

Annual Report 2009

New Zealand Defence Force

Te Ope Kaatua o Aotearoa

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

Cover Pictures (from left to right):

- (1) Hoisting the New Zealand flag for the first time on HMNZS *Hawea*, the second of four Inshore Patrol Vessels accepted into the Royal New Zealand Navy in 2009.
- (2) New Zealand Army infantry soldiers exercising with the Javelin medium range anti-armour weapon in the Waiouru Training Area.
- (3) A Royal New Zealand Air Force Iroquois helicopter flying in the Solomon Islands as part of Operation Rata II.

Headquarters New Zealand Defence Force
Defence House
2 – 12 Aitken Street
Private Bag
Wellington

Phone: (04) 496 0999

Facsimile: (04) 496 0869

New Zealand Defence Force Website:

<http://www.nzdf.mil.nz>

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Section One

Overview by the Chief of Defence Force

Over the last 12 months the New Zealand Defence Force (NZDF) has continued its commitment to whole-of-government multi-agency operational activities within New Zealand's Exclusive Economic Zone (EEZ) and the Southern Ocean, as well as helping build peace and stability overseas in furtherance of New Zealand's foreign policy goals.

The impacts of the global recession and the tighter fiscal realities New Zealanders face are being factored into our future planning. It is becoming increasingly clear the Defence Force will be even more reliant on sound planning and robust reporting systems to target its effort, so we can be sure we continue to deliver maximum effect.

The contribution that the NZDF is making to New Zealand's strategic interests and foreign policy goals is reflected in our high operational tempo. As in previous years, the level of our operational tempo has been above that planned for during what was envisaged as a period of restoration. Major missions continued in the Solomon Islands, Timor-Leste, Afghanistan, the Sinai (Multinational Force Observers), and Antarctica. Individuals also deployed to United Nations missions in the Middle East, the Republic of Korea and Sudan.

Peace support missions can only be performed by well-trained and equipped military personnel. Exercise Cooperative Spirit, held in Germany, demonstrated the NZ Army's competency in a contemporary warfighting environment when compared with our closest allies. When independently measured by other nation assessors and compared to US, UK, and Australian forces, the NZ infantry company performed exceptionally. Similar results were achieved with the involvement of our Navy and Air Force in overseas exercises.

It is essential that sufficient resources are allocated to the activities we undertake so that we are able to sustain our commitments and deliver the level of security our country needs. Accordingly, the NZDF has set in train measures that will better target resource allocation. For example, the operational preparedness of force elements has now been adjusted to ensure that we are appropriately ready for plausible and more likely contingencies. Our priority remains a fully prepared level of readiness for possible contingencies in New Zealand and the Pacific, as reported in the Statement of Service Performance section of this report.

Recruitment and retention have been critical issues for the NZDF as we have sustained overseas deployments and prepared for future operations. Personnel issues have also been a factor as we acquired new and upgraded capabilities. With the tighter economic conditions in New Zealand, combined with innovative recruitment and retention strategies the NZDF has implemented, growing the NZDF is looking more promising. Fewer people are choosing to leave the NZDF. This assists us in addressing relative experience levels, which remain low in certain operational and technical trades, and it is recognised that it will take time before these levels can be restored fully.

Our reserve forces continue to play an important role in fulfilling our mission. During the reporting year, reservists provided the bulk of our personnel in the Solomon Islands and recently increasing numbers are deploying to Timor-Leste. Other individuals deployed to Afghanistan and elsewhere.

At the same time that we are managing our serving personnel, including our civilian staff, we are also assisting our veterans. During the year, Veterans' Affairs New Zealand became an operational unit of the NZDF. The NZDF provided a comprehensive submission to the Law Commission's review of the War Pensions Act 1954. Along with veterans' groups, we also supported a number of commemorative events, including Anzac Day and Armistice Day remembrance services.

In close co-operation with the Ministry of Defence (MoD), we have also progressed our major equipment upgrade programme across all three Services. Overall, the modernisation of the NZDF's equipment is a huge step forward for the Services. With this ambitious programme, involving complex projects with multiple interdependencies, there have been delays, but notable successes during the year have included the delivery of the inshore patrol vessels for the Navy, the completion of the upgrade for the Air Force's two Boeing 757 transport aircraft, and the acquisition of night vision equipment, new weapon sights and communication equipment for the Army.

From a strategic management point of view, together with the Executive Leadership Team (ELT), I have turned our attention to ensuring that the NZDF achieves value for money. We have accelerated change initiatives of the Defence Transformation Programme (DTP). In its first year, the DTP returned some \$45 million that was invested back into our people and capabilities and in helping to keep New Zealand secure.

My expectation is that in 2010, the DTP will start delivering a new way of conducting logistics support and a new way of training, managing and leading our people through human resource management and education and training initiatives. The utility of Headquarters NZDF (HQ NZDF) is also being improved so that it provides the strategic underpinning an organisation the size and complexity of the Defence Force needs.

The opportunities are exciting. My primary concern will remain to ensure the ability of the NZDF to provide effective military response options for the Government. The NZDF is improving its management processes and will continue to drive the changes necessary, via the DTP, to ensure we can keep delivering effective military capabilities into the future.

The Government's Defence White Paper, expected in early 2010, will be a chance to take stock of what we have been doing over the past 10 years, and deciding what we need to continue, and what we need to change over the next 25 years.

In closing, I wish to acknowledge the valued role of all members of the NZDF - military and civilian - as we move closer to our vision of *"Three Services as One Force, being the best in everything we do."* In particular, I would like to acknowledge the significant contribution made by the recently retired Chief of Navy, Rear Admiral David Ledson, and Chief of Army, Major General Lou Gardiner during the reporting period. I also wish to express my gratitude to the families of our personnel, Service-related organisations, contractors and the wider public who have continued to support and encourage us.



J. MATEPARAE
Lieutenant General
Chief of Defence Force

Achievements

Contributions to High Level Outcomes

The Government's overarching goal is to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. The External Sector¹ contributes to this goal in several ways through its:

- activities to reduce or manage the risks to New Zealand from global and regional insecurity and trans-national threats (a critical precondition underpinning economic growth and social well-being);
- aid to promote the security and sustainable economic growth of developing countries, especially in our region;
- contributions to the development of international rules for dealing with global issues and promoting the conduct of international trade and commerce;
- work to increase the competitiveness of New Zealand business; and
- initiatives to assist the flow of people, capital, trade, technology and ideas to New Zealand to build a more competitive resource base for the economy.

The world economy is currently facing its biggest challenge in 80 years, with global economic growth and world trade in sharp decline. The departments in the External Sector will give priority to maintaining New Zealand's security and managing New Zealand's international relations through the recession, and ensuring New Zealand is well placed to take advantage of the eventual recovery. Each department will also give high priority to improving the value for money received from the resources appropriated in its Votes.

The NZDF's contribution to the External Sector is through the main Defence Outcome of "*New Zealand Secure and Protected from External Threats Now and in the Future.*" This is reflected in the following tasks:

- securing New Zealand, including its people, land, territorial waters, EEZ, natural resources and critical infrastructure by contributing to the whole of government efforts and support to multi-agency operations and tasks involving disaster relief, resource protection, international and local crime, security and intelligence as well as ceremonial and other support to government; and
- reducing risks to New Zealand from regional and global insecurity and participating in regional and international security systems by the conduct of a wide range of military operations overseas as well as international confidence building exercises and military diplomatic tasks, which include a network of military adviser and attaché staff serving overseas.

¹ The External Sector consists of six votes, which are administered by four departments – the New Zealand Defence Force, the Ministry of Defence, the Ministry of Foreign Affairs and Trade, and the New Zealand Customs Service. These departments are collectively responsible for managing most of New Zealand's official relationships with the rest of the world and protecting its security and beyond the border.

At any given time the NZDF has deployed between 400 – 1,000 personnel, on more than 10 different operational missions around the world in support of New Zealand's security. The most significant recent missions are predominantly Army elements in Timor-Leste, the Solomon Islands and Afghanistan, which almost equate to a light infantry battalion-sized group. From time to time, Air Force elements – including C-130 Hercules aircraft - provide resupply and rotation support to currently deployed forces. Various Navy and Air Force elements are involved in providing support to multi-agencies in and around New Zealand.

On a day-to-day basis in New Zealand, the force elements of the NZDF also train to be ready, if and when required by the Government, to ensure New Zealand's security. Preparedness for operations, wherever and whenever they may be, is the overriding requirement of the NZDF.

The NZDF, through Veterans' Affairs New Zealand, also contributes to the External Sector by ensuring veterans are recognised for their service and that the impacts of service on veterans and their dependents are monitored and addressed. The Government's intent, underpinning policy related to veterans, is *"Respecting Veterans, Honouring Service."*

The main Defence outcome is achieved through the four Defence Intermediate Outcomes of:

- Secure New Zealand, including its people, land, territorial waters, EEZ, natural resources and critical infrastructure.
- Reduced risks to New Zealand from regional and global insecurity.
- New Zealand values and interests advanced through participation in regional and international security systems.
- New Zealand is able to meet future national security challenges.

A representation of contributions provided by the NZDF during the year against these intermediate outcomes is provided below.

Intermediate Outcome 1:

Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure

Secure New Zealand

This intermediate outcome is divided into the sub outcomes of:

- Protected from Terrorism.
- Protected from Transnational Illegal Activities.
- Protecting Persons and Infrastructure from Civil Instability and Disasters.

All three Services maintained a capability to assist with counter terrorist responses by providing logistical support and surveillance standby capabilities. A Counter-Terrorist Group continued the ability to assist the NZ Police in counter-terrorist operations, including maritime counter terrorism.

The NZDF demonstrated its ability to work closely with a range of agencies in protecting New Zealand from illegal activities. The Navy and Air Force conducted regular surveillance patrols of our EEZ and the Southern Ocean. The NZDF continued to support the New Zealand and United States Antarctic programmes and provided terminal and logistics support at Christchurch, McMurdo Station and Scott Base, as well as C-130 Hercules flights.

Personnel from all three Services were ready at designated degrees of notice to assist with natural and manmade disasters within New Zealand. (See the table in the section on Services in Support of the Government and the Community for more details.)

Intermediate Outcome 2:

Reduced Risks From Regional and Global Insecurity Through:

A Secure, Peaceful and Stable Australia

The Anzac relationship has long been our most significant defence partnership. Both the Australian and New Zealand defence forces have continued to invest in joint training, interoperable equipment and shared doctrine. This has been reinforced during the reporting period by our combined efforts in regional peacekeeping in Timor-Leste and the Solomon Islands, and participation in numerous exercises and support activities, including those mentioned below.

During July 2008, a P-3K Orion aircraft and crew took part in Exercise Kakadu in Darwin. This is an annual, two-week exercise primarily based on anti-surface warfare aimed at developing interoperability among participating countries. As well as New Zealand, units from Australia, Japan, Malaysia, Indonesia, Papua New Guinea, France, and Thailand took part in the exercise.

NZDF personnel, artillery guns and ammunition, Iroquois helicopters, a P-3K Orion and a C-130 Hercules deployed to Townsville during October 2008 to take part in Exercise Swift Eagle. The exercise involved practising tactical planning, deployment procedures and interoperability with the Australian Defence Force (ADF).

HMNZS *Te Kaha* was involved in exercises around the waters of Western Australia over the period 17 November – 5 December 2008. This was a valuable opportunity to not only share operational capabilities, but provide benefits to both navies in developing and improving skills.

Five New Zealand Defence Force fire-fighters headed to Melbourne on 13 February 2009 as part of the National Rural Fire Authority contingent to assist Australian fire crews as they battled the bushfires in the state of Victoria. The New Zealand fire-fighters, including those from the NZDF, departed Auckland aboard a RNZAF Boeing 757 aircraft.

A Secure, Peaceful and Stable South Pacific

Along with Australia, New Zealand takes a lead role in promoting peace and security within the South Pacific, which extends out as far as Timor-Leste. The NZDF continued to provide peacekeeping, bilateral military engagement, the Mutual Assistance Programme (MAP) (professional development for disciplined forces in Asia-Pacific), EEZ surveillance, search and rescue, and stand-by capabilities for disaster relief.

The NZDF continued to contribute military personnel to the Australian-led International Security Force (ISF), and the United Nations Interim Mission to Timor-Leste (UNMIT), as well as having training and advisory staff embedded in the Timor-Leste Defence Force under the MAP.

During October 2008, the RNZAF's 3 Squadron Detachment of two Iroquois helicopters and crew returned to New Zealand after an 18-month long mission in Dili, Timor-Leste.

The NZDF sustained a platoon of soldiers to the Regional Assistance Mission in the Solomon Islands (RAMSI). The contingent performed regular patrols, liaised with locals, assisted RAMSI police in downtown Honiara and helped with external security at Rove Prison.

Eight NZDF personnel joined the United States Nursing Ship *Mercy* to provide medical support to the people of Papua New Guinea as part of Pacific Partnership 08 – a humanitarian and development mission. Working alongside military personnel from 13 other nations, the NZDF medics undertook surgical procedures and primary health care activities around Port Moresby.

Navy, Army and Air Force personnel were also involved in Exercise Tropic Twilight supporting a NZAID-led humanitarian mission in the Cook Islands.

HMNZS *Resolution*, the RNZN's offshore survey vessel, deployed to Tonga, Samoa and the Cook Islands for a three-month survey task to update navigational charts, some of which were dated as far back as 1898.

A Secure and Stable Asia-Pacific Region

In promoting a secure, stable Asia-Pacific region, the NZDF has continued with regular contact and dialogue, assistance, confidence-building measures, conflict deterrence, and ongoing support to regional security arrangements.

The NZDF hosted contingents from the armies of the Five Power Defence Arrangements (FPDA) – New Zealand, Singapore, the United Kingdom, Malaysia and Australia – at an exercise in Burnham Camp, near Christchurch during September 2008. Exercise Suman Warrior 2008 was a Command Post Exercise based on an asymmetric, non-conventional and complex operational environment.

HMNZS *Te Mana* and a P3-K Orion aircraft participated in Exercise Bersama Lima – the annual FPDA combined maritime/air exercise held in Malaysia and Singapore.

During January - February 2009, the Singapore Armed Forces (SAF) conducted their annual artillery exercise in Waiouru alongside the 16th Field Regiment of the NZ Army. Exercise Thunder Warrior is a collaborative live-firing exercise that involves about 500 personnel from the SAF and a single six gun battery-sized unit from the 16th Field Regiment.

A More Secure and Stable World

The NZDF contributed to this outcome through the delivery of annual outputs that provide contributions to collective security operations, peacekeeping, and peace-enforcement conducted by the United Nations and other relevant multinational agencies.

NZDF personnel continued to serve in United Nations missions in Iraq, Israel, Sudan, Syria, Egypt, and the Republic of Korea.

The NZDF commitment in Afghanistan is an important element in New Zealand's contribution to international state-building efforts in assisting Afghanistan to meet its significant security, political and developmental challenges. NZDF personnel currently operate in Afghanistan under the NATO-led International Security Assistance Force (ISAF) mandate. The NZDF currently leads the Bamyán Provincial Reconstruction Team (PRT), provides key staff to ISAF HQ, assists in training the Afghan National Army, and contributes to the United Nations Assistance Mission to Afghanistan (UNAMA).

In addition, NZDF medical staff, in conjunction with United States military medical staff, have run some very worthwhile medical training throughout the province. RNZAF C-130 Hercules aircraft and crews continued to provide strategic airlift support flights to and from Afghanistan.

During September 2008, HMNZS *Te Mana* returned to New Zealand after spending three months carrying out approach and assist visits in support of maritime and security operations in the Central and Southern Persian Gulf. These operations were aimed at promoting the free flow of commerce, protecting infrastructure and countering terrorism, piracy and drugs, arms and people smuggling.

