)	1,896,477
Net operating surplus/(deficit)	100	11,751	11,851

The main contributors to the Supplementary Estimates changes were:

		(\$000)
Vote Defence Force		
Personnel expenses	The change is largely as a result of a general pay increase and increased RF personnel numbers	26,803
Operating expenses	The change consists largely of transfers identified to provide for forecast growth in RF personnel numbers and \$25M transferred to 2008/09	(48,738)
Depreciation	Depreciation decreased due to a \$43M transfer to 2008/09 and a \$13M reduction due to asset revaluations at June 2007	(57,218)
Capital charge	This reflects the impact of the June 2007 asset revaluation on the value of taxpayers funds	(19,631)
		(98,784)
Vote Veterans' Affairs - Defence		
There were no supplementary estimates changes		-
Vote Veterans' Affairs - Defence		-

Variations from Budget

The final result for the year was a surplus of \$19.928 million, compared with a budget surplus of \$11.851 million. The main factors causing this surplus are:

- » An increase in personnel costs of \$9.175 million due to one off increases in leave provisions associated with the implementation of the revised military remuneration system.
- » An underspend of \$11.493 million in operating expenditure due to delays in the delivery of Protector vessels and aircraft undergoing major modifications resulting in reduced levels of operational activity and maintenance.
- » An underspend in operating expenditure on operationally deployed forces of \$4.797 million.

NOTE 3: CROWN REVENUE

This is revenue earned for the supply of outputs to the Crown.

NOTE 4: DEPARTMENTAL REVENUE

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
5,952	Land Information New Zealand	6,340	6,449
1,394	Ministry of Social Development	1,400	1,400
460	Ministry of Defence	350	1,050
1,684	State Services Commission	1,972	1,743
9,490	Total Departmental Revenue	10,062	10,642

NOTE 5: PERSONNEL COSTS

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
582,647	Salaries and wages	635,036	630,525
60,336	Superannuation contributions to Defined Contribution Schemes	46,448	45,975
3,535	Retirement and accumulated leave	7,107	2,916
3,204	Accident Compensation Corporation (ACC)	3,200	3,200
649,722	Total Personnel Costs	691,791	682,616

NOTE 6: OPERATING COSTS

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
174,768	Materials	185,645	188,298
62,827	Premises cost	77,342	72,418
94,524	Repairs and maintenance	85,749	86,334
59,291	Training and travel	58,722	58,717
41,460	Operating lease rentals	40,729	41,133
1,895	Consultancy	1,936	1,483
360	Audit fees: Audit NZ	360	360
52	NZ IFRS transition: Audit NZ	24	-
-	- Fees for tax services: Audit NZ	-	-
-	- Fees for other services: Audit NZ	-	-
25	Fees to auditors other than Audit NZ	30	-
136	Increase/(decrease) in provision for doubtful debts	474	(64)
27	Bad debts written off	141	40
-	- Loss on sale of fixed assets	2,375	2,104
115,337	Other operating costs	103,343	122,337
550,702	Total Operating Costs	556,870	573,160

NOTE 7: DEPRECIATION AND AMORTISATION

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
34,078	Buildings	33,991	33,774
237,780	Specialist Military Equipment	222,338	224,429
7,382	Plant and Equipment	8,251	7,871
4,648	Office and Computer Equipment	5,612	5,554
2,512	Computer application software	4,756	5,043
4,208	Motor Vehicles	4,807	4,729
290,608	Total Depreciation and Amortisation	279,755	281,400

NOTE 8: CAPITAL CHARGE

The NZDF pays a capital charge to the Crown on its average Taxpayers' Funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2008 was 7.5% (2007 7.5%).

NOTE 9: OTHER OPERATING EXPENSES

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)	30 JUN 08 SUPPLEMENTARY ESTIMATES (\$000)
1,665	Clearing accumulated disposal costs	1,940	2,700
90,484	Technical adjustment to write down carrying value of MoD prepayments	-	-
92,149	Total Other Operating Expenses	1,940	2,700

NOTE 10: TAXPAYERS' FUNDS**General Funds**

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
3,212,513	Opening Balance	3,570,383
(104,110)	Net Surplus / (deficit) for the year	19,928
(16,704)	Transfers from Revaluation Reserve on disposal of assets	(1,018)
5,054	Transition to NZ IFRS	-
479,812	Capital Contribution	73,395
(6,182)	Repayment of surplus	(7,069)
3,570,383	Closing Balance	3,655,619

Revaluation Reserve

30 JUN 07 TOTAL (\$000)		30 JUN 08 LAND (\$000)	30 JUN 08 BUILDINGS (\$000)	30 JUN 08 SPECIALIST MILITARY EQUIPMENT (\$000)	30 JUN 08 TOTAL (\$000)
1,285,919	Opening Balance	288,414	553,766	289,958	1,132,138
(170,485)	Revaluation movement	194,320	145,117	175,196	514,633
16,704	(Gains)/Losses on revaluation realised and transferred to General Funds for assets disposed of	-	32	986	1,018
1,132,138	Closing Balance	482,734	698,915	466,140	1,647,789

This reserve reflects revaluation changes of asset classes carried at current valuation.

NOTE 11: DEBTORS AND RECEIVABLES

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
4,720	Trade debtors: departments	3,501
11,361	Trade debtors: non departments	15,056
(533)	Less: provision for doubtful debts	(866)
15,548	Total Debtors and Receivables	17,691

As at 30 June 2008 and 2007, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below.

30 JUN 07				30 JUN 08		
GROSS (\$000)	IMPAIRMENT (\$000)	NET (\$000)		GROSS (\$000)	IMPAIRMENT (\$000)	NET (\$000)
10,223	-	10,223	Past due to 30 days	16,632	-	16,632
752	-	752	Past due 31 – 60 days	1,226	(167)	1,059
3,820	-	3,820	Past due 61 – 90 days	56	(56)	-
1,286	(533)	753	Past due >91 days	643	(643)	-
16,081	(533)	15,548	Total	18,557	(866)	17,691

Movements in the provision for doubtful debt

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
424	Opening balance	533
136	Additional provisions made during the year	474
(27)	Charged against provision for the year	(141)
533	Closing provision	866

NOTE 12: PREPAYMENTS TO MINISTRY OF DEFENCE

The NZDF reimburses the Ministry of Defence twice annually for costs incurred on capital projects. This has the effect of transferring non-departmental capital expenditure from the Ministry of Defence to the NZDF Statement of Financial Position.

From 1 July 2007 the accounting treatment has changed with the balance being moved from Prepayments to SME Capital Work in Progress.

NOTE 13: INVENTORY

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
123,786	Inventory: Current	122,490
(40,169)	Obsolescence	(39,670)
83,617	Total Current Inventory	82,820
225,198	Inventory : Non – Current	254,375
(68,015)	Obsolescence	(83,020)
157,183	Total Non – Current Inventory	171,355
240,800	Total Inventory	254,175

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	LAND (\$000)	BUILDINGS (\$000)	SPECIALIST MILITARY EQUIPMENT (\$000)	PLANT & EQUIPMENT (\$000)	OFFICE & COMPUTER EQUIPMENT (\$000)	TOTAL (\$000)
Net PPE at 30 June 2006	386,784	911,284	2,425,768	81,331	9,530	3,814,697
Cost or Valuation						
Balance at 1 July 2006	386,784	913,125	2,769,930	207,231	40,644	4,317,714
Additions	–	24,804	244,102	37,897	9,609	316,412
Revaluation increase	(284)	277	(162,889)	–	–	(162,896)
Disposal	(1,800)	(565)	(27,962)	(7,837)	(1,369)	(39,533)
Work in Progress	–	4,260	693,398	3,131	21,355	722,144
Balance at 30 June 2007	384,700	941,901	3,516,579	240,422	70,239	5,153,841
Accumulated Depreciation						
Balance at 1 July 2006	–	(1,841)	(344,162)	(125,900)	(31,114)	(503,017)
Depreciation expense	–	(34,077)	(237,781)	(10,505)	(5,733)	(288,096)
Eliminated on disposal	–	(327)	16,288	6,811	1,073	23,845
Eliminated on revaluation	–	(4)	(7,585)	–	–	(7,589)
Balance at 30 June 2007	–	(36,249)	(573,240)	(129,594)	(35,774)	(774,857)
Net PPE at 30 June 2007	384,700	905,652	2,943,339	110,828	34,465	4,378,984
Cost or Valuation						
Balance at 1 July 2007	384,700	941,901	3,516,579	240,422	70,239	5,153,841
Additions	–	21,069	78,213	15,323	7,287	121,892
Revaluation increase	194,320	82,561	(164,199)	–	–	112,682
Disposal	–	(89)	(15,651)	(7,331)	(3,018)	(26,089)
Work in Progress	–	17,186	237,271	(1,980)	(11,456)	241,021
Balance at 30 June 2008	579,020	1,062,628	3,652,213	246,434	63,052	5,603,347
Accumulated Depreciation						
Balance at 1 July 2007	–	(36,249)	(573,240)	(129,594)	(35,774)	(774,857)
Depreciation expense	–	(33,991)	(222,338)	(13,058)	(5,612)	(274,999)
Eliminated on disposal	–	10	2,541	5,897	2,931	11,379
Eliminated on revaluation	–	62,556	329,656	–	–	392,212
Balance at 30 June 2008	–	(7,674)	(463,381)	(136,755)	(38,455)	(646,265)
Net PPE at 30 June 2008	579,020	1,054,954	3,188,832	109,679	24,597	4,957,082

The revaluation was conducted by Beca Valuations Limited (Beca), an independent registered valuer.

Land and Buildings have been revalued to fair value as at 31 December 2007 and SME as at 30 June 2008. The revaluation has been applied as at 30 June 2008.