A 172-strong contingent from 2/1st Infantry Battalion based at Burnham participated in an army training exercise with forces from Australia, Britain, Canada and the United States. Exercise Cooperative Spirit, held in Hohenfels, Germany, provided an opportunity to engage in training and to test interoperability with partners across a range of conventional military and peace-keeping operations. The exercise enhanced skill levels and allowed NZDF personnel to share experiences and knowledge gained from peacekeeping operations in Timor-Leste, Solomon Islands and Afghanistan.

Intermediate Outcome 3:

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

This intermediate outcome is divided into the sub-outcomes of:

- Collaboratively Develop and Shape the International Security Order.
- Effective Participation in the International Security Order.

In concert with other relevant government agencies, the NZDF supports this outcome through a range of activities, including participation in confidence-building, defence diplomacy and coalition-building.

Contributions to this outcome during the reporting year included the following:

Ongoing support was provided to UN missions (for details on these see section on Output Expense 16 – Operationally Deployed Forces).

The NZDF played a significant role in a New Zealand-hosted, multi-agency, Proliferation Security Initiative (PSI) Exercise in September 2008. Exercise Maru was designed to test and demonstrate the legislative, policy and operational capabilities of New Zealand and its PSI partners to respond to the movement of suspected weapons of mass destruction material. Twenty seven countries either participated in, or had observer status, in the exercise. New Zealand was represented at various 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.

The NZDF was represented at the ASEAN Regional Forum (ARF) Intersessional Group and Defence Dialogue meetings in Singapore (October 2008) and Seoul (April 2009). In addition, a Defence official attended the ARF Senior Officials Meeting and Security Policy Conference in Phuket, Thailand in May 2009. CDF NZ attended the Pacific Chiefs of Defence Conference in Bali, Indonesia in November 2008, and he also attended the Five Power Defence Arrangement (FPDA) Chief of Defence meeting held in Putrajaya, Malaysia in February 2009. The NZDF was also in attendance at the triennial FPDA Ministers Meeting in Kuala Lumpur in June 2009.

The standing of our defence relationship with Singapore was enhanced with the signing of an Arrangement on Defence Cooperation.

The NZDF provided a Boeing 757 aircraft to participate in an ARF Voluntary Demonstration of Response (disaster relief) held in Central Luzon, Philippines in May 2009. This aircraft also transported the Australian and PNG participants to the Exercise. A NZDF officer participated in an ARF Intersessional Meeting on Disaster Relief in Bandar Aceh, Indonesia in December 2008.

A NZDF officer co-chaired an ARF Intersessional Meeting on Maritime Security, which was co-hosted by New Zealand, Indonesia, and Japan in Surabaya, Indonesia in February 2009. A second meeting, co-hosted by the three countries, will be held in New Zealand in early 2010.

The NZDF was represented at the Quadrilateral Defence Coordinating Group (QUADS) operational working group meeting held in Hawaii in November 2008. The QUADS allows New Zealand to engage with the US, Australia and the French Armed Forces in New Caledonia to achieve better operational coordination and calibration of military training programmes in the Pacific region.

During the reporting period, the NZDF also contributed to various interoperability, standardisation and technical co-operation meetings and programmes, and other forum workshops.

The NZDF also participated in the MAP (see Output 15.1 for more details on this contribution.)

Intermediate Outcome 4:

New Zealand Able to Meet Future National Security Challenges

The NZDF's contribution to this outcome has been to undertake planning for the future, especially for sustainable future capability requirements. The process used to manage this is included in the Capability Management Framework (CMF). The NZDF and the MoD use a suite of planning aids, including strategic guidance, decision support tools, strategic assessments, capability goals matrices and research/lessons learned. These are all defined in detail in the CMF, which is currently being updated to reflect new capital asset management requirements.

As part of Defence Review 2009, an analysis is being undertaken of the NZDF's future capabilities and force structure. The NZDF is also working with the MoD to develop an integrated cost model of all NZDF expenditure (both operating and capital), as well as an output-forecasting model for NZDF force element availability.

In addition, the NZDF has encouraged 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 Fisheries, Ministry of Emergency Management, Civil Defence and other agencies; assisting Veterans groups; providing courses for the Limited Service Volunteer (LSV) Scheme (see Output 15.3); and supporting the NZ Cadet Forces (see Output 15.2).

Strategic Performance

The NZDF uses a strategic management system for corporate level reporting against strategic objectives. These objectives are supported by annually updated strategic initiatives. Progress during the year against the four main strategic objectives is shown below.

Current: Sustain current operational commitments

All operational commitments and support to Multi-Agency Operations and Tasks (MAO&T) were successfully met. Navy delivered most outputs to the level agreed to, subject to the delivery of new patrol vessels. Support to MAO&T was achieved using existing force elements. Army effectively sustained current operations in Timor-Leste, Solomon Islands and Afghanistan. Air Force was able to support operationally deployed forces and MAO&T through effective management of taskings.

Future: Be ready to meet the Government's next request

Ensuring the NZDF is able to provide effective military response options for the Government is a priority. The greatest challenges to achieving this objective come from the introduction into service of new capabilities, which means at certain times platforms may be unavailable as they are yet to be embedded; and from a high operational tempo, which by definition means NZDF people and equipment are already committed elsewhere.

Navy. The introduction of six new patrol vessels mitigates the reduced availability of Anzac frigates out until 2014, due to their Platform Support Upgrade (and the Self Defence Upgrade, if approved).

Army. Army has developed troop rotation plans to effectively sustain current operations in Timor-Leste, Solomon Islands and Afghanistan into the future. As sustaining these concurrent operations would affect the response options Army was able to provide the Government, Army has identified a range of capabilities (mainly non-sustainable) which it can provide.

Air Force. The introduction of the NH90 medium utility helicopter will address the operating limitations of the ageing Iroquois fleet.

(Refer to the Statement of Service Performance section for further details on force element preparedness.)

Ensure we have the people we need

Total personnel numbers have increased in all three Services. This is a result of recruiting initiatives and recent significant reductions in attrition rates. However, there are still challenges within critical trades and at certain experience levels. The Services have responded by implementing initiatives targeted at specific critical trades, including Navy marine technicians, Army logisticians and Air Force avionics technicians. Initiatives include the introduction of the new military remuneration system, use of reserves, lateral recruitment, and reviewing trade structures.

Equip our forces to meet current commitments and be ready to meet the Government's next request

During the year, Navy continued with the operational release for the multi-role vessel HMNZS *Canterbury* and took delivery of four new inshore patrol vessels. Delays in the delivery of the final two vessels that form Project Protector, the two new offshore patrol vessels, are currently being managed. Army has sufficient equipment to sustain current operations, and during the year purchased additional night vision and communications equipment to enhance capability. Purchases of water treatment equipment, combat engineer tractors and a new gap crossing system are also planned in the future.

During the year, Air Force successfully introduced into service the upgraded Boeing 757 aircraft and an ongoing review is being conducted into the supportability of Seasprite helicopters. Although there have been some delays by contractors working on other Air Force capability upgrades, the aim is that, by 2014, the RNZAF will have introduced 28 new or upgraded aircraft across its six fleets.

Defence Sustainability Initiative

In 2005 the Government of the day 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 Long-Term Development Plan (LTDP)² and improvements in Defence's organisational capabilities.

Deployment Capability

The NZDF retained and grew its ability to meet operational commitments at a level much higher than originally anticipated by the DSI. Deployment commitments at the commencement of the DSI represented 11.7% of the Regular Force (RF). The NZDF has retained, increased and sustained the ability to deploy personnel on operations beyond this level peaking at 17.2% of the Regular Force in 2007/2008 and averaging around 14% throughout the DSI period. The inherent trade-off between deployments and operational preparedness has slowed the recovery of corporate and military capability.

Personnel

The DSI intended to increase RF and NZDF Headquarters personnel numbers, correct shortages of critical trades and reduce attrition. In large part, this has been achieved. As at 30 June 2009, total RF numbers were below the DSI target of 9,859 by just 157, or 1.6%. Personnel levels within each Service were marginally below their DSI targets with Navy short by 91 (4%), Army by 52 (1%) and Air Force by only 14 (0.5%).

RF numbers have increased by over 400 from the last reporting year and recruiting success is now approaching 100% of targets. The RF annualised attrition at 11% is around a 3% reduction from the last reporting period. The reduction in attrition can in part be attributed to the military remuneration project under the DSI that aims to provide relativity with equivalent professions in the wider community. The impacts of the current fiscal environment, while difficult to quantify, should not be underestimated in achieving recruitment and retention targets.

Projections indicate attrition will continue to fall and with that a reasonable expectation that DSI targets will be reached. Indeed, with improved recruiting and lower attrition rates the emphasis within personnel planning has now shifted even more so to addressing the impact within critical trades.

The NZDF has equal employment opportunity policy and procedures in place to ensure fairness and equity of opportunity for employees. During the reporting period, all equity policies were reviewed and rewritten and equity awareness training was delivered to more than 500 military personnel and civilian staff.

² The LTDP will be examined by Defence Review 2009 and will be replaced, in due course, by a new capital acquisition plan.

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.

Under the DSI, the NZDF was expected to complete 16 projects to restore capability. At the time of writing, nine of the projects are complete, with the remaining seven substantially complete - pending the outcomes of Defence Review 2009.

Delivery of projects within the major capital plan continues to challenge the MoD and NZDF. Whilst addressed elsewhere within this report, delivery of Project Protector ships is pleasing and Air Force projects are progressing. Key achievements during the year included delivery of the Navy's new inshore patrol vessels, the completion of the upgrade of the Air Force's second Boeing 757-200 aircraft, and acquisition of night vision equipment, new weapon sights, combat service support equipment and a variety of communication equipment for the Army.

Work also commenced at Ohakea to provide facilities for the new helicopter fleets, and the Government decided to retain Whenuapai as an operational base. Funding for remedial work at Whenuapai has been provided with restoration of the runway and taxiways as the first priority. Work is also underway to upgrade and integrate Defence's digital communications. In September 2008, Defence updated its LTDP, which identifies major capability requirements.

The emphasis has now shifted to the operational release of new capabilities, whilst at the same time sustaining deployments at the current level.

The NZDF and the MoD continue to work together to improve their capability selection and equipment acquisition systems. These include improving Defence's CMF, implementing new government-wide capital asset management requirements, implementing the findings of the review of the safety and functionality of HMNZS *Canterbury* (the Coles Review), and collaborating with the Office of the Auditor-General to improve reporting on the progress of major defence acquisition projects.

An independent review of procurement (both capability and process) will be undertaken as part of Defence Review 2009.

Future of DSI

In a letter to the Minister of Defence in December 2008, the Minister of Finance reiterated the Government's intention to unwind the previous Government's unfunded commitments. This included the Defence Funding Package pre-commitments – both operating and capital. In particular, the Minister of Finance indicated his firm intention to remove the LTDP capital pre-commitment, and the planned future increases to the operating budget beyond 2009/10. The Defence White Paper will set the Government's defence policy. Future capability development and resourcing commitments will await the outcome of that process.

The Minister of Defence agreed that these decisions effectively bring the DSI to an end as a distinct programme. Defence will continue with the acquisition and upgrading of major items of military equipment to which the Government is already contractually committed and continue with certain initiatives aimed at developing organisational and management capability.

Defence Transformation Programme

The DTP is a comprehensive, Defence-wide change programme, supported and endorsed by the Chief of Defence Force and the ELT. Its vision is to have: *“A single organisational approach enabling simpler and better support functions to the three Services and Operations”*. This means that support functions will be driven by Defence priorities, with regard for Service specific requirements. By identifying better processes and simpler structures that reflect a single organisational approach, the DTP aims to free up resources to invest back into the front line.

During 2008 the DTP successfully placed military personnel on their new remuneration sector, tier and step, marking a significant step toward a more flexible and employment market responsive pay system. The DTP also met cost savings targets and completed a comprehensive review of scope and deliverables.

As a whole, the DTP will be looking at:

- ways to align consistent priorities, strategies, policies and processes;
- using modern support tools and technologies;
- leveraging commercial support arrangements;
- improving levels of personnel competency, continuity and retention; and
- reducing overheads by removing duplication, where practical.

The three DTP streams are the Human Resource Management Change Programme, the Logistics Change Programme, and the Headquarters Change Programme.

Progress

The DTP will be vital in helping the Defence Force to weather the current financial storm and prepare for the eventual post-recession improvement in macro-economic conditions. The NZDF embarked on the DTP because it believes finding efficiencies from within is the right thing for any public sector organisation to do. The expectation is that in 2010, the DTP will be delivering a new way of conducting logistics support; a new way of training, managing, and leading people through human resource management and education and training initiatives; and will have improved the “value-add” of NZDF Headquarters so that it provides the strategic underpinning that an organisation the size of the Defence Force needs.

All three programmes are undertaking comprehensive analysis of the current picture of NZDF structures, processes and systems across the Logistics, HRM and HQ functions. Much of the information in these reports comes from focus groups and in-depth interviews with subject matter experts and end-users in each area, underpinned by financial and organisational analysis. These current state reports will act as the “line in the sand” against which future state model options can be compared and contrasted.

The current state reports also provide a basis for identifying opportunities for improvement within parameters set by the ELT. Currently, the programmes are analysing various future state options to present to the ELT. These options will outline the costs, benefits, risks and impacts of each option, and provide guidance on how the NZDF can transform to achieve closer alignment to the vision of *“Three Services as One Force – Being the Best in Everything We Do.”*

Section Two

Defence at a Glance

Introduction

This section of the report provides a general overview of the NZDF, while more detailed information is available from the websites, publications and libraries listed later in this section.

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 (EEZ), and to be able to take action to meet likely contingencies in our strategic area of interest.”

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 and 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

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.