NOTE 15: INTANGIBLE ASSETS

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Cost or Valuation		
13,293	Opening Balance	25,939
12,758	Additions	5,713
(112)	Disposals	(50)
25,939	Closing Balance	31,602
Accumulated Amortisation		
(7,731)	Opening Balance	(10,131)
(2,512)	Less Amortisation	(4,756)
112	Eliminated on Disposal	41
(10,131)	Balance	(14,846)
15,808	Net Intangible Assets	16,756

There are no restrictions over the title of the NZDF intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 16: CREDITORS AND OTHER PAYABLES

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
18,809	Trade creditors	19,996
98,707	Accrued expenses	98,216
21,935	Payroll liabilities	22,711
5,602	Other short term liabilities	2,258
145,053	Total trade creditors and accruals	143,181
17,505	GST payable	19,872
162,558	Total Creditors and Payables	163,053

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

NOTE 17: PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
(104,110)	Net operating (deficit) / surplus	19,928
92,150	Add: other expenses	1,940
18,142	Less: Unrealised foreign exchange Loss / (Gains)	(14,799)
6,182	Net surplus from delivery of outputs	7,069
6,182	Total provision for repayment of surplus	7,069

The repayment of surplus is required to be paid by the 31st October of each year.

NOTE 18: PROVISIONS

30 JUN 07 ACTUAL (\$000)	30 JUN 08 ACTUAL (\$000)
8,603	5,753
Opening balance	
–	–
– Additional provisions made during the year	
(2,850)	(167)
Charged against provision for the year	
5,753	5,586
Closing balance	

This provision relates to environmental liabilities arising from the requirement to address issues identified under the Resource Management Act. This is expected to be utilised within the next 12 months.

NOTE 19: PROVISION FOR EMPLOYEE ENTITLEMENTS

30 JUN 07 ACTUAL (\$000)	30 JUN 08 ACTUAL (\$000)
Current Entitlement	
2,320	2,902
Retirement, incentive and long service leave	
19,291	24,734
Accrued and annual leave	
21,611	27,636
Total Current Entitlement	
Non – Current Entitlement	
38,560	33,399
Retirement, incentive and long service leave	
9,393	13,836
Accrued leave	
391	391
Sick Leave	
1,100	2,900
ACC self insurance liability	
49,444	50,526
Total Non – Current Entitlement	
71,055	78,162
Total Provision for Employee Entitlements	

Annual leave is calculated using the number of days owing as at the end of May 2008. Incentive and Long Leave are actuarially calculated to reflect the likelihood of a liability being incurred. Accumulated Leave and Terminal Benefits are paid out on release and their values are actuarially calculated using predicted terminal dates.

ACC Accredited Employer Programme

The liability for ACC Accredited Employer Programme has been actuarially calculated based on expected treatment costs, rehabilitation entitlements, income compensation and historical claims information.

The NZDF has a stop loss limit since joining the Accredited Employer Programme with a limit set at \$8.548 million which is 160% of the industry premium. In addition, NZDF has purchased High Cost Claim Cover to limit NZDF's liability for any one event to \$2.000 million.

There has been no inflation or discounting applied in the calculation of the ACC liability as this would have no material impact on the balance.

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

At 30 June 2008 Veterans' Affairs New Zealand ceased to be a semi-autonomous body within the New Zealand Defence Force. The Government agreed that from 1 July 2008 new appropriations would be established within Vote Veterans' Affairs – Defence Force. There have been no other significant events after the balance sheet date.

NOTE 21: FINANCIAL INSTRUMENTS

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO). The NZDF does not have significant concentrations of credit in financial instruments.

The NZDF does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the NZDMO, as these entities have high credit ratings.

The NZDF was party to Letters of Credit with Westpac Bank of \$3.371 million (2007 \$3.785 million).

Fair Value

With the exception of foreign currency forward contracts noted below, the fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

The fair value of foreign currency forward contracts based on NZDMO spot rates at balance date shows a net unrealised gain of \$5.297 million (2007 loss of \$5.221 million).

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Treasury Management Policy that was approved by The Treasury.

The NZDF uses foreign exchange forward contracts to manage foreign exchange exposures. The notional principal amount outstanding at balance date on hedged purchase and sale commitments was \$165.382 million (2007 \$58.031 million).

Sensitivity Analysis

At 30 June 2008, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$8.425 million higher. Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$7.623 million lower. The movements are a result of the exchange losses on translation of overseas currencies.

Interest Rate Risk

The NZDF has no exposure to interest rate risk on its financial instruments.

NOTE 22: RELATED PARTY INFORMATION

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

The NZDF enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the NZDF, related party disclosures have not been made for transactions of this nature.

No provision has been required, nor any expense recognised for the impairment of receivables from related parties.

Apart from those transactions described below, the NZDF has not entered into any related party transactions.

Veterans' Affairs New Zealand

Veterans' Affairs New Zealand (VANZ) was a "semi-autonomous body" within the NZDF during the period covered by this report, and all the transactions, assets and liabilities of VANZ are included within these financial statements. The Chief of Defence Force is responsible to the Minister of Veterans' Affairs for the financial management of the Office under the Public Finance Act 1989. An Output Plan defines the relationship between the Minister of Veterans' Affairs and the Chief of Defence Force. A formal delegation was in place from the Chief of Defence Force to the Director of Veterans' Affairs. The NZDF provides VANZ with administration and infrastructural support as part of their day-to-day relationship.