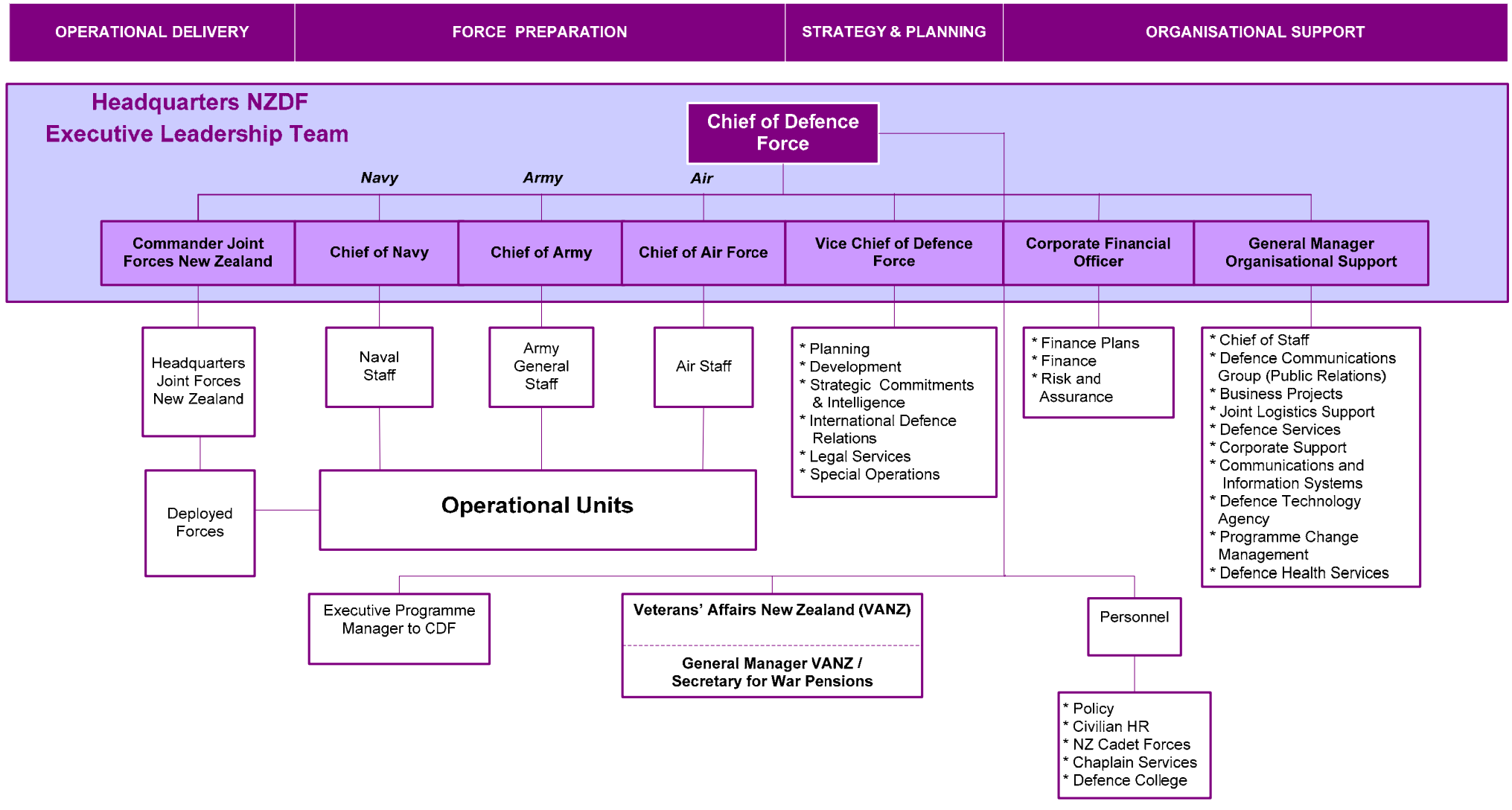
Currently, there are five broad strategic outcomes for national security. From these, a defence policy objective is set for each outcome. In achieving these objectives, the NZDF makes a range of contributions: it maintains operationally prepared forces for use by the Government and it carries out operational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

Government's Strategic Outcomes, and Related Defence Policy Objectives	Examples of Contribution 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>Protecting our EEZ resources</p> <p>Supporting other government agencies and the community</p> <p>Explosive disposal response</p> <p>Counter Terrorist response</p> <p>Civil Defence Assistance</p> <p>Sovereignty protection</p> <p>Aid to civil power</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>Partnering regional security assistance</p> <p>Combined exercises and readiness training</p> <p>Closer Defence Relations</p> <p>Visits and development of doctrine</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 Pacific Island nations</p> <p>Peace Support Operations</p> <p>Disaster relief</p> <p>Helping protect Pacific Island nations' EEZ resource and sovereignty</p> <p>Security assistance</p> <p>Protecting New Zealand nationals abroad</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</p> <p>Humanitarian Support</p> <p>Regional Security Arrangements</p> <p>Combined exercises and readiness training</p> <p>Defence diplomacy and regional engagement</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</p> <p>Peace Support Operations</p> <p>Humanitarian support</p>

NZDF Operations and Missions Overseas

Region	Contribution
Afghanistan	The NZDF has been actively involved in Afghanistan since 2003. Currently, we provide a Provincial Reconstruction Team (including a 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) and Combined Forces Command Afghanistan (CFC-A), IED operations and medical support to the Canadian led Multi-national Medical Unit.
Arabian Gulf	The NZDF maintains a team providing operational support in the Arabian Gulf. During the period May 2008 – August 2008, a frigate supported 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	A NZDF Military Advisor is 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.
Israel, Lebanon, Syria	The NZDF has been providing UN Observers to the United Nations Truce and Supervisory Organisation (UNTSO) since 1954. 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 only. From 1 June 2009 to 30 November 2009, a New Zealand Army Legal Officer will work as a staff officer for the Force Commander under the UN Interim Force in Lebanon (UNIFIL).
Kosovo	The NZDF staff officer support for the United Nations Interim Administration Mission in Kosovo (UNMIK), which began in 1999, ceased in September 2008.
Sinai Peninsula	The NZDF has been providing expertise to the Multinational Force and Observers (MFO) in driver tasking, courses and training since 1982. In addition, NZDF personnel monitor the operation of the Egyptian Border Guard Force.
Solomon Islands	Since 2003 the NZDF has provided support to the Participating Police Force conducting local and provincial presence patrols and security patrols as part of the military component of RAMSI.
Timor-Leste	The NZDF has been supporting various operations in Timor-Leste since 1999. We are involved in the United Nations Mission in Timor-Leste (UNMIT), focussing on contract management, equipment support and development of defence policies for the Timor-Leste Defence Force, along with support elements for civilian/military aid, security and stability tasks. For the period April 2007 to October 2008, 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	The NZDF provides staff support to operations, watch-keeping and corridor control to the United Nations Command Military Armistice Commission in Korea (UNCMAC).
Sudan	The NZDF provides Military Observers and Staff Officer assistance to the UN Mission in Sudan (UNMIS).
United States of America	A NZDF National Planning Element and operational support has been based at US CENTCOM in Florida since 2003. They provide a liaison and planning function.

NZDF HIGH LEVEL FUNCTIONAL ORGANISATION as at 30 June 2009



Major NZDF Units within New Zealand

<p>Headquarters New Zealand Defence Force</p> <p>Wellington</p> <p>HQ NZDF (Strategic Headquarters) Chief of Defence Force Vice Chief of Defence Force Chief of Navy Chief of Army Chief of Air Force Corporate Financial Officer General Manager Organisational Support</p> <p>Trentham</p> <p>Defence College Joint Logistics and Support Organisation</p>	<p>New Zealand Army</p> <p>Papakura</p> <p>1 NZ SAS Group Auckland Regional Support Group</p> <p>Waiouru</p> <p>NZ Land Training and Doctrine Group Officer Cadet School Land Operations Training Centre The Army Depot</p> <p>Linton</p> <p>HQ 2ND Land Force Group 1st Battalion 16th Field Regiment (Artillery and Air Defence) 2nd Engineer Regiment 1st NZ Signals Regiment 2nd Logistics Battalion 2nd Health Service Battalion</p>
<p>Joint Forces New Zealand</p> <p>Trentham</p> <p>Commander Joint Forces New Zealand Headquarters Joint Forces New Zealand</p>	<p>Trentham</p> <p>Trentham Regional Support Battalion 1st NZ Military Intelligence Company 1ST NZ Military Police Company 1st NZ Explosive Ordnance Disposal Squadron HQ Military Studies Institute</p>
<p>Royal New Zealand Navy</p> <p>Auckland</p> <p>Naval Support Command RNZN Naval College Joint Geospatial Support Facility HMNZS Dockyard</p> <p>Naval Combat Force</p> <p>HMNZS <i>Te Kaha</i> HMNZS <i>Te Mana</i></p> <p>Naval Support Force</p> <p>HMNZS <i>Canterbury</i> (Amphibious Sealift) HMNZS <i>Endeavour</i> (Fleet Replenishment)</p> <p>Hydrographic</p> <p>HMNZS <i>Resolution</i></p> <p>Diving Support</p> <p>HMNZS <i>Manawanui</i></p> <p>Sea Training</p> <p>HMNZS <i>Kahu</i></p> <p>Naval Patrol Force</p> <p>HMNZS <i>Otago</i> (when delivered) HMNZS <i>Wellington</i> (when delivered) HMNZS <i>Rototi</i> HMNZS <i>Hawea</i> HMNZS <i>Pukaki</i> HMNZS <i>Taupo</i></p>	<p>Burnham</p> <p>HQ 3RD Land Force Group Queen Alexandra's Mounted Rifles (Armoured Reconnaissance) 2nd/1st Battalion (Infantry) 3rd Signals Squadron 3rd Logistics Battalion</p> <p>Tekapo Military Training Area</p> <p>Royal New Zealand Air Force</p> <p>Auckland</p> <p>No 5 Squadron 6 x Lockheed P-3K Orion</p> <p>No 6 Squadron 5 x SH-2G(NZ) Seasprite</p> <p>No 40 Squadron 2 x Boeing 757-200 5 x Lockheed C-130H Hercules</p> <p>Expeditionary Support Squadron</p> <p>Ohakea</p> <p>No 3 Squadron 14 x UH-1H Iroquois 5 x Bell 47G -3B-2 Sioux</p> <p>Flying Training Wing 14 x CT-4E Airtrainer 5 x Beech King Air B200</p> <p>Woodbourne</p> <p>Ground Training Wing</p>

NZDF Personnel Strength as at 30 June 2009

Headquarters NZDF

Regular Force	290
Non-Regular	8
Civilian	1,087
HQ NZDF Total	1,385

Headquarters Joint Forces

Regular Force	162
Non-Regular	0
Civilian	38
HQ JFNZ Total	200

Navy

Regular Force	2,104
Non-Regular	342
Civilian	392
RNZN Total	2,838

Regular Force Gender Ratio - Navy

Male	77%
Female	23%

Army

Regular Force	5,003
Non-Regular	1,709
Civilian	722
Army Total	7,434

Regular Force Gender Ratio - Army

Male	87%
Female	13%

Air Force

Regular Force	2,595
Non-Regular	198
Civilian	422
RNZAF Total	3,215

Regular Force Gender Ratio – Air

Male	82%
Female	18%

Defence Force

Regular Force	9,702
Non-Regular	2,249
Civilian	2,661
NZDF Total	14,612

Regular Force Gender Ratio - NZDF

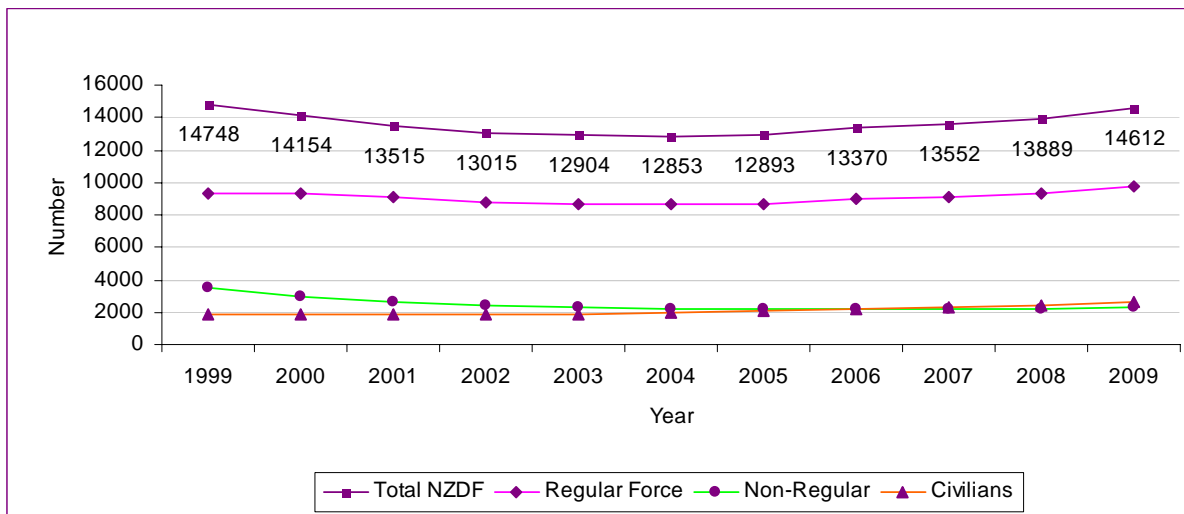
Male	83%
Female	17%

HQ NZDF and HQ JFNZ military personnel (RF and NR) are already counted within single Service totals.

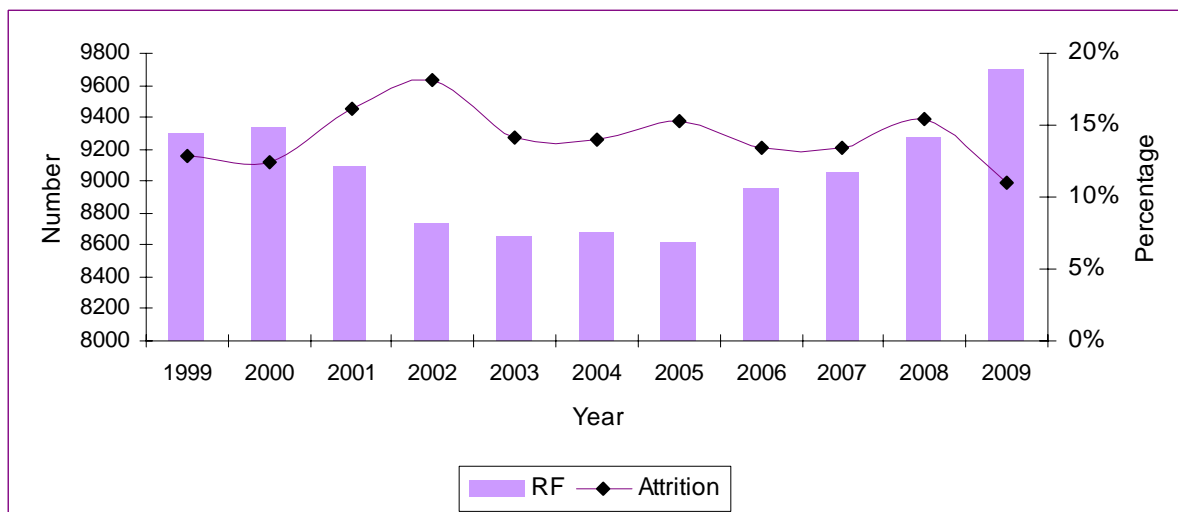
Civilian numbers in HQ NZDF and HQ JFNZ are counted separately to single Service civilian totals.

All civilian numbers are full-time equivalent, and include VANZ and locally employed civilians (HQ NZDF).

NZDF Personnel Total Number by Year



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



Note:

RF attrition is now reported excluding Short Term Enlistments (STEs). STEs are mainly Non-Regular Force personnel who transfer into the RF to be deployed on overseas operations and therefore have a known termination date. The RF attrition rate (12 month rolling average) for the 12 months to 30 June 2009 was 11.08% (excluding STEs).

Attitude Survey

Overall, RF satisfaction has remained fairly stable over the past 12 months, with slightly higher levels in the first six months of 2009. From July 2008 to June 2009, 62.2% of all RF respondents rated their overall satisfaction as 'good' or 'excellent'.

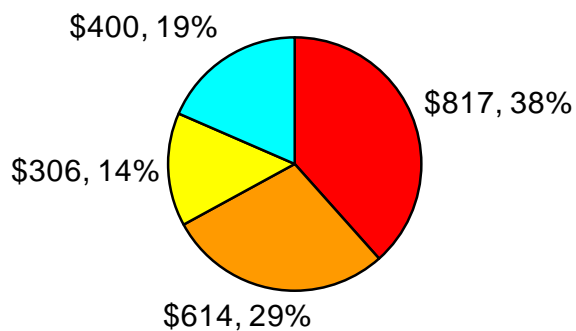
The NZDF Ongoing Attitude Survey continues to provide a valuable source of information to monitor organisational health as an aid to HR policy development. The NZDF Cohort Survey has also continued. This survey tracks selected cohort groups of officer and other rank recruits across the three Services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

Summary of Expenditure

NZDF expenditure for the year ended 30 June 2009 was \$2.137 billion, exclusive of GST. Of this total, \$400 million (19%) was returned to the Crown as capital charge for the use of Defence assets.

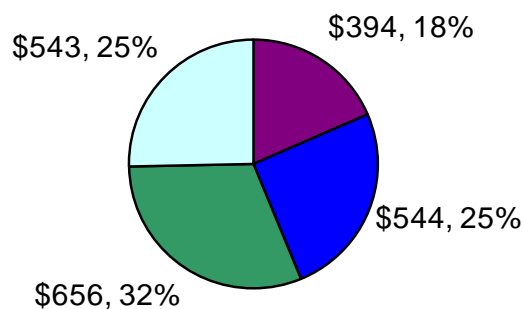
A graphical summary of expenditure by function and Service is shown below. The full financial statements and notes are shown in Section 6 of this report.

Expenditure by Function (\$ million excl GST)



■ Personnel ■ Operating ■ Depreciation ■ Capital Charge

Expenditure by Service (\$ million excl GST)



■ Headquarters ■ Navy ■ Army ■ Air

Statutory Committees

The two statutory NZDF committees, with the number of meetings held during 2008/09 were:

- Chiefs of Service Committee eight meetings
- Board of Review five meetings

During the reporting period, 15 Executive Leadership Team meetings were also held.

Availability of Information

Further information or enquiries regarding the Defence Force, including a more detailed description of the force elements and units referred to in this report, is available to the public from the following sources:

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

Defence Communications Group: dcg@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
 Armed Forces Discipline Amendment Act (No 2) 2007
 Court Martial Act 2007
 Court Martial Appeal Amendment Act 2007
 Court Martial Appeals Act 1953
 Defence Act 1990
 Defence Amendment Act (No 2) 2007
 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 Regulations 2008
 Armed Forces Discipline Rules of Procedure 1983
 Armed Discipline Rules of Procedure 2008
 Armed Forces Establishments Road Traffic Bylaws 1978
 Courts Martial Appeals Act Commencement Order 1955
 Courts Martial Appeals (Fees and Allowances) Regulations 1997
 Courts Martial Appeals (Fees and Allowances) Regulations 2008
 Courts Martial Appeal Rules 1954
 Courts Martial Appeal Court Rules 2008
 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 (Viet Nam) Regulations 2002
 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
 Viet Nam 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.

Regulations and Orders

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

NZDF Statement of Service Performance

Employment Contexts

Strategic guidance describes situations in which the New Zealand Government might choose to use military force. The NZDF uses this guidance to develop geographically grouped Employment Contexts (ECs). ECs are 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 they occur.

ECs are selected through assessment of New Zealand's geo-strategic situation and international security trends. The ECs are chosen on the basis of their likelihood of occurrence in the near and longer terms and the consequences for New Zealand's Defence Outcomes if the NZDF was unable to provide an appropriate response.

ECs include high level operational concepts which, in turn, drive the Services' and joint Mission Essential Tasks (METs), that is, those tasks that the deployed forces must be able to perform. The METs drive the priorities for the Services' and joint annual training activities and which determine the output parameters that need to be delivered in order to meet government requirements.

The ECs also designate the anticipated time (known as the Response Time) available for the final preparation of force elements for their operational deployment. This in turn affects the level of capability that must be maintained on an annual basis. Concepts for operations and contingency plans can then be developed for relevant ECs.

ECs ensure the NZDF output quality is consistent with defence policy. Current EC operational concepts list the most likely force elements that would be involved in each security event. These force element lists are a guide only and are not exhaustive; each security event may require the addition or deletion of some force elements.

The ECs are shown in the following table.

EC 1 - Security Challenges and Defence Tasks in New Zealand and its Environs:	
EC 1A	Illegal exploitation of marine resources within the New Zealand EEZ, and other low-level threats to New Zealand territorial sovereignty.
EC 1B	Natural and manmade disasters.
EC 1C	Support to the delivery and maintenance of essential services in exceptional circumstances, including the hosting of major events.
EC 1D	Terrorist and Asymmetric Threats.
EC 1E	Support for Antarctic presence.
EC 2 - Security Challenges to New Zealand's Interests in the South Pacific:	
EC 2A	Illegal exploitation of marine resources within South Pacific EEZs, and other low-level threats to South Pacific nations' territorial sovereignty.
EC 2B	Natural and manmade disasters.
EC 2C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 2D	Terrorist Threats.
EC 2E	Challenges to legitimate governments, including civil war and secessionist conflict.
EC 3 - Challenges to New Zealand and Australia Common Security Interests:	
EC 3A	Illegal exploitation of marine resources within Australia's EEZ, and other low-level threats to Australia's territorial sovereignty.
EC 3B	Natural or manmade disasters.
EC 3C	External aggression against Australia.
EC 3D	Terrorist or Asymmetric Threats.
EC 4 - Security Challenges to New Zealand's Interests in the Asia-Pacific Region:	
EC 4A	Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation.
EC 4B	Natural or manmade disasters.
EC 4C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 4D	Terrorist Threats.
EC 4E	Weapons of Mass Destruction (WMD) proliferation.
EC 4F	Inter-State conflict.
EC 4G	Acts of piracy and people smuggling.
EC 5 - Security Challenges to New Zealand's Interests in Global Peace and Security:	
EC 5A	Aggression to alter maritime boundaries or seize resources, or threats to freedom of navigation.
EC 5B	Unresolved conflict or conflict resolution process where protagonists have sought third party resolution assistance.
EC 5C	State failure or fragility leading to internal conflict and/or humanitarian crisis.
EC 5D	Terrorist Threats. (The War against Terrorism)
EC 5E	WMD proliferation.
EC 5F	Contravention of international norms that triggers a multi-national response.
EC 5G	Major breakdown in international security leading to wide-scale war.

Note: The ECs that are highlighted in the table above are those that have been fully developed and against which all NZDF force elements are assessed for operational preparedness.

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 potential security events.

The level of preparedness required for new events is specified in the NZDF Output Plan, which details the level of military capability that must be maintained against the ECs depicted in the previous table. 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. Additional costs for OLOC generation and operational deployments are covered either by offsets within the existing vote (e.g., where operational tasks fulfil some of the routine DLOC training requirements); or by supplementary funding under Output Expense 16 – Operationally Deployed Forces.

Preparedness

The NZDF evaluates its ability to respond to potential security events through the Operational Preparedness and Reporting System (OPRES). This system assesses the preparedness of all force elements for future security events against four key measurement areas - readiness, combat viability, deployability, and sustainability. (These terms are amplified in the following table and explained in the glossary).

Supporting these measures are key performance indicators (KPIs). The table below shows the indicative KPIs and performance measures used for all force elements. These are applicable to Output Expenses 2 to 14 relating to the Navy, Army and Air Force, which appear later in this section. Specific performance measures are used for Output Expenses 1, 15, 16, and those for Veterans' Affairs New Zealand.

The table is indicative, as the actual measures used by each of the Services do vary slightly; this reflects that the Navy and Air Force are primarily based on platforms, whereas the Army is based more on personnel.

The results of these measures are the prime source to report the operational preparedness for each force element in Output Expenses 2 to 14, using a performance rating scale, also shown below. Supplementing this source are the results of a broad range of evaluations, including assessments carried out during military exercises, competitions, routine tests of achievement and proficiency, and operational, technical and administrative inspections. Whenever possible, the results of external evaluations by members of allied forces are included in these assessments.

Performance Measurement

The following measures are used to assess the preparedness of NZDF force elements for likely security events.

Key Performance Indicators	Performance Measures
Readiness	
DLOC Establishment Filled.	% of Unit's DLOC Establishment that is filled.
Personnel Continuity.	% of personnel turnover in the last six months.
Key Personnel Appointments Filled Over Time.	% of key appointments filled by qualified personnel.
Equipment Serviceability.	% of Unit Establishment platforms/equipments that are serviceable.
Individual and Unit Level Training Completed.	% of individual/unit Readiness Training Activities (RTA) completed within reporting period.
Mission Critical Platform/Combat System/DLOC Aircraft Availability.	% of programmed operating time in which the ship's platform/combats systems were available/% of DLOC aircraft available.
Sufficiency of RTA Equipments, Expendable Stocks and Munitions.	% of stocks and live/practice munitions available for required RTA.
Combat Viability	
Adequacy of Tactics, Techniques and Procedures.	% mission success and element survivability enabled by tactics, techniques and procedures.
Collective Proficiency in EC Tasks.	% of collective/joint/combined exercises covering EC essential tasks completed.
Standardisation.	The degrees of interoperability allowed by the level of standardisation (as defined by NATO, ASIC and ABCA) with friendly forces for the EC METs.
Mission Critical Equipment Operational Viability or Suitability.	% mission success enabled (or restrictions on mission) by technology or equipment performance.
Equipment Reliability for Mission Critical Systems.	% degradation of EC essential tasks at OLOC operating tempo due to equipment reliability.
Deployability	
EC Specific OLOC Generation and Contingency Plans.	Plans distributed, reviewed and validated as current (annually).
Critical Equipment Deficiency Correction within Response Time.	% of Critical Deficiencies that can be corrected within Response Time.
Sufficiency of Deployment Expendable Stocks and Munitions.	% of live/practice munitions and stocks available for OLOC generation and retention, including the OVP.
Serviceability and Availability of OLOC Generation Equipment.	% of OLOC generation equipment serviceable and available.
Sustainability	
Availability of Replacement Personnel.	% of Service personnel to provide for sustainment.
Key Equipment Repairability.	% of operating time during which FE availability is degraded at OLOC operating tempo by repair times.
Availability of Sustainment Equipment, Stocks and Munitions.	% of sustainment equipment, stocks and munitions avail or obtainable within RT + OVP.
Availability of Replacement Equipment.	% of replacement equipment avail or obtainable within RT+ OVP.
Materiel Supply Times.	% of operating time during which FE availability is degraded at OLOC operating tempo by supply times.
Ability to Achieve and Sustain Operating Tempo to Achieve Tactical Objectives.	% operating tempo able to sustain throughout duration of deployment (due to aircraft/equipment serviceability and availability).

Notes:

1. These KPIs are indicative of the types of measures used. The actual measures used by each of the Services will vary. The Service-specific KPIs and their Performance Rating Scales are detailed in appropriate directives.
2. Service KPIs are used at the lower end (unit level) of OPRES. As in the case of OPRES, the aggregated KPIs, via the Statement of Service Performance, are reported externally in the NZDF Annual Report.

NZDF OPRES Performance Rating Scale

The following OPRES Performance Rating Scale is used to quantify force element performance in achieving preparedness relative to DLOC:

Rating	Meaning
P1	Fully Prepared – at the Directed Level of Operational Capability (DLOC). It means that the standards required for all measurement areas, under OPRES, have been achieved by between 90 to 100%.
P2	Substantially Prepared – below DLOC. The force element requires minimal resource input such that the Response Time is projected to be extended by up to the order of 33% in the applicable EC. It means that the standards required for all measurement areas, under OPRES, have been achieved by between 80 and 89%.
P3	Partially Prepared – below DLOC. The force element requires a substantial resource input such that the Response Time is projected to be extended by a period in the order of between 34% and 50% in the applicable EC. It means that the standards required for all measurement areas, under OPRES, have been achieved by between 70 to 79%.
P4	Not Prepared – below DLOC. The force element requires a level of resource input such that the Response Time for the applicable EC could be expected to be extended by more than 50%. It means that the standards required for all measurement areas, under OPRES, have been achieved by less than 70%.
P5	Unavailable for Assessment – The force element/capability is unavailable for assessment. This could be as a result of a capability being deployed, commissioned, or introduced.

As signalled in the NZDF Statement of Intent for the year ending 30 June 2009, the operational preparedness of force elements has been adjusted. While the *aim* under the OPRES rating system is a rating of P1, the following will apply for FY 2008/09 and beyond:

For tasks under ECs 1 and 2 – a P1 (Fully Prepared) rating.

For tasks under ECs 3 to 5 – a P2 (Substantially Prepared) rating.

Ministry of Defence

The Evaluation Division of the Ministry of Defence assesses, for the Minister of Defence, whether the NZDF has delivered output expenses to the standard required in the Output Plan. These assessments look at whether the NZDF would have been able to bring a force element up to an operational level of capability within the time required in the Output Plan, if called upon to do so.

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 Budget document *External Sector Information Supporting the Estimates and Appropriations (B.5A Vol 4)* for Vote: Defence Force.

Contribution to Services Provided to Government and the Community

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

OUTPUT EXPENSE 1:**MILITARY POLICY DEVELOPMENT, COORDINATION AND ADVICE****Description**

Provision of advice to the Minister of Defence on military contributions to New Zealand's foreign policy and military responses to contingencies, in accordance with NZDF Output Plan specifications. This output expense also includes military intelligence, responses to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries, and Ombudsmen correspondence.

Output Expense 1 involves:

the provision of 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.

Assistance to the Ministry of Defence in the provision of advice to the Minister and Associate 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 and Associate Minister.

Output 1.3: Operational Military Policy Advice

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

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 and Associate Minister, including Ombudsmen correspondence.

Contribution to Outcomes

Output Expense 1 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance Measurement

Performance evaluation means output performance will be measured by the degree of satisfaction expressed by the Minister and Associate 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 and Associate Minister as required in Cabinet Committees, Select Committees and in the House.

Overview

Overall, a satisfactory level of quality was achieved for key submissions. The number of submissions provided was within the range anticipated, except for responses to Parliamentary Questions, which were lower than expected for the reporting period.

Due to the need to research and respond to a concentrated number of select committee questions within tight deadlines, some timeliness targets for other submissions were not achieved. This will be addressed as part of the review of HQ NZDF.

Performance Standards and Measures	Performance Achieved
Range of key submissions anticipated as follows:	
<ul style="list-style-type: none"> Statutory Reports to Parliament - 2 	2
<ul style="list-style-type: none"> Submissions to Cabinet (in conjunction with the Ministry of Defence) – 40-60 	21
<ul style="list-style-type: none"> Reports and Briefing Papers to Minister (in conjunction with the Ministry of Defence) – 350-450 	378
<ul style="list-style-type: none"> Ministerial Correspondence (“Ministerials”) – 300-400 	343
<ul style="list-style-type: none"> Parliamentary Questions (for <i>Written</i> and <i>Oral</i> answer) – 350-450 	101
<ul style="list-style-type: none"> Select Committee Reports – 5-10 	1
<ul style="list-style-type: none"> Select Committee Questions (Foreign Affairs Defence & Trade, and Finance and Expenditure Committees) – 300-400 	351
<ul style="list-style-type: none"> The supply of individual products, as above, of high quality - defined by the seven characteristics of quality advice: Purpose, Logic, Accuracy, Options, Consultation, Practicality and Presentation. 	Submissions were provided in accordance with these seven characteristics of quality advice.
<ul style="list-style-type: none"> 95% of first drafts of all policy papers accepted by the Minister. 	95% of first drafts of all policy papers were accepted by the Minister.
<ul style="list-style-type: none"> 90% of other responses accepted without substantive amendment. 	90% of other responses were accepted without substantive amendment.

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> All reports and oral advice will be delivered within the agreed or statutory time frame. 95% of replies to Ministerials within 20 days of receipt of request, 95% of replies to Parliamentary Questions for Written Answer provided by due date, and 95% of replies to Parliamentary Questions for Oral Answer provided by midday on the day that the reply is due in the House. 	<p>76% of draft replies to Ministerial correspondence were provided within 20 working days of receipt. Timeliness more closely approached the required standard late in 2008 and early in 2009. Response times lengthened significantly again after the receipt of a large number of select committee questions. There has also been an increase in the amount of correspondence requiring access to specialist or difficult-to-access information. This will be addressed as part of the review of HQ NZDF.</p> <p>77% of replies to Parliamentary Questions for Written Answer were provided by the due date (85% in 2009). 100% of replies to Parliamentary Questions for Oral Answer were provided within the required period.</p>
<ul style="list-style-type: none"> A high degree of satisfaction expressed by the Minister, appropriate committee or agency (feedback from those for whom policy products have been produced). 	<p>The Minister of Defence has expressed satisfaction about quality, but was concerned about timeliness. The review mentioned above will address this aspect.</p>

Costs for Output Expense 1 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
7.531	Personnel	7.249	10.251	10.565
2.458	Operating	2.461	2.670	2.486
0.185	Depreciation	0.437	0.226	0.239
0.214	Capital Charge	0.205	0.227	0.227
10.388	Total Expenses	10.352	13.374	13.517
	Income			
10.169	Revenue Crown	10.317	13.339	13.339
0.035	Revenue Department	0.035	0.035	0.035
0.001	Revenue Other	-	-	0.001
10.205	Total Income	10.352	13.374	13.375
(0.183)	Net Surplus (Deficit)	-	-	(0.142)
	Cost by Output			
6.328	Output 1.1	6.042	7.192	7.329
1.972	Output 1.2	2.172	2.723	2.678
1.084	Output 1.3	1.079	1.239	1.206
1.004	Output 1.4	1.059	2.220	2.304

The total approved appropriation in 2008/09 for this output expense was \$13.524 million and the total expenditure was \$13.517 million. There was no unappropriated expenditure for this output expense.