Service Museums and Non Public Funds

Service Museums and Non Public Funds are considered to be controlled by the NZDF for the purposes of generally accepted accounting practice. Parent and group accounts have not been prepared as the values involved are not considered to be material.

Financial Performance of Service Museums and Non Public Funds

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Income		
3,006	Non Public Funds	2,808
1,652	Service Museums	1,575
4,658	Total Income	4,383
Expenditure		
2,535	Non Public Funds	1,882
1,726	Service Museums	2,394
4,261	Total Expenditure	4,276
397	Total Net Surplus / (Deficit)	107

Financial Position of Service Museums and Non Public Funds

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
Assets		
21,303	Current Assets – Non Public Funds	19,670
5,241	Current Assets – Service Museums	4,352
16,634	Property, Plant and Equipment – Non Public Funds	19,199
5,045	Property, Plant and Equipment – Service Museums	5,571
	– Museum Collections	30,350
48,223	Total Assets	79,142
880	Total Liabilities	613
47,343	Total Equity	78,529

Service Museums

The Service Museums are independent entities established by trust deed. NZDF is represented on the governing bodies of these entities.

The NZDF provides support to Service Museums in the form of payment of some operating costs and provision of administrative support and facilities, for which no charge is made.

The Service Museums' collections have been valued at cost or market value as at 30 June 2008. The collections tend to have an indefinite life and are not of a depreciable nature, therefore depreciation is not applicable.

The collections were valued by Robin Watt and Associates, cultural and forensic specialists.

Non-Public Funds

A number of non-public funds (NPFs) have been established under the Defence Act 1990 Section 58. These funds are established for the benefit of service personnel, and are specifically defined as not being public money under the Public Finance Act 1989. Governance arrangements are generally established under Defence Force Orders issued by the Chief of Defence Force or Service Chiefs. The beneficiaries of these NPFs are the service personnel who contribute to them. NPFs include a wide range of entities such as sports and recreational funds, messes, unit funds, welfare funds, clubs for ranks, accommodation funds, and benevolent funds.

The NZDF provides support to NPFs in the form of administrative support and facilities, for which no charge is made. There are no other transactions with NPFs.

Key Management Personnel

30 JUN 07 (\$000)		30 JUN 08 (\$000)
1,157	Salaries and Short Term Employee Benefits	1,370
31	Other Long Term Benefits	36
311	Termination Benefits	358
1,499		1,764

Key management personnel include the Chief of Defence Force, Chief of Navy, Chief of Army and Chief of Air Force.

Other

There are close family members of key management personnel employed by the NZDF. The terms and conditions of those arrangements are no more favourable than if there was no relationship to key management personnel.

NOTE 23: RECONCILIATION OF NET SURPLUS/ (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2008

30 JUN 07 ACTUAL (\$000)		30 JUN 08 ACTUAL (\$000)
(104,110)	Net Operating Surplus / (Deficit)	19,928
	Add / (less) non – cash items	
290,608	Depreciation and amortisation expense	279,755
1,615	Inc / (Dec) in the provision for stock obsolescence	14,506
109	Inc / (Dec) in provision for doubtful debts	333
(3,360)	Inc / (Dec) in non – current employee entitlements	1,082
90,484	Revaluation Adjustment	–
1,665	Write down of Property, Plant and Equipment	1,940
–	– Realised Foreign Exchange Gain/(Loss)	(1,150)
381,121	Total Non – Cash Items	296,466
	Add / (less) items classified as investing activities	
(1,765)	(Gains) / losses on disposal of Property, Plant and Equipment	2,376
(1,765)	Total Investing Activity Items	2,376
	Add / (less) movements in working capital items	
(79,797)	(Inc) / Dec in debtors and receivables	(62,573)
1,263	(Inc) / Dec in interest	–
(4,537)	(Inc) / Dec in inventories	(21,948)
(1,073)	(Inc) / Dec in Prepayments	(3,226)
44,440	Inc / (Dec) in creditors and other payables	1,594
2,859	Inc / (Dec) in GST payable	2,367
(2,850)	Inc / (Dec) in provisions	(167)
(1,723)	Inc / (Dec) in current employee entitlements	6,025
(41,418)	Net movements in working capital items	(77,928)
233,828	Net cash from operating activities	240,842

NOTE 24: APPROPRIATION MOVEMENTS

		(\$000)	(\$000)
Main Estimates as at 1 July 2007 (including 2007/08 MYA)			1,985,030
October baseline update – through Revenue Crown			
Depreciation impact 30 June 2007 asset revaluation	Joint Ministers	(13,108)	
Capital charge impact 30 June 2007 asset revaluation	Joint Ministers	(20,245)	
Absorb capital charge to 0.001% of taxpayers' funds	Joint Ministers	4,717	
Bring forward 2006/07 MYA residual	Joint Ministers	3,287	
			(25,349)
March baseline update – through Revenue Crown			
Kiwimage appropriation	Joint Ministers	1,000	
State sector retirement savings adjustment	Joint Ministers	878	
			1,878
Budget adjustments – through Revenue Crown			
Expense transfer to 2008/09	CAB Minute	(68,000)	
Transfer MYA values to 2008/09	CAB Minute	(7,313)	
			(75,313)
Total Appropriation changes			(98,784)
Total Supplementary Estimate of Appropriations (including MYA)			1,886,246