Summary of Performance for Output Expenses 2-14 (Navy, Army, Air Force)

The following is a summary of the performance standards achieved for Navy, Army and Air Force outputs. More detailed information on the performance of individual outputs is shown in the following pages in this section.

Overall, force elements were prepared to meet contemporary security threats.

Navy – Output Expenses 2-6

Naval Combat Forces, Naval Support Forces, Mine Countermeasures (MCM) and MCM Diving Forces, and Military Hydrography and Hydrographic Data Collection achieved most of their performance targets.

During the reporting period, the Navy's new Amphibious Sealift Force, HMNZS *Canterbury*, continued with its operational release and therefore was not expected to fully achieve all its performance targets. The ship had certified safety boats fitted and was still subject to contract and warranty provisions. Nevertheless, the ship is demonstrating its value-add to the Defence Force with ship and crew already having participated in a number of significant exercises, including Exercise Tropic Twilight in the Cook Islands and Exercise Sea Lion in Australia.

The diving vessels HMNZS Ships *Manawanui* and *Kahu*, along with other ships, undertook MAO&T support and EEZ patrols, compensating for the late arrival of the Navy's four new Inshore Patrol Vessels and the yet to be delivered Offshore Patrol Vessels.

Personnel were available for tasks. In some trades shortages of experienced personnel still exist. With the introduction of new ships into service with Project Protector, the Navy has anticipated pressure in meeting full crew requirements across the fleet, and responded by reviewing rank, branch and trade structures for both officers and ratings. In addition, Navy has focused on recruitment and retention strategies and reports both recruiting success rates have improved and Navy attrition has dropped.

Army – Output Expenses 7-10

The requirement to provide a company group for EC 1 and 2 tasks was exceeded with an infantry company group fully prepared for tasks under EC 1, while concurrently sustaining deployments to Timor-Leste, Solomon Islands and Afghanistan. These deployments in effect almost equated to a light infantry-sized battalion group. To surge to an infantry battalion group during the reporting period would have required the redeployment of resources from Timor-Leste and Afghanistan.

While responses to higher-threat situations were not required during the reporting period, training and equipping for these events is ongoing. Exercise Cooperative Spirit, held in Germany, demonstrated effective interoperability with coalition forces.

Teams were available to respond to CBRE IEDD tasks within New Zealand and this capability continued to grow over the reporting period. 1 NZSAS Group was available to conduct special operations and a counter terrorist group and counter terrorist assault group were prepared to assist the NZ Police, if required.

Air Force – Output Expenses 11-14

Aircraft and crews were capable of being deployed within response times to conduct operations in low threat environments. However, the ongoing modernisation of a large number of aircraft created challenges in reaching targets for medium or higher threat military operations. Significant milestones included completion of the B757 fleet modification and progress was achieved with the P3K Orion upgrade and C-130 Hercules life extension programmes. The introduction of the NH90 medium utility helicopter will address the operating limitations of the current Iroquois fleet.

Effective standardisation with other forces was achieved with participation in exercises such as Maple Guardian in Canada and Swift Eagle in Australia, and regular support flights to Afghanistan. Air Force attrition is low. Despite this, in some trades shortages of experienced technical personnel remain, however, this is being addressed through targeted recruitment and retention initiatives.

Output Expense 2: Naval Combat Forces

Description

Provision of the capabilities of the frigates, HMNZ Ships *Te Kaha* and *Te Mana*, prepared to conduct maritime operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Overview

Both frigates achieved or bettered their planned sea day targets and planned preparedness targets were met. The ships' personnel states were constantly managed to ensure there was an optimum mix of rank, trade, skills and experience, although this created pressures elsewhere in the Navy. Equipment performance was sufficient for low-threat environments, and effective interoperability with friendly forces was achieved during the reporting period with participation in numerous exercises and the deployment of HMNZS *Te Mana* to the Persian Gulf and South-East Asia.

Projects to upgrade the frigates' platform systems and close-in protection weapon systems are underway. A project has been identified to upgrade the frigates' self-defence systems, subject to the outcome of Defence Review 2009.

Highlights

During the reporting period, the Naval Combat Force (NCF) participated in the following activities:

- Coalition maritime operations in the Persian Gulf.
- Bilateral Exercise Malzea with Malaysia.
- FPDA exercises Bersama Lima and Bersama Shield.
- Western Pacific Naval Symposium activity in Singapore.
- Exercises and training with elements of the ADF.
- Multi-agency operations and tasking and conducted Exercise Maru (PSI), Exercise Endurance (support to Department of Conservation in sub Antarctica Islands) and conducted New Zealand port visits.
- Carried out Defence diplomacy activities in China, Malaysia, Singapore, India, Bahrain and United Arab Emirates.

Contribution to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>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. The Offshore Patrol Vessels (OPVs) will assume the latter role once accepted into service.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>Apart from a period of planned maintenance for HMNZS <i>Te Mana</i> and the first phase to upgrade platform systems for HMNZS <i>Te Kaha</i>, two frigates, each with an embarked Seasprite helicopter, were available as required, for regional or collective security tasks and low level security challenges in New Zealand or South Pacific waters.</p> <p>The OPVs were not available during the reporting period as they had not been delivered.</p>
<p>Standards</p> <p>Mission Availability and Planned Sea Days for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Te Kaha</i> will be mission available for 175 days, of which 90 to 110 days will be at sea. • HMNZS <i>Te Mana</i> will be mission available for 200 days, of which 130 to 140 days will be at sea. 	<p>HMNZS <i>Te Kaha</i> was mission available for 216 days and spent 142 days at sea. Planned days were exceeded due to resupplying the sub-Antarctic Islands in early 2009. This task was originally planned for HMNZS <i>Canterbury</i>. HMNZS <i>Te Kaha</i> also participated in a fleet concentration period off the east coast of Australia.</p> <p>HMNZS <i>Te Mana</i> was mission available for 213 days and spent 138 days at sea, including a deployment to South-East Asia.</p>
<p>Standards</p> <p>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. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>During the reporting period, the NCF contributed to a range of services in support of other government departments, the community and foreign and defence policy objectives including multi-agency operations and tasking, Exercise Maru (PSI) and Exercise Endurance (support to Department of Conservation in the sub Antarctic Islands), participation in FPDA and bi lateral exercises, and diplomacy visits.</p> <p>Services were carried out to the satisfaction of agencies. ³</p> <p>[See also the section on Services in Support of the Government and the Community, including MAO&T].</p>

³ The NZDF has a number of MOUs with government agencies such as New Zealand Police, National Maritime Coordination Centre (NMCC), Maritime New Zealand (Oil Pollution) and Antarctica New Zealand. The NZDF agreed levels of commitment to MAO&T are contained in the NZDF Annual Output Plan and are reported in the NZDF Annual Report. With respect to measures of performance, NZDF operational preparedness reporting provides a measure of NZDF effectiveness to MAO&T support. In addition, the NZDF receives regular feedback on the satisfaction of the supported agency and through the NMCC as the agency charged with coordinating MAO&T. As at the end of the reporting period, more specific performance requirements were still under development.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>For ECs 1 and 2, a P1 rating was achieved.</p> <p>For ECs 3-5, a P2 rating was achieved.</p> <p>(See paragraphs below)</p>
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Frigates that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>Throughout the reporting period, with the exception of the planned platform system upgrade for HMNZS <i>Te Kaha</i>, the ships were available to support all military tasks requested that were within their current capability and manning constraints, and were capable of meeting DLOC readiness criteria.</p>
<ul style="list-style-type: none"> • Frigates carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and relevant RNZN Publications, including:</p> <ul style="list-style-type: none"> • NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability). • Warrant of Armament Stores. • RNZN Master Personnel Establishments. 	<p>The NCF achieved DLOC by participating in exercises and being in company with other ships. HMNZS <i>Te Mana</i> was evaluated by the Navy's Maritime Operational Evaluation Team (MOET) through an OLOC work up in 2009 and was assessed at OLOC for the deployment to the Persian Gulf. HMNZS <i>Te Kaha</i> was evaluated by the MOET by way of safety and readiness checks and continued to remain at DLOC.</p>
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks. 	<p>Personnel met the collective training standards, experience levels, individual experience and competency requirements for military tasks. The ships' personnel states were constantly managed to ensure there was an optimum mix of rank, trade, skills and experience to enable the ships to achieve their allocated tasks.</p>
<ul style="list-style-type: none"> • Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Equipment performance, reliability and technology met the required standards for commitment to military tasks in low threat environments.</p> <p>The Platform System Upgrade and Self Defence Upgrade projects are critical to ensure the required standards are able to be met for future military tasks. (The Self-Defence Upgrade project is subject to the outcome of Defence Review 2009).</p> <p>The SH-2G Seasprite has consistently delivered its range of capabilities during embarked operations and provided an effective asset to the frigates' capabilities. (See Output Expense 11.)</p>

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Effective interoperability when working with friendly forces. <p>Measures NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Effective interoperability with friendly forces was achieved during the reporting period with participation in numerous exercises, including Bersama Lima, Aswex, a fleet concentration period in Australia, and the deployment of HMNZS <i>Te Mana</i> to the Persian Gulf.</p>
<p>Deployability: Standards</p> <ul style="list-style-type: none"> Vessels capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>Apart from periods of planned maintenance, both frigates were maintained at the required DLOC and were capable of generating OLOC for any assigned mission within the requirements of Schedule 4 to the NZDF Output Plan.</p>
<ul style="list-style-type: none"> Stores and provisions embarked to allow tasking. 	<p>Stores and provisions were available to allow tasking. (This standard is measured by the logistical supply system using time and quantity targets.)</p>
<ul style="list-style-type: none"> Materiel state satisfactory to permit tasking. 	<p>Materiel state was satisfactory to permit tasking. (This standard is measured by the logistical supply system using time and quantity targets.)</p>
<ul style="list-style-type: none"> Personnel state satisfactory to permit tasking. <p>Measures NZDF OPRES and RNZN Publications (as listed above).</p>	<p>The personnel state was satisfactory to permit tasking, but this did result in pressures elsewhere in the Navy (both at sea and onshore).</p>
<p>Sustainability: Standards</p> <ul style="list-style-type: none"> Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated operational viability period (OVP). 	<p>Munitions were available to maintain OLOC for the designated OVP.</p>
<ul style="list-style-type: none"> Fuel, stores and provisions available to maintain OLOC for the designated OVP. 	<p>Fuel, stores and provisions were available to maintain OLOC for the designated OVP.</p>
<ul style="list-style-type: none"> Personnel available for sustainment/rotation. <p>Measures NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Personnel were available, but this did result in challenges elsewhere in the Navy. Retention and recruitment rates continue to present significant challenges. Sustainment and rotation requirements are not able to be evenly met across the Fleet – or across the Navy. Personnel are being posted to meet the highest priorities.</p>

Costs for Output Expense 2 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
90.040	Personnel	100.233	101.218	101.089
91.458	Operating	95.339	72.496	78.421
0.282	Losses on Foreign Exchange	-	-	6.050
96.828	Depreciation	104.784	115.744	113.023
107.324	Capital Charge	97.700	108.205	108.206
385.932	Total Expenses	398.056	397.663	406.789
	Income			
382.666	Revenue Crown	395.736	394.184	394.184
0.557	Revenue Department	0.792	1.552	1.227
1.551	Revenue Other	1.528	1.927	1.503
3.638	Gains on Foreign Exchange	-	7.109	7.859
388.412	Total Income	398.056	404.772	404.773
2.480	Net Surplus (Deficit)	-	7.109	(2.016)

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$402.798 million and the total expenditure excluding remeasurements was \$400.739 million. There was no unappropriated expenditure for this output expense.

Output Expense 3: Naval Support Forces

Description

Provision of the capabilities 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, in accordance with NZDF Output Plan specifications.

This output expense also includes contributions to a range of services provided to Government and the community.

Outputs in Output Expense 3

Output 3.1 - Replenishment Force

Provision of the Fleet Replenishment Ship, HMNZS *Endeavour*, prepared to conduct maritime operations including logistic support for deployed military forces and normal naval activities. This output also includes contributions by the Replenishment Forces to some community services when not committed to operations.

Output 3.2 - Amphibious Sealift Force

Provision of the Amphibious Sealift Ship, HMNZS *Canterbury*, prepared to conduct amphibious sealift operations in support of deploying and/or deployed military forces, and normal naval activities. This output also includes contributions by the Amphibious Sealift Ship to some community services when not committed to operations.

Overview

HMNZS *Endeavour* was forecast to be available for four to 15 days at sea during the reporting period, however, it was available for 242 days and spent 91 days at sea – 41 days more than last year. Preparedness targets were also met.

HMNZS *Canterbury* spent 21 days less than planned at sea due to the ship continuing to undergo its operational release, and lost days related to the fitting of new sea boats. As a result of the operational release period, 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 the 2009/10 reporting year.

Both ships were available, however, to support military tasks within their capabilities, and undertook a range of MAO&T and contributed to a range of services in support of other government departments, the community, and foreign and defence policy objectives. HMNZS *Endeavour* deployed to South-East Asia in company with HMNZS *Te Mana* and HMNZS *Canterbury* participated in Exercises Sea Lion in Australia and Tropic Twilight in the Cook Islands.

Both HMNZS *Endeavour* and HMNZS *Canterbury* had satisfactory staffing to permit tasking. Sustaining HMNZS *Endeavour* could only have occurred with reduced activity levels elsewhere across the Navy.

Highlights

During the reporting period, HMNZS *Endeavour* participated in the following activities:

- Bilateral Exercise Malzea with Malaysia.
- FPDA exercise Bersama Shield.
- Western Pacific Naval Symposium activity in Singapore.
- Training with elements of the ADF in support of closer defence relationships.
- Defence Diplomacy activities in China, Malaysia and Singapore.
- Multi-agency operations and tasking and port visits in New Zealand.

During the reporting period, HMNZS *Canterbury* participated in the following activities:

- Training with elements of the ADF (Exercise Sea Lion).
- Exercise Tropic Twilight, jointly with NZ Army and Air Force elements in the Cook Islands.
- Multi-agency operations and tasking and port visits in New Zealand, including support provided to the Department of Conservation at Raoul Island.

Contribution to Outcomes

This Output Expense contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>HMNZS <i>Endeavour</i> and HMNZS <i>Canterbury</i>, each with embarked Seasprite helicopter/s, as required, available for military tasks.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>HMNZ <i>Endeavour</i> was available, as required, for military tasks, except for a period of maintenance to convert its fuel tanks. (This maintenance took nine weeks of the reporting period.) In addition, HMNZS <i>Endeavour</i> underwent a planned maintenance period of five weeks during the reporting period.</p> <p>HMNZS <i>Canterbury</i> was available to support all military tasks required that were within the ship's capability under the operational release period.</p>

Performance Standards and Measures	Performance Achieved												
<p>Standards</p> <p>Mission Availability and Planned Sea-Days for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Endeavour</i> will be available for 4 to 15 days at sea. 	<p>Due to shortfalls in personnel levels, HMNZS <i>Endeavour</i> was forecast to be available for four to 15 days at sea during the reporting period. Despite this, the ship was available for 242 days and spent 91 days at sea due to the late delivery of the inshore patrol vessels, which allowed HMNZS <i>Endeavour</i> to be regenerated earlier than anticipated. The ship deployed to South-East Asia with HMNZS <i>Te Mana</i> in April 2009 for the remainder of the reporting period.</p>												
<ul style="list-style-type: none"> • HMNZS <i>Canterbury</i> will be mission available for 236 days, of which 120 to 140 days will be at sea. 	<p>HMNZS <i>Canterbury</i> was mission available for 184 days and spent 98 days at sea. The reduction in planned days was caused by the fitting of certified safety boats and warranty claims issues.</p>												
<p>Standards</p> <p>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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>During the reporting period, HMNZ Ships <i>Endeavour</i> and <i>Canterbury</i> undertook a range of MAO&T and contributed to a range of services in support of other government departments, the community and foreign and defence policy objectives.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details see the section on Services in Support of the Government and the Community, including MAO&T].</p>												
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>(See paragraphs below.)</p> <table border="1" data-bbox="794 1243 1334 1424"> <thead> <tr> <th>EC</th> <th>Output 3.1</th> <th>Output 3.2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P4</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P4</td> </tr> <tr> <td>3-5</td> <td>P1</td> <td>P4</td> </tr> </tbody> </table>	EC	Output 3.1	Output 3.2	1	P1	P4	2	P1	P4	3-5	P1	P4
EC	Output 3.1	Output 3.2											
1	P1	P4											
2	P1	P4											
3-5	P1	P4											
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Replenishment Ship and Amphibious Sealift Ship that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>Apart from the period undergoing tank conversion, HMNZS <i>Endeavour</i> was capable of meeting DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>During the reporting period, HMNZS <i>Canterbury</i> did not achieve full capability release and therefore did not meet DLOC readiness criteria in accordance with Schedule 4 of the NZDF Output Plan. Full capability release is expected to be completed by the end of FY 09/10.</p>												

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Ships carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and relevant RNZN Publications, including:</p> <ul style="list-style-type: none"> NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability). Warrant of Armament Stores. RNZN Master Personnel Establishments. 	<p>HMNZS <i>Endeavour</i> carried out a range of training activities in accordance with the NZDF EAS and NZBR 99 to achieve DLOC. During the second half of the year, HMNZS <i>Endeavour</i> underwent a DLOC workup before deploying to South East Asia in company with HMNZS <i>Te Mana</i>. At the end of the reporting period, HMNZS <i>Endeavour</i> remained at DLOC.</p> <p>During the reporting period, HMNZS <i>Canterbury</i> has been active in amphibious exercises and sealift tasking. The ship continued with its operational release period and therefore was not capable of achieving full DLOC. This target is expected to be achieved in FY 09/10.</p>
<p>Combat Viability:</p> <p>Standards</p> <p>Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks.</p>	<p>The ships' training standards and competency requirements continued to be sufficient for allocated tasks.</p>
<p>Equipment performance, reliability and technology that meet required standards for commitment to military tasks.</p>	<p>The required equipment performance, reliability and technology standards for commitment to military tasks were met by HMNZS <i>Endeavour</i>.</p> <p>With HMNZS <i>Canterbury</i> still undergoing operational release during the reporting period, some mission systems equipment did not meet the required standards. The ship was also subject to contractual and warranty claims. During the period, new safety boats were fitted.</p>
<p>Effective interoperability when working with friendly forces.</p> <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Effective interoperability with friendly forces was achieved by both ships and demonstrated in a number of exercises, in particular Exercises Sea Lion and Tropic Twilight for HMNZS <i>Canterbury</i> and Exercises Malzea and Bersama Shield for HMNZS <i>Endeavour</i>.</p>
<p>Deployability:</p> <p>Standards</p> <p>Vessels capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan.</p>	<p>With the exception of the planned conversion of its fuel tanks, HMNZS <i>Endeavour</i> was capable of generating OLOC within designated response times as specified in Schedule 4 of the NZDF Output Plan.</p> <p>HMNZS <i>Canterbury</i> was still undergoing operational release and, as a result, was not capable of generating OLOC within designated response times.</p>
<ul style="list-style-type: none"> Stores and provisions embarked to allow tasking. 	<p>Stores and provisions were embarked on HMNZS <i>Endeavour</i> appropriate to tasking.</p> <p>HMNZS <i>Canterbury</i> is still under contract and warranty provisions, and therefore did not fully achieve this target. Despite this, the ship was resourced adequately for the tasking undertaken.</p>
<ul style="list-style-type: none"> Materiel state satisfactory to permit tasking. 	<p>HMNZS <i>Endeavour's</i> materiel state was satisfactory to permit tasking.</p> <p>HMNZS <i>Canterbury</i> was still undergoing operational release and, as a result, was not available for the full range of operational tasking. Nevertheless, the ship successfully participated in exercises.</p>
<ul style="list-style-type: none"> Personnel state satisfactory to permit tasking. <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Apart from periods of planned maintenance at the beginning of the reporting period, HMNZS <i>Endeavour's</i> personnel state was satisfactory to permit tasking.</p> <p>HMNZS <i>Canterbury's</i> personnel state was satisfactory to permit tasking.</p>

Performance Standards and Measures	Performance Achieved
Sustainability: Standards <ul style="list-style-type: none"> Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated operational viability period (OVP). 	Munitions for HMNZS <i>Endeavour</i> were available to maintain OLOC for the designated OVP. Munitions were available to a lesser degree on HMNZS <i>Canterbury</i> , due to its operational release.
<ul style="list-style-type: none"> Fuel, stores and provisions available to maintain OLOC for the designated OVP. 	Fuel, stores and provisions were available to maintain HMNZS <i>Endeavour</i> and HMNZS <i>Canterbury</i> at OLOC for the designated OVP.
<ul style="list-style-type: none"> Personnel available for sustainment/rotation. Measures NZDF OPRES and RNZN Publications (as listed above).	Personnel were not available for sustainment/rotation for HMNZS <i>Endeavour</i> and HMNZS <i>Canterbury</i> due to the need to provide personnel for Project Protector ships. Due to its operational release, HMNZS <i>Canterbury</i> was not available for operational deployment.

Note 1: Maritime logistic support and amphibious sealift operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: HMNZS *Canterbury* is also capable of embarking four NH-90 helicopters (to be acquired by the NZDF in the future).

Costs for Output Expense 3 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
27.626	Personnel	33.366	33.486	34.176
25.200	Operating	33.794	23.376	23.942
0.076	Losses on Foreign Exchange	-	-	1.855
16.581	Depreciation	19.595	20.950	20.918
20.882	Capital Charge	21.909	24.277	24.277
90.365	Total Expenses	108.664	102.089	105.168
	Income			
92.151	Revenue Crown	108.069	101.155	101.155
0.152	Revenue Department	0.166	0.394	0.294
0.338	Revenue Other	0.429	0.540	0.440
0.980	Gains on Foreign Exchange	-	2.186	2.416
93.621	Total Income	108.664	104.275	104.305
3.256	Net Surplus (Deficit)	-	2.186	(0.863)
	Cost by Output			
39.907	Output 3.1	47.951	44.098	45.250
50.458	Output 3.2	60.713	57.991	59.918

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$103.591 million and the total expenditure excluding remeasurements was \$103.313 million. There was no unappropriated expenditure for this output expense.

Output Expense 4: Mine Countermeasures (MCM) and MCM Diving Forces

Description

Provision of the capabilities of the Mine Countermeasures (MCM) Forces, HMNZS *Manawanui* with HMNZS *Kahu* as backup, prepared to conduct route surveys and conditioning of selected New Zealand ports, and the provision of the Operational Diving Team (ODT) prepared to support MCM operations and to conduct independent diving tasks, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

[Note: Any RNZN 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 EOD/IEDD capability of 2 x Teams].

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, and normal naval activities. This output also includes contributions to some community services when not committed to operations.

Output 4.2 - MCM Diving Forces

The provision of the 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, and normal naval activities. 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 Team) will not be provided until about 2010].

Overview

Both HMNZS *Manawanui* and HMNZS *Kahu* exceeded their planned sea day targets as they were employed on tasking which was originally planned for the Naval Patrol Force. These tasks included support to MAO&T, EEZ patrols and additional sea training courses.

Some preparedness targets were met, and personnel met the collective training standards and competency requirements for military tasks. Personnel state was satisfactory to permit tasking, but only through careful management and by moving crew to areas of highest priority and accepting gaps elsewhere. The planned diving hours target was not met, due to the shortage of operational divers and the need to concentrate on training new divers. The shortage of divers is being addressed.

Equipment performance, reliability and technology met required standards for commitment to military tasks and interoperability with friendly forces was achieved.

Highlights

- Participated in the FPDA exercise Bersama Lima.
- Participated in Exercise Kondari (an ADF trial of sonars) and Exercise Mulgogger (an annual RAN Diving Exercise).

- Two successful search operations for the Police involving a murder weapon and the recovery of a helicopter and body of the pilot in Lake Wanaka.
- Provided engineering assistance to HMNZS *Resolution* in the South Pacific.

Contribution to Outcomes

Output Expense 4 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Measures
<p>Standards</p> <p>MCM Support Vessel (HMNZS <i>Manawanui</i>) and Operational Diving Team available for military tasks.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>HMNZS <i>Manawanui</i> and the ODT were available for military tasks. HMNZS <i>Kahu</i> was also available.</p>
<p>Standards</p> <p>Mission Availability, Planned Sea-Days, and Diving Hours for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Manawanui</i> will be mission available for 236 days, of which 50 to 65 days will be at sea. 	<p>HMNZS <i>Manawanui</i> was mission available for 251 days and spent 122 days at sea.</p>
<ul style="list-style-type: none"> • HMNZS <i>Kahu</i> will be mission available for 236 days, of which 40 to 55 days will be at sea. 	<p>HMNZS <i>Kahu</i> was mission available for 281 days and spent 108 days at sea.</p> <p>Both HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> exceeded their planned days as they were employed on tasking which was originally planned for the Naval Patrol Force. These tasks included EEZ patrols, MAO&T and additional sea training courses.</p>
<ul style="list-style-type: none"> • 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). 	<p>The Diving Team achieved 294 hours on operational dive training and MCM readiness training.</p> <p>The reason for not achieving the planned diving hours was the shortage of operational divers and the need to reallocate existing resources to the training of new divers.</p>

Performance Standards and Measures	Performance Measures												
<p>Standards</p> <p>Contribute to a range of services, including MAO&T (Multi-Agency Operations & Tasks), in support of other government departments and the community when not committed to operations, using the capabilities developed for the operational role. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>HMNZS <i>Manawanui</i> and the ODT undertook a range of MAO&T and contributed to a range of services in support of other government departments, the community and foreign and defence policy objectives.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details see the section on Services in Support of the Government and the Community, including MAO&T]</p>												
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>(See paragraphs below)</p> <table border="1" data-bbox="850 792 1422 981"> <thead> <tr> <th>EC</th> <th>Output 4.1</th> <th>Output 4.2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P2</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P2</td> </tr> <tr> <td>3-5</td> <td>P3</td> <td>P2</td> </tr> </tbody> </table>	EC	Output 4.1	Output 4.2	1	P1	P2	2	P1	P2	3-5	P3	P2
EC	Output 4.1	Output 4.2											
1	P1	P2											
2	P1	P2											
3-5	P3	P2											
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • MCM Support Vessel and Operational Diving Team that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan was capable of being met.</p> <p>HMNZS <i>Manawanui</i> has not been deployed overseas this year, but has been available for military tasking for EC 1 tasks, as has HMNZS <i>Kahu</i>. Both also contributed heavily to the MAO&T commitments, without the IPV's and OPV's to conduct these activities.</p>												
<ul style="list-style-type: none"> • MCM Support Vessel and Operational Diving Team carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and relevant RNZN Publications, including:</p> <ul style="list-style-type: none"> • NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability). • Warrant of Armament Stores. • RNZN Master Personnel Establishments. 	<p>This was achieved with numerous activities, including Exercises Kondari and Mulgogger.</p>												
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks. 	<p>Personnel met the collective training standards and competency requirements for military tasks, however, experience levels were only partially met. Insufficient replacement personnel were available to fill established Senior and Leading Hand Diving positions on HMNZS <i>Manawanui</i>.</p>												

Performance Standards and Measures	Performance Measures
<ul style="list-style-type: none"> Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	Equipment performance, reliability and technology met required standards for commitment to military tasks.
<ul style="list-style-type: none"> Effective interoperability when working with friendly forces. <p>Measures NZDF OPRES and RNZN Publications (as listed above).</p>	Effective interoperability with friendly forces was achieved with participation in Exercises Bersama Lima (South-East Asia) and Mulgogger (Australia.)
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> MCM Support Vessel and Operational Diving Team capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	Apart from EC 1 tasks, HHMNZ Ships <i>Manawanui</i> , <i>Kahu</i> and the ODT would have been unable to achieve OLOC within the designated response times due to personnel availability constraints. Nevertheless, these elements remained at DLOC throughout the reporting period.
<ul style="list-style-type: none"> Stores and provisions embarked to allow tasking. 	Stores and provisions were embarked to allow tasking.
<ul style="list-style-type: none"> Material state satisfactory to permit tasking. 	Material state was satisfactory to permit tasking.
<ul style="list-style-type: none"> Personnel state satisfactory to permit tasking. <p>Measures NZDF OPRES, and RNZN Publications (as listed above)</p>	<p>Personnel state was satisfactory to permit tasking, but only through careful management and by moving crew to areas of highest priority and accepting gaps elsewhere. The overall state of the Diving Branch continues to be characterised as “very fragile.”</p> <p>To address shortages of divers, Navy is reviewing entry criteria, providing more basic training and employing non-diving personnel in executive roles.</p>
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated operational viability period (OVP). 	Munitions were available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated OVP.
<ul style="list-style-type: none"> Fuel, stores and provisions available to maintain OLOC for the designated OVP. 	Fuel, stores and provisions available to maintain OLOC for the designated OVP.
<ul style="list-style-type: none"> Personnel available for sustainment/rotation. <p>Measures NZDF OPRES, and RNZN Publications (as listed above)</p>	Personnel were available for sustainment/rotation, but only through careful management and by moving them to areas of highest priority, while accepting gaps elsewhere.

Note 1: MCM operations under ECs 1 and 2, and independent diving tasks under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: When HMNZS *Manawanui* is deployed outside of New Zealand waters, HMNZS *Kahu* will undertake the tasks of MCM Support Vessel on the New Zealand station. When not deployed in this role, HMNZS *Kahu* will operate as part of the Naval Patrol Forces.

Costs for Output Expense 4 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
12.018	Personnel	13.292	12.456	12.865
7.604	Operating	9.800	7.115	6.952
0.020	Losses on Foreign Exchange	-	-	0.447
2.126	Depreciation	3.039	2.773	2.760
4.814	Capital Charge	4.819	5.341	5.341
26.582	Total Expenses	30.950	27.685	28.365
	Income			
26.947	Revenue Crown	30.744	27.396	27.396
0.040	Revenue Department	0.040	0.095	0.071
0.142	Revenue Other	0.166	0.194	0.179
0.258	Gains on Foreign Exchange	-	0.526	0.581
27.387	Total Income	30.950	28.211	28.227
0.805	Net Surplus (Deficit)	-	0.526	(0.138)
	Cost by Output			
11.758	Output 4.1	14.710	12.963	13.308
14.824	Output 4.2	16.240	14.722	15.057

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$28.047 million and the total expenditure excluding remeasurements was \$27.918 million. There was no unappropriated expenditure for this output expense.