Departmental Net Asset Movements

		(\$000)	(\$000)
Opening balance Main Estimates			4,974,132
Movement due to results as at 30 June 2007			(271,611)
Capital injections: Main Estimates		127,585	
Transfer to 2008/09		(54,190)	
			73,395
Surplus to be retained			11,751
Other movements			2,688
Closing balance Supplementary Estimates			4,790,355

NOTE 25: EMPLOYEE REMUNERATION

The remuneration figures below comprise base salary, superannuation subsidies, motor vehicle entitlements and other benefits for employees. The remuneration figures also include terminal benefits where applicable.

REMUNERATION BAND	2007/08 NUMBER OF EMPLOYEES	2006/07 NUMBER OF EMPLOYEES
\$430,001 – \$440,000	1	0
\$390,001 – \$400,000	1	0
\$320,001 – \$330,000	0	1
\$310,001 – \$320,000	2	0
\$300,001 – \$310,000	1	0
\$290,001 – \$300,000	2	0
\$280,001 – \$290,000	0	2
\$270,001 – \$280,000	1	1
\$260,001 – \$270,000	0	2
\$240,001 – \$250,000	1	1
\$230,001 – \$240,000	4	0
\$220,001 – \$230,000	0	2
\$210,001 – \$220,000	1	2
\$200,001 – \$210,000	2	1
\$190,001 – \$200,000	2	2
\$180,001 – \$190,000	8	3
\$170,001 – \$180,000	5	6
\$160,001 – \$170,000	21	7
\$150,001 – \$160,000	18	9
\$140,001 – \$150,000	15	32
\$130,001 – \$140,000	37	21
\$120,001 – \$130,000	102	45
\$110,001 – \$120,000	132	103
\$100,001 – \$110,000	215	141

NOTE 26: TRANSITION TO NZ IFRS

The NZDF's Financial Statements for the year ending 30 June 2008 are the first financial statements that comply with NZ IFRS. The NZDF has applied NZ IFRS 1 *First-time Adoption of NZ IFRS* in preparing these financial statements. The NZDF's transition date is 1 July 2006 for the opening balance sheet and the NZDF adopted NZ IFRS from 1 July 2007.

Statement of Financial Performance Changes to Comparatives

The following Statement of Financial Performance shows the changes in the NZDF's net surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ended 30 June 2007.

		30 JUN 07 PREVIOUS GAAP (\$000)	30 JUN 07 CHANGE (\$000)	30 JUN 07 NZ IFRS (\$000)
Income				
Crown		1,806,812	–	1,806,812
Departmental		9,490	–	9,490
Other		6,586	–	6,586
Gains		1,765	–	1,765
Interest		1,263	–	1,263
Total Income		1,825,916	–	1,825,916
Expenditure				
Personnel cost	a.	649,744	(22)	649,722
Operating costs	b.	532,538	18,164	550,702
Depreciation and amortisation		290,608	–	290,608
Capital charge		346,845	–	346,845
Other operating expenses		92,149	–	92,149
Total Expenses		1,911,884	18,142	1,930,026
Net Surplus / (Deficit)		(85,968)	18,142	(104,110)

Statement of Financial Position Changes to Comparatives

The following Statement of Financial Position shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 30 June 2007.

	NOTES	30 JUN 07 PREVIOUS GAAP (\$000)	30 JUN 07 CHANGE (\$000)	30 JUN 07 NZ IFRS (\$000)
Assets				
Current Assets				
Cash and cash equivalents		129,829	(768)	129,061
Debtors and other receivables	c.	15,723	(175)	15,548
Debtor – Crown		137,788	–	137,788
Prepayments	d.	35,997	(5,917)	30,080
Inventories	e.	242,533	(158,916)	83,617
Total Current Assets		561,870	(165,776)	396,094
Non – Current Assets				
Property, Plant and Equipment	f.	4,394,785	(15,801)	4,378,984
Intangible Assets	f.	–	15,808	15,808
Inventories	e.	–	157,183	157,183
Total Non – Current Assets		4,394,785	157,190	4,551,975
Total Assets		4,956,655	(8,586)	4,948,069
Liabilities				
Current Liabilities				
Creditors and other payables	g.	158,057	4,501	162,558
Repayment of surplus		6,182	–	6,182
Provisions		5,753	–	5,753
Employee entitlements		21,611	–	21,611
Total Current Liabilities		191,603	4,501	196,104
Non – Current Liabilities				
Employee entitlements	h.	47,953	1,491	49,444
Total Non – Current Liabilities		47,953	1,491	49,444
Total Liabilities		239,556	5,992	245,548
Net Assets		4,717,099	(14,578)	4,702,521
Taxpayers' funds				
General funds	b. & h.	3,584,961	(14,578)	3,570,383
Property, Plant and Equipment revaluation reserves		1,132,138	–	1,132,138
Total Taxpayers' funds		4,717,099	(14,578)	4,702,521
Total Liabilities and Taxpayers' funds		4,956,655	(8,586)	4,948,069

Explanatory notes for transition to NZ IFRS

Foreign Currency Transactions

The major reasons for changes to the accounting treatment of transactions are that, previously under NZ GAAP, the NZDF used the weighted average exchange rates of all unexpired forward exchange contracts for a currency to value transactions and, only foreign exchange bank account balances in the Statement of Financial Position were revalued using the mid point exchange rate ruling at balance date.