Output Expense 5: Naval Patrol Forces

Description

Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVs) prepared for the conduct of maritime operations in support of MAO&T, and for the security and protection of New Zealand's economic border and EEZ, in accordance with NZDF Output Plan specifications. Once in service, 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.

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

Outputs in Output Expense 5

Output 5.1 - Offshore Patrol Forces

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

Overview

For the majority of the reporting period, the Naval Patrol Force (NPF) consisted of the Diving Vessels HMNZ Ships *Manawanui* and *Kahu*, and the performance assessments for Output 5.2 have been based on these ships and crew. The NPF was supplemented by the four new IPVs, HMNZ Ships *Rotoiti*, *Hawea*, *Pukaki* and *Taupo* by the end of the reporting period. The planned deliveries of the two OPVs did not eventuate and as a consequence the performance targets for Output 5.2 were not achieved. The OPVs are both expected to be commissioned in FY 09/10.

Highlights

- The increased outputs that were achieved by the vessels and crew available – HMNZ Ships *Manawanui* and *Kahu*.
- The delivery of the four IPV's.

Contribution to Outcomes

Output Expense 5 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>The OPVs, HMNZ Ships <i>Otago</i> and <i>Wellington</i>, with embarked Seasprite or other helicopter/s as required, available for military tasks and MAO&T (Multi-Agency Operations and Tasks).</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>These ships were not delivered or accepted during the reporting period and therefore were not available to undertake military tasks and MAO&T.</p> <p>For the majority of the reporting period, HMNZS Ships <i>Te Kaha</i>, <i>Canterbury</i>, <i>Resolution</i>, and <i>Manawanui</i> undertook tasking for this output.</p>
<p>Standards</p> <p>The IPVs, HMNZ Ships <i>Rotoiti</i>, <i>Hawea</i>, <i>Pukaki</i> and <i>Taupo</i>, available for military tasks and MAO&T.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>The IPVs were not delivered and accepted into service until near the end of the reporting period and were therefore not available for military tasks and MAO&T.</p> <p>For the majority of the reporting period, HMNZS Ships <i>Manawanui</i> and <i>Kahu</i> undertook tasking for this output.</p>
<p>Standards</p> <p>OPV Mission Availability and Planned Sea-Days for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Otago</i> will be mission available for 236 days, of which 110 to 125 days will be at sea. • HMNZS <i>Wellington</i> will be mission available for 236 days, of which 70 to 90 days will be at sea. 	<p>Due to delay in delivery, HMNZ Ships <i>Otago</i> and <i>Wellington</i> were not mission available and did not spend any days at sea.</p>
<p>Standards</p> <p>IPV Mission Availability and Planned Sea-Days for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Rotoiti</i> will be mission available for 235 days, of which 115 to 140 days will be at sea. • HMNZS <i>Hawea</i> will be mission available for 235 days, of which 105 to 125 days will be at sea. • HMNZS <i>Pukaki</i> will be available for 20 to 40 days at sea. 	<p>HMNZS <i>Rotoiti</i> was mission available for 57 days and spent one day at sea.</p> <p>HMNZS <i>Hawea</i> was mission available for 28 days and spent one day at sea.</p> <p>HMNZS <i>Pukaki</i> was mission available for 24 days and spent one day at sea.</p>
<ul style="list-style-type: none"> • HMNZS <i>Taupo</i> will be available for 20 to 40 days at sea. 	<p>HMNZS <i>Taupo</i> was mission available for 13 days and spent one day at sea.</p> <p>The ships of the NPF were unavailable for the majority of the reporting period, due to late delivery of the vessels. The first IPV was accepted on 17 April 2009 and the fourth on 29 May 2009. None of the OPVs were offered for acceptance during the reporting year.</p>

Performance Standards and Measures	Performance Achieved												
<p>Standards</p> <p>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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T.]</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>HMNZS Ships <i>Manawanui</i> and <i>Kahu</i>, and other vessels, undertook a range of MAO&T and contributed to a range of services in support of other government departments and the community.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>For details see the section on Services in Support of the Government and the Community, including MAO&T.</p>												
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> For tasks under ECs 1 and 2 - a P1 OPRES rating. For tasks under EC 3 - a P2 OPRES rating. 	<p>(See paragraphs below.)</p> <table border="1" data-bbox="823 775 1323 954"> <thead> <tr> <th>EC</th> <th>Output 5.1</th> <th>Output 5.2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>N/A</td> <td>P4</td> </tr> <tr> <td>2</td> <td>N/A</td> <td>P4</td> </tr> <tr> <td>3-5</td> <td>N/A</td> <td>P4</td> </tr> </tbody> </table>	EC	Output 5.1	Output 5.2	1	N/A	P4	2	N/A	P4	3-5	N/A	P4
EC	Output 5.1	Output 5.2											
1	N/A	P4											
2	N/A	P4											
3-5	N/A	P4											
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> OPVs and IPVs that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. OPVs and IPVs carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and relevant RNZN Publications, including:</p> <ul style="list-style-type: none"> NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability). Warrant of Armament Stores. RNZN Master Personnel Establishments. 	<p><i>Note, due to their late delivery, the following targets were not achieved by the IPVs and OPVs. The achievement of the targets has therefore been measured against the performance of HMNZS Ships Manawanui and Kahu that carried out the majority of the IPV roles during the reporting period.</i></p> <p>HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> were capable of meeting DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. Due to their late delivery, the OPVs and IPVs did not meet DLOC readiness criteria.</p> <p>HMNZS Ships <i>Manawanui</i> and <i>Kahu</i> carried out a range of training activities in accordance with the NZDF EAS and NZBR 99. Due to their late delivery, the OPVs and IPVs were unable to carry out training activities.</p>												

Performance Standards and Measures	Performance Achieved
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks. 	<p>For HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>, personnel met the collective training standards and competency requirements for military tasks. Experience levels have been variable, and insufficient replacement personnel were available to fill established Senior and Leading Hand Diving positions on HMNZS <i>Manawanui</i>.</p>
<ul style="list-style-type: none"> Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Equipment performance, reliability and technology for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> met required standards for commitment to military tasks.</p>
<ul style="list-style-type: none"> Effective interoperability when working with friendly forces. <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Effective interoperability when working with friendly forces was achieved by HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>.</p>
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> OPVs and IPVs capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> would have been unable to achieve OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan, due to personnel availability constraints.</p>
<ul style="list-style-type: none"> Stores and provisions embarked to allow tasking. 	<p>Stores and provisions were embarked for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> to allow tasking.</p>
<ul style="list-style-type: none"> Materiel state satisfactory to permit tasking. 	<p>The materiel state was satisfactory for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i> to permit tasking.</p>
<ul style="list-style-type: none"> Personnel state satisfactory to permit tasking. <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>The personnel state was satisfactory to permit tasking for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>, but only through careful management and by moving crew to areas of highest priority and accepting gaps elsewhere.</p>
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated operational viability period (OVP). 	<p>Munitions were available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated OVP for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>.</p>
<ul style="list-style-type: none"> Fuel, stores and provisions available to maintain OLOC for the designated OPV. 	<p>Fuel, stores and provisions were available to maintain OLOC for the designated OPV for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>.</p>
<ul style="list-style-type: none"> Personnel available for sustainment/rotation. <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Personnel were available for sustainment/rotation for HMNZ Ships <i>Manawanui</i> and <i>Kahu</i>, but only through careful management and by moving them to areas of highest priority, while accepting gaps elsewhere.</p>

Note 1: Maritime operations under ECs 1, 2, and 3. (See details on ECs at the start of this section). Note: Subject to availability and the Government's requirements, tasking of these vessels, the IPVs and particularly the OPVs, may take place in other ECs.

Costs for Output Expense 5 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
29.752	Personnel	41.377	36.102	36.872
10.298	Operating	17.164	14.108	13.381
0.058	Losses on Foreign Exchange	-	-	1.617
3.167	Depreciation	24.402	8.600	5.613
14.939	Capital Charge	21.709	24.049	24.049
58.214	Total Expenses	104.652	82.859	81.532
	Income			
61.541	Revenue Crown	104.266	82.150	82.150
0.117	Revenue Department	0.142	0.340	0.254
0.294	Revenue Other	0.244	0.369	0.306
0.746	Gains on Foreign Exchange	-	1.901	2.101
62.698	Total Income	104.652	84.760	84.811
4.484	Net Surplus (Deficit)	-	1.901	3.279
	Cost by Output			
24.918	Output 5.1	51.760	37.548	36.908
33.296	Output 5.2	52.892	45.311	44.624

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$84.166 million and the total expenditure excluding remeasurements was \$79.915 million. There was no unappropriated expenditure for this output expense.

Output Expense 6: Military Hydrography, and Hydrographic Data Collection and Processing for LINZ

Description

Provision of the capabilities of the hydrographic and oceanographic survey vessel, HMNZS *Resolution*, specialist personnel and support infrastructure to conduct military hydrography in accordance with NZDF Output Plan specifications, and hydrographic data collection and processing that meets contractual commitments to Land Information New Zealand (LINZ). This output expense is supported by the Hydrographic Business Unit.

Note: The ability for HMNZS *Resolution* and the Deployable Hydrographic Support Unit (DHSU) to leverage opportunities to help achieve the Ocean Survey 20/20 Vision 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.

Outputs in Output Expense 6

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).

Overview

HMNZS *Resolution* exceeded planned sea days and completed the hydrographic survey for LINZ before the end of the reporting period. This enabled further MAO&T activities to be undertaken during the latter half of the reporting period and helped to make up some of the shortfall created by the late delivery of the new patrol vessels.

Preparedness targets were also met and equipment performance, reliability and technology met required standards for commitment to military tasks.

Personnel state was satisfactory to permit tasking. Despite this, the number of personnel at specific ranks remains critical to sustaining the Hydrographic Branch.

Highlights

- Participation in the International Multi-Agency PSI Exercise Maru.
- The South-West Pacific deployment for survey operations which included two Search and Rescue incidents.
- MAO&T and port visits.

Contribution to Outcomes

Output 6.1 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity). Output 6.2 contributes to Intermediate Outcome 1 (Secure New Zealand).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>HMNZS <i>Resolution</i> available to conduct military hydrography, and hydrographic tasks for LINZ under contract. The Deployable Hydrographic Support Unit (DHSU) available to conduct military hydrography either independently or in support of other NZDF force elements. The Hydrographic Business Unit available to support the collection and processing programmes.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>HMNZS <i>Resolution</i> was available to conduct military hydrography, and hydrographic tasks for LINZ under contract.</p> <p>The Deployable Hydrographic Support Unit (DHSU) was available to conduct military hydrography either independently or in support of other NZDF force elements.</p> <p>The Hydrographic Business Unit was available to support the collection and processing programmes.</p>
<p>Standards</p> <p>Mission Availability and Planned Sea-Days for the year (1 July 2008-30 June 2009).</p> <p>During sea time under contract to LINZ the hydrographic vessel will maintain sea operational efficiency in accordance with the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability).</p> <p>Measures</p> <ul style="list-style-type: none"> • HMNZS <i>Resolution</i> will be mission available for 236 days during which 100 to 115 will be at sea. Of this total, 2,975 survey miles on hydrographic tasks will be on contract to LINZ. 	<p>HMNZS <i>Resolution</i> was mission available for 266 days and spent 148 days at sea. HMNZS <i>Resolution</i> completed the hydrographic survey for LINZ before the end of 2008. This enabled further MAO&T activities to be undertaken during the latter half of the reporting period and helped to make up some of the shortfall created by the late delivery of the new patrol vessels.</p>
<p>Standards</p> <p>Hydrography Contract with LINZ.</p> <p>Contract Standards. The emphasis is on meeting the contract requirements for hydrographic survey to the satisfaction of LINZ and the delivery of hydrographic data that meets international standards.</p> <p>Measures</p> <ul style="list-style-type: none"> • Formal feedback on 'quality' aspects from LINZ. • Completion of the contracted hydrographic programme for LINZ. • Products will be subjected to continual evaluation by the maritime community. • The provision of hydrographic data through completion of contracted and other programmes. • Delivery within budget. 	<p>The hydrography contract with LINZ was completed within budget and to the satisfaction of LINZ.</p>
<p>Standards</p> <p>Contribute to a range of services in support of the Government and the community when not committed to primary tasks, when available. [For details see the section on Services in Support of the Government and the Community, including MAO&T.]</p> <p>Measures</p> <p>Satisfaction of the supported department/agency.</p>	<p>HMNZS <i>Resolution</i> contributed to a range of services in support of the Government and community, including a resupply to Raoul Island, and presence and defence diplomacy tasks in the South-West Pacific.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details see the section on Services in Support of the Government and the Community, including MAO&T.]</p>

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>For Military Hydrography: Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p><u>Output 6.1 – Military Hydrography</u></p> <p>For ECs 1 and 2, a P1 rating was achieved.</p> <p>For ECs 3-5, a P2 rating was achieved.</p> <p>(See paragraphs below)</p>
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Hydrographic Vessel that meets the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. • Hydrographic Vessel that carries out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS) and the NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and relevant RNZN Publications, including:</p> <ul style="list-style-type: none"> • NZBR 99 (RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability). • Warrant of Armament Stores. • RNZN Master Personnel Establishments. 	<p>HMNZS <i>Resolution</i> was capable of meeting DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>HMNZS <i>Resolution</i> carried out a range of training activities in accordance with the EAS and NZBR 99 to achieve DLOC.</p>
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Personnel that meet the collective training standards, experience levels, individual experience and competency requirements for military tasks. • Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Collective training standards and competence standards for military requirements were met, however, insufficient replacement personnel were available to fill established Senior and Leading Hand Hydrographic Technician positions on HMNZS <i>Resolution</i>.</p> <p>The requirement to replace these personnel will have a direct impact on the Navy's ability to sustain hydrographic outputs.</p>
<ul style="list-style-type: none"> • Effective interoperability when working with friendly forces. <p>Measures</p> <p>NZDF OPRES and RNZN Publications (as listed above).</p>	<p>Although some challenges are starting to emerge, equipment performance, reliability and technology met required standards for commitment to military tasks. Some damage was sustained to equipment during the South-West Pacific survey and new equipment may have to be procured.</p> <p>Effective interoperability with friendly forces was achieved.</p>
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Hydrographic Vessel capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>HMNZS <i>Resolution</i> was capable of generating OLOC within designated response times, as specified in Schedule 4 to the NZDF Output Plan.</p>
<ul style="list-style-type: none"> • Stores and provisions embarked to allow tasking. 	<p>Stores and provisions were embarked to allow tasking.</p>
<ul style="list-style-type: none"> • Materiel state satisfactory to permit tasking. 	<p>Materiel state was satisfactory to permit tasking.</p>

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Personnel state satisfactory to permit tasking. Measures NZDF OPRES and RNZN Publications (as listed above).	Personnel state was satisfactory to permit tasking. Despite this, the number of personnel at specific ranks remains critical to sustaining the Hydrographic Branch – and the Navy’s ability to met both LINZ and military tasking - in the short term, is finely balanced.
Sustainability: Standards	
<ul style="list-style-type: none"> Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated operational viability period (OVP). 	Munitions available, as specified in the Warrant of Armament Stores, to maintain OLOC for the designated OVP.
<ul style="list-style-type: none"> Fuel, stores and provisions available to maintain OLOC for the designated OVP. 	Fuel, stores and provisions were available to maintain OLOC for the designated OVP.
<ul style="list-style-type: none"> Personnel available for sustainment/rotation. Measures NZDF OPRES and RNZN Publications (as listed above).	Insufficient replacement personnel were available to fill established Senior and Leading Hand Hydrographic and Technician positions in HMNZS <i>Resolution</i> and DHSU.