NZ IFRS require foreign currency transactions to be valued at the mid point exchange rate on the date of the transaction and all balances in foreign exchange in the Statement of Financial Position to be valued at the mid point exchange rate ruling at balance date.

NZ IFRS also require foreign exchange gains and losses to be separated into realised and unrealised.

a. Personnel Cost

Personnel costs have decreased by \$0.022 million due to the change in valuation of foreign currency personnel payments.

b. Operating Costs

Realised foreign exchange losses increased by \$2.854 million for the year ending 30 June 2007 due to the revaluation of foreign exchange transactions to the mid point exchange rate applying on the date of the transaction and foreign exchange contracts to the mid point exchange rate applying on the day of maturity.

Unrealised foreign exchange variances increased by \$16.742 million due to the initial revaluation of forward exchange contracts and, Foreign Military Sales through the Federal Reserve Bank account in the United States of America, using the mid point exchange rate at balance date.

In addition operating costs decreased by \$1.432 million due to the change in valuation of foreign currency purchases of goods and services.

The total changes to operating costs shown in the Statement of Financial Performance are \$18.164 million.

c. Debtors and Other Receivables

Debtors and Receivables have been decreased by \$0.175 million due to the change in valuation of foreign currency sales of goods and services.

d. Prepayments

NZDF procures military supplies through the United States Department of Defence Foreign Military Sales programme. The Federal Reserve Bank account holds deposits on account of these procurements. The prepayment has decreased by \$5.917 million due to the calculation of the unrealised foreign exchange loss at balance date.

e. Inventories

All inventory was previously classified as a current asset as at 1 July 2006. NZ IFRS requires that inventory which will be used over the next 12 months is reported as a current asset and the balance as a non – current asset. Historical analysis of inventory holdings shows that 65% or \$157.183 million of the total inventory value is non current.

The current inventory value has decreased by \$2.199 million due to the change in valuation of foreign currency transactions.

f. Property, Plant and Equipment and Intangible Assets

Previously computer software was included as Property, Plant and Equipment. NZ IFRS require computer software to be disclosed separately as an intangible asset. Computer software had a Net Book Value of \$15.808 million at 30 June 2007.

g. Creditors and Other Payables

Creditors and other payables are increased by \$4.501m due to the change in valuation of foreign currency purchases of goods and services.

h. Employee Entitlements

New requirements under NZ IFRS relating to the measurement of the ACC Accredited Employer Programme and sick leave liabilities for civilian personnel have resulted in a \$1.491 million increase in the provision for employee entitlements.

The ACC Accredited Employer Programme was not recognised under previous NZ GAAP. This programme is accounted for as an insurance contract under NZ IFRS 4 *Insurance Contracts*. The NZDF is required to recognise the present value of expected future payments. The initial recognised liability for this was \$1.100 million based on an actuarial calculation.

Sick leave was not recognised as a liability under previous NZ GAAP. The NZ IFRS 19 *Employee Benefits* requires NZDF to recognise a liability for civilian sick leave. The NZDF has calculated the liability, based on an actuarial calculation, for civilian personnel that would use in excess of one year's sick leave entitlement to cover future absences. The liability for civilian sick leave is \$0.391 million.

Statement of Cash Flows

There have been no material adjustments to the Statement of Cash Flows on transition to NZ IFRS.

GLOSSARY OF TERMS USED

Aeromedical Evacuation (AE)

Transporting a patient to the nearest appropriate facility by air.

Amphibious Sealift Operations

An operation launched from the sea onto the land by naval and landing forces.

Attrition

The reduction in effectiveness of a force caused by loss of personnel.

Basic Level of Operational Capability (BLOC)

BLOC is the minimum level at which an essential military capability has to be maintained if it is not to be lost over a period of time.

Battalion

A unit of infantry composed of several companies. In the case of the New Zealand Defence Force (NZDF), usually three infantry companies, a surveillance and reconnaissance company, and engineer, logistical and medical elements.

Balanced Scorecard

A management tool that enables an organisation to clarify its vision and strategy and translate them into action. It is intended to provide feedback against processes and outcomes in order to continuously improve strategic performance and results.

C4I

Command, Control, Communications, Computers and Intelligence

Capability Management Framework (CMF)

The CMF is Defence's (both the NZDF and Ministry of Defence) governance and management system that provides a transparent and robust process for ensuring long-term investments in defence capabilities. It provides guidance for policy development, capability definition, acquisition, introduction into service and disposal of capabilities.

Capital Programmes (Major and Minor)

Defence capital expenditure undertaken in two programmes, known as "CP Major" and "CP Minor". CP Major, which requires Ministerial or Cabinet authority includes all capital expenditure items over \$7 million (incl GST). CP Minor, which is within the delegated authority of the Chief of Defence Force, includes all capital expenditure items under \$7 million (incl GST).

Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD)

The full capability to render safe improvised chemical, biological, explosive and radiological devices.

Combat Viability

The ability of a force element to achieve its operational task using current resources.

Combined Joint Task Force (CJTF)

A multinational multi-service task force.

Command and Control

The exercise of authority and direction by a properly designated commander over assigned forces in the accomplishment of a mission.

Company

A subdivision of a battalion comprised of normally three platoons (each consisting of between 30 and 40 personnel)

Contingency

An emergency (involving military forces) caused by natural disasters, terrorists, subversives, or by required military operations. Due to the uncertainty of the situation, contingencies require plans, rapid response, and special procedures to ensure safety and readiness of personnel, installations and equipment.

Contingency Reserve Stock (CRS)

Stores and equipment held to enable a force element to move from its Directed Level of Operational Capability (DLOC) to a prescribed Operational Level of Operational Capability (OLOC).

GLOSSARY OF TERMS USED

Collective Training

Training involving soldiers and force units exercising within a large group, rather than individually, usually at company or higher level.

Defence Capability and Resourcing Review (DCARR)

A comprehensive review of the Defence Force undertaken by an official's committee. It examined Defence capability along with required funding, management systems, personnel and other resources. The review was reported back to Cabinet in 2004 and led to long term funding decisions in the 2005 Budget.

Defence Funding Package

The funding package agreed by government to address the recommendations of the DCARR.

Defence Performance Management System (DPMS)

A performance management system incorporating OPRES, corporate performance and measures of progress for strategic initiatives.

Defence Planning Framework (DPF)

The over-arching framework for subordinate frameworks – the system of systems.

Defence Sustainability Initiative (DSI)

The ten-year programme of work funded by government as part of the DFP arising from the DCARR recommendations.

Defence Transformation Programme (DTP)

A NZDF-wide programme to preserve and enhance military capability and align the NZDF with the key strategic themes of agility, resource efficiency and being a valued partner.

Degree of Notice (DON)

The time period (e.g., two hours) at which force elements are held within the NZDF for tasks that support the community, other government departments and foreign and defence policy objectives. They are specified for civil defence, search and rescue, fire fighting, casualty and medical evacuation, and explosive disposal.

Deployability

The capacity of a force element to move to a fully prepared state, complete final preparations, and assemble for deployment within a specified response time.

Deployment

The relocation of forces and materiel to desired operational areas. Deployment encompasses all activities from origin through to destination.

Directed Level of Capability (DLOC)

A level of capability lower than that required to be deployed and commence operations. When directed by government, force elements have a specified amount of time (known as response time) to increase their level of preparedness from DLOC to OLOC generation. Force elements are maintained at DLOC because it is not efficient to constantly maintain a broad range of force elements at a fully operational level.

Doctrine

The fundamental principles by which military forces guide their actions in support of objectives. It is authoritative, but requires judgement in application.

Employment Contexts (ECs)

Descriptions of representative and illustrative security events for which there is a likelihood that a New Zealand government would expect to make a military response, should the events occur.

Exclusive Economic Zone (EEZ)

The zone of sea around a state over which it has exclusive rights under international law to exploit economic resources. In relation to New Zealand, this is an area extending out to 200 miles beyond the shore.

Exercise and Activity Schedule (EAS)

The NZDF EAS incorporates major exercise and training programmes and other activities associated with doctrine development and the conduct of training activities.

Executive Leadership Team

A group comprised of the Chief of Defence Force, the Vice-Chief of Defence Force, the three Service chiefs (of Navy, Army and Air Force), Commander Joint Forces, General Manager Organisational Support and Chief Financial Officer.

GLOSSARY OF TERMS USED

Explosive Ordnance Disposal (EOD)

The disposal of unexploded ordnance and munitions.

Five Power Defence Arrangements (FPDA)

A series of defence relationships between the United Kingdom, Australia, New Zealand, Malaysia and Singapore signed in 1971.

Force Element

A unit that directly contributes to the delivery a NZDF output expense, e.g., a Navy frigate, Army infantry company or Air Force squadron.

Headquarters Joint Forces New Zealand

The organisation responsible for all aspects of planning and conducting NZDF contributions to deployed operations.

Improvised Explosive Device Disposal (IEDD)

The disposal of improvised explosive devices.

Interoperability

The ability of systems, units or forces to operate effectively together.

Introduction into Service

The introduction into service phase consists of: the transfer of deliverables, spares, services and initial training; operational testing and evaluation, organising force structure requirements; operational and logistic support requirements, including infrastructure; training requirements to achieve DLOC; and the management and administration of any warranties and guarantees.

Long-Term Development Plan (LTDP)

A regularly updated rolling forward ten-year plan for the acquisition of new and replacement capability.

Multi-Agency Operations and Tasks (MAO&T)

Formal support provided by the NZDF to specific government departments and agencies, including the Ministry of Fisheries, NZ Customs Service, NZ Police, Department of Conservation and Maritime New Zealand.

MAP

The Defence Mutual Assistance Programme (MAP) aims to contribute in practical terms to the achievement of the NZDF's mission to promote secure and stable neighbourhoods through the provision of training, technical and other support to selected South Pacific and South-East Asian defence forces.

Materiel

Equipment and supplies needed to complete a military mission.

Military Capability

The ability to achieve a specified military objective. The major components of military capability are force structure and preparedness. Force structure comprises the personnel and equipment assembled in force elements for military tasks.

Mission Critical Equipment (MCE)

MCE is specific equipment that is critical for mission success; the failure or loss of which would either seriously jeopardise mission accomplishment or cause the mission to be aborted.

Mission-Essential Tasks (METLs)

Tasks which are fundamental for the performance or accomplishment of the force element's mission within the given employment context.

Maritime Operational Evaluation Team (MOET)

A RNZN unit that provides guidance and assistance for ships' Commanding Officers to generate and maintain operational capability by regular sea checks and evaluation of safety and operational capability.

Network Enabled Capability (NEC)

NEC is a strategic initiative designed to establish the governance and processes needed to enable the benefits of the information age to be applied to defence operations and business.

GLOSSARY OF TERMS USED**Non-Combatant Evacuation Operations (NEO)**

Operations involving the removal of NZ nationals, and others, if requested, from foreign territory using military forces to carry out that removal.

Operational Command

The authority granted to a commander to assign missions or tasks to subordinate commanders.

Operational Control

The authority delegated to a commander to direct forces assigned to accomplish specific missions or tasks.

Operational Level of Capability (OLOC)

The state of preparedness where a force element is ready, combat viable, deployable and sustainable. When a force element is at OLOC, it is able to be deployed and commence operations. To bring a force element from DLOC to OLOC requires additional training and resources.

Operational Preparedness Reporting System (OPRES)

The mechanism the NZDF uses to assess and report the operational preparedness of force elements - also see preparedness below. The system takes into account factors such as personnel levels, trained state of personnel, equipment availability, and equipment condition. When these factors are put in the context of readiness, deployability, combat viability and sustainability, a full picture of preparedness is obtained.

Operational Release Period

The period during which a capability is built up to achieve a defined level of operational preparedness.

Operational Tempo

The pace of military operations including, but not confined to, deployments outside New Zealand territory and EEZ.

Operational Test and Evaluation

The process of field testing and evaluating new capability as it is brought into service to ensure it performs as expected.

Output Expenses

The military capabilities provided by force elements of the NZDF to provide options for particular military tasks to achieve government policy, e.g., Naval Combat Forces, Land Combat Forces, Maritime Patrol Forces.

Output Plan

The Output Plan establishes the level of capability and preparedness at which the Government expects the Chief of Defence Force to hold the different components of the NZDF. Schedule 4 to the Output Plan contains classified information on force element operational preparedness criteria statements for NZDF output expenses.

Operational Viability Period (OVP)

The OVP is that period of time for which designated forces must be able to operate independently from the start of operations until guaranteed lines of supply are established.

Preparedness

A measure of the ability of force elements to be employed on military tasks. Force elements must be held at a level of capability from which they can be raised to an operational status within a specified time, then deployed for the conduct of a particular type of military task and be sustained for a specified period while engaged on that task. The state of preparedness for a particular military task is specified in terms of readiness, combat viability, deployability and sustainability. A force element that is assessed as fully prepared would be at DLOC, while an element that is not prepared would be substantially below DLOC and accordingly its response time for deployment would be commensurably longer.

Proliferation Security Initiative (PSI)

The PSI aims to foster cooperation among nations to deter, prevent or intercept the trafficking of weapons of mass destruction.

Q-Route Survey

Identifying differences from currently available charted information of sea navigation routes.

GLOSSARY OF TERMS USED**Readiness**

The current proficiency and effectiveness of a force element or force to conduct a range of activities. Force element readiness comprises personnel, trained state, equipment held, and equipment condition. Units described as being at a high level of readiness will normally be available for combat operations after reasonably short preparation. Units described as being at a low level of readiness will normally need additional training, personnel, equipment, and/or stores and supplies and will take a considerable period to be ready for combat.

Readiness Training Activities (RTA)

RTA are those annually funded activities undertaken by force elements to achieve/maintain the Directed Level Of Capability, set by reducing OLOC requirements by the time available in the designated Response Time.

Response Time

The time available, once committed by government, to prepare a force for deployment to a particular area of operations.

Standardisation

Degree of practical cooperation that can be achieved between the various components of the NZDF, other agencies and between the NZDF and other armed forces in combination or coalition.

Sustainability

The ability to support a force at operating tempo through the duration of an operation. Sustainability includes the availability of replacement personnel, equipment maintenance, and the ability to keep elements supplied with necessary stocks and supplies.

Three- Block War Concept

This involves forces operating at any point on a continuum of the military operations spectrum from humanitarian operations, through low level and up to high intensity combat, all within the geographical span of three blocks in an urban setting.

Whole of Government

Involves government departments and public service agencies working across portfolio boundaries to achieve a shared outcome and an integrated government response to particular issues or situations.