Note 1: Military hydrography under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: The ability for HMNZS *Resolution* and the Deployable Hydrographic Support Unit (DHSU) to leverage opportunities to help achieve the Ocean Survey 20/20 Vision and also provide Output Expense 4 [Mine Countermeasures (MCM) and MCM Diving Forces] products (predominantly Q route surveys) will continue to be explored, commensurate with this primary output expense tasking.

Note 3: 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 Expense 16 operations.

Costs for Output Expense 6 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
6.902	Personnel	6.010	6.368	6.199
5.960	Operating	6.787	7.321	7.775
0.009	Losses on Foreign Exchange	-	-	0.091
0.757	Depreciation	1.458	0.636	0.571
1.379	Capital Charge	1.741	1.928	1.928
15.007	Total Expenses	15.996	16.253	16.564
	Income			
8.608	Revenue Crown	9.303	9.815	9.815
6.357	Revenue Department	6.468	6.263	6.297
0.119	Revenue Other	0.225	0.175	0.198
0.114	Gains on Foreign Exchange	-	0.107	0.118
15.198	Total Income	15.996	16.360	16.428
0.191	Net Surplus (Deficit)	-	0.107	(0.136)
	Cost by Output			
8.793	Output 6.1	9.700	9.719	9.882
6.214	Output 6.2	6.296	6.534	6.682

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$16.627 million and the total expenditure excluding remeasurements was \$16.473 million. There was no unappropriated expenditure for this output expense.

Output Expense 7: Land Combat Forces

Description

Provision of the capabilities of the Land Combat Forces (command, control, intelligence and manoeuvre force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

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 (motorised, non-motorised or composite) 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. 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.

Overview

The requirement to provide a company group response for ECs 1 and 2 was fully met, however, the requirement to provide up to a battalion group response for a surge capacity would have required redeployment of resources from force elements in Timor-Leste and Afghanistan.

Apart from higher-threat scenarios, which would have required longer response times to deploy, preparedness targets were met.

During the reporting year, the LAV capability within the NZ Army was greatly enhanced.

Effective interoperability with friendly forces was achieved with a number of exercises as shown below - in particular Exercise Cooperative Spirit held in Germany, which successfully demonstrated competency in a contemporary war-fighting environment.

Munitions, stores and equipment standards were met for all current operations. In addition, a range of protective equipment, tentage, radios and night vision equipment is currently being introduced into service to meet preparedness requirements for other events.

Personnel were available for reinforcement and rotation of the deployed forces during the reporting year, which amounted to almost three company groups. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.

Highlights

The Land Combat Forces maintained their support to current operational commitments as well as conducting a number of DLOC and OLOC generating activities, including:

- Exercise Suman Warrior, a FPDA command post exercise which focused on Brigade multi-national planning.

- Exercise Cooperative Spirit, a contemporary training activity in Germany focused on higher threat capability for a non motorised company group.
- Exercise Taiaha Tombuk, a non motorised company activity conducted in Malaysia.
- Exercise Complex Wolf, a motorised company activity focusing on contemporary operations.
- Exercise Ardennes Advance, a non motorised company group activity to develop a reconnaissance platoon operational capability.
- Exercise Eisenfaust, developed the direct fire support weapon ability to operate mounted and dismounted in close and open country.
- Exercise Defektenhubschrauber, developed improvement in support weapons capability for non motorised company outputs.
- Exercise Skill Gap Training, an activity to transform a NZLAV based company to a DLOC Liaison Patrol structured force.
- Exercise Spy Catcher, an activity to practise motorised rendezvous procedures.
- Exercise Lion Walk, a company level bilateral exercise between the Singaporean Armed Forces and NZDF conducted in New Zealand.
- Exercise Santici, a motorised company combined arms activity.
- Exercise Phantom Major and Exercise Takrouna, low level collective motorised skills exercises.
- Simulation Exercise, a simulation training exercise, the completion of which raised low level collective motorised skills in QAMR.

Contribution to Outcomes

Output Expense 7 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Army, drawing on Headquarters 2 Land Force Group (HQ 2 LFG), HQ 3 LFG, 1 RNZIR, 2/1 RNZIR, QAMR and 1 NZ Military Intelligence Company, and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat force elements to constitute:</p>	
<ul style="list-style-type: none"> • A Company Group (motorised, non-motorised or composite) for tasks under ECs 1 and 2. 	<p>Current Operations: The requirement to provide a company group under EC 2 continues to be achieved at a delivery in excess of the output requirements through the company group land deployment to Timor-Leste and the enhanced platoon group deployed to Solomon Islands.</p> <p>Preparedness for Other Events: An Infantry Company Group was fully prepared for tasks under EC 1, while providing concurrent support to the United Nations and other coalition operations in the South Pacific region and the Middle East.</p> <p>In addition to the current deployed force elements, a non-motorised company (2/1 RNZIR) including combat service support (CSS) could have been deployed with an increased response time.</p>

Performance Standards and Measures	Performance Achieved
	<p>A motorised troop (QAMR), less the heavier CSS, could have also been deployed as a non-sustainable force element.</p> <p>During the reporting year, the LAV capability within the Army was greatly enhanced. A motorised company is now available at DLOC. A second motorised company was substantially prepared and combat support (engineer and artillery) LAV elements were also available. QAMR was also able to provide motorised reconnaissance troops (mounted in LAV).</p>
<ul style="list-style-type: none"> Up to an Infantry Battalion Group (motorised, non-motorised or composite) for tasks under ECs 2 - 5. (During the period 2008-2011 a motorised battalion group would be for surge capacity only and would be dependant on there being no other operational deployments - see notes under Deployment Impact below). 	<p>Current Operations: The ongoing deployments to Timor-Leste, Solomon Islands and Afghanistan almost equate to a non-sustainable composite infantry Battalion Group under all ECs 2-5.</p> <p>Preparedness for Other Events: To produce this output, Army would have required redeployment of resources from force elements in Timor-Leste and Afghanistan. For ECs 4F, 3C and 5G, response times would have needed to be increased because of the limited collective trained state.</p>
<ul style="list-style-type: none"> Sub-unit elements as options for independent contribution to a combined force. 	<p>In the last quarter of the reporting period, Army was able to provide additional Land Combat Force sub-unit elements as independent contributions to a combined force, if necessary.</p>
<ul style="list-style-type: none"> An appropriate headquarters (including intelligence and communications support) for command and control of a deployed force. <p>Measures NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>Current Operations: The requirement to provide a headquarters for a deployed force was delivered in excess of the output requirement through Army's contribution to the National Command Element (NCE) for the groups deployed to Timor-Leste, Solomon Islands and Afghanistan. Personnel for these posts have been drawn from staff positions across the Army, with a consequent detrimental effect on ongoing project work and routine staff functions, such as compliance monitoring.</p> <p>Preparedness for Other Events: The requirement to provide a further NCE for a future deployment is now fully prepared, however, for the majority of the reporting period this was only achievable at an increased response time.</p>
<p>Standards 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 from the Territorial Force.</p> <p>Measures NZDF OPRES.</p>	<p>The Land Combat Forces (inclusive of Reserves), were 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.</p>
<p>Standards Contribute to a range of services in support of other government departments and the community when not committed to operations, using the capabilities developed for the operational role. [For details see the section on Services in Support of the Government and the Community, including MAO&T.]</p> <p>Measures Satisfaction of the supported department/agency.</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>

Performance Standards and Measures	Performance Achieved															
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> For tasks under ECs 1 and 2 - a P1 OPRES rating. For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>The following performance ratings reflect what is being achieved with current operations in Timor-Leste (EC 2C), Solomon Islands (EC 2C) and Afghanistan (EC 5D), and what could have been achieved in other events, if required.</p> <p>(See paragraphs below.)</p> <table border="1" data-bbox="791 353 1353 629"> <thead> <tr> <th>EC</th> <th>Output 7.1</th> <th>Output 7.2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>3-5</td> <td>P3</td> <td>P4</td> </tr> <tr> <td>5C</td> <td>P1</td> <td>P1</td> </tr> </tbody> </table>	EC	Output 7.1	Output 7.2	1	P1	P1	2	P1	P1	3-5	P3	P4	5C	P1	P1
EC	Output 7.1	Output 7.2														
1	P1	P1														
2	P1	P1														
3-5	P3	P4														
5C	P1	P1														
<p>Readiness:</p> <p>Standards</p> <p>Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan as follows:</p> <ul style="list-style-type: none"> Directed Level of Capability (DLOC) for units contributing to Company and Battalion Groups. 	<p>Current Operations: Army's requirement to provide a company group for EC 2 was achieved with the land contribution to the company group deployed to Timor-Leste and the enhanced platoon group deployed to Solomon Islands.</p> <p>Army's requirement to provide a company group for ECs 3-5 was achieved with the land contribution to the company group deployed to Afghanistan.</p> <p>Preparedness for Other Events:</p> <p>Army was capable of providing a company group at DLOC for non-CBRE EC 1 tasks within response times.</p> <p>Further company group deployments for any EC would have required an increased response time (dependant on what the scenario was) and would have been unsustainable.</p> <p>Personnel and equipment required for a Battalion Group deployment could not have been achieved within the response time given the extent of current operational commitments.</p>															
<ul style="list-style-type: none"> Basic Level of Capability (BLOC) for Brigade Group framework units (TF Battalion Groups). 	<p>BLOC was sustained for TF units, however, elements of the TF achieved OLOC for deployment rotations to Solomon Islands.</p>															
<ul style="list-style-type: none"> Land Combat Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), Army Mission Essential Task Lists (METLs), Army Annual Plan, and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises. <p>Measures</p> <p>NZDF OPRES.</p>	<p>The Land Combat Forces conducted a range of training activities, including sub-unit exercises and a variety of simulation Command Post Exercises. (See under highlights for OE 7 above).</p> <p>Due to operational commitments, Battalion Group exercises and some other training exercises could not be held.</p>															
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Current Operations: The trained state of Land Combat Force elements was sufficient for current operations in Timor-Leste, Solomon Islands and Afghanistan.</p> <p>Preparedness for Other Events: The trained state of Land Combat Force elements was sufficient to meet training targets within response times for EC 1 and EC 2 low end contingencies at company group level only. Additional force contributions for ECs 3-5, over and above the company group already deployed to Afghanistan, were not attainable within response times due to current operational commitments.</p>															

Performance Standards and Measures	Performance Achieved
<p>Equipment performance, reliability and technology that meet required standards for commitment to military tasks.</p>	<p>Current Operations: Equipment was sufficient to maintain current operations in Timor-Leste, Solomon Islands and Afghanistan.</p> <p>Preparedness for Other Events: Equipment generally met required standards, however, due to shortages, Land Combat Force elements were only partially prepared within response times for further low-level EC 1 and EC 2 conflicts over and above their current operational commitments. Army was not equipped to meet higher threat situations within response times for ECs 3-5.</p>
<ul style="list-style-type: none"> • Effective interoperability when working with friendly forces. <p>Measures NZDF OPRES.</p>	<p>Effective interoperability when working with friendly forces was achieved.</p> <p>Exercise Cooperative Spirit, held in Germany, demonstrated NZ Army competency in a contemporary warfighting environment when compared with our closest allies. When independently measured by other nation assessors and compared to US, UK, and Australian forces, the NZ Army infantry company performed exceptionally, demonstrating that they are more than able to integrate into a coalition environment, and perform, in most cases, better than similar forces from our allies.</p>
<p>Deployability: Standards</p> <ul style="list-style-type: none"> • Force Elements capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>Current Operations: Deployability standards for force elements were met for current operations in Timor-Leste, Solomon Islands and Afghanistan.</p> <p>Preparedness for Other Events: 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 and were able to generate OLOC for EC 2 operations for a non-sustainable battalion group.</p>
<ul style="list-style-type: none"> • Munitions, stores and equipment available for OLOC generation, as specified in unit and Army Equipment Holding Documents and Contingency Plans. <p>Measures NZDF OPRES.</p>	<p>Current Operations: Munitions, stores and equipment standards were met for current operations in Timor-Leste, Solomon Islands and Afghanistan.</p> <p>Preparedness for Other Events: Ongoing equipment refurbishment and replacement requirements, together with shortages in a range of protective equipment, tentage, radios and night vision equipment would have limited the support available for OLOC generation within response times. Notwithstanding, the protective equipment, some radios, and night vision equipment are all currently being introduced into service.</p>
<p>Sustainability: Standards</p> <ul style="list-style-type: none"> • Munitions, expendable and technical stores available, as specified in Contingency Plans to maintain OLOC for the designated operational viability period (OVP). <p>(Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS)).</p>	<p>Current Operations: Munitions, stores and equipment standards were available to maintain OLOC for current operations in Timor-Leste, Solomon Islands and Afghanistan.</p> <p>Preparedness for Other Events: Munitions, expendable and technical stores were available from within total Army resources, as required.</p>
<ul style="list-style-type: none"> • Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan. <p>Measures NZDF OPRES.</p>	<p>Current Operations Personnel were available for reinforcement and rotation of deployed forces in Timor-Leste, Solomon Islands and Afghanistan, however, this was done by changing roles for a number of Land Combat Support forces, who then had to regenerate their primary capabilities on return to New Zealand.</p> <p>Preparedness for Other Events: Personnel would have been available for reinforcement and rotation in accordance with Schedule 4 for EC 1 and EC 2 low end contingencies at company group level only. Additional force contributions for ECs 3-5, over and above the company group already deployed to Afghanistan, were not attainable within response times, due to current operational commitments.</p>

Note 1: Land operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: This Output Expense is designed to provide the following capabilities:

- A deployable headquarters prepared to provide operational command, control and intelligence for deployed land forces; and to provide elements to the framework of a brigade group for simulation and Command Post Exercise-based combined-arms training.
- Manoeuvre elements prepared for the conduct of land operations. This includes the provision of these elements for a force of up to battalion group size. 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.

Note 3: Deployment Impact

- As covered in several places in the NZDF 2007 Annual Report - and given the extent of current operational commitments - the deployment of a battalion to meet lower-end contingencies or a battalion group for responses under ECs 3 to 5 is unachievable until further notice.
- The Army Intelligence capability can be stretched when it is required to support a large number of concurrent deployments.

Costs for Output Expense 7 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
136.658	Personnel	148.211	161.284	161.901
88.055	Operating	95.235	87.504	89.583
0.230	Losses on Foreign Exchange	-	-	4.956
50.410	Depreciation	58.530	49.673	50.397
53.627	Capital Charge	52.856	58.585	58.587
328.980	Total Expenses	354.832	357.046	365.424
	Income			
323.357	Revenue Crown	353.573	354.983	354.983
0.459	Revenue Department	0.708	1.281	1.015
0.390	Revenue Other	0.551	0.782	0.423
2.962	Gains on Foreign Exchange	-	5.822	6.435
327.168	Total Income	354.832	362.868	362.856
(1.812)	Net Surplus (Deficit)	-	5.822	(2.568)
	Cost by Output			
23.709	Output 7.1	28.577	29.144	30.190
305.271	Output 7.2	326.255	327.902	335.234

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$361.046 million and the total expenditure excluding remeasurements was \$360.468 million. There was no unappropriated expenditure for this output expense.

Output Expense 8: Land Combat Support Forces

Description

Provision of the capabilities of the Land Combat Support Forces (artillery, engineers, communications and military police force elements) prepared to conduct land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

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, non-motorised or composite). 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, non-motorised or composite). 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, non-motorised or composite). 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.

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, non-motorised or composite). 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 requirement to support a company group for tasks under ECs 1 and 2 was met. In addition, one-off combat support could have been provided to support up to an infantry battalion group. Sustaining this support would only have been possible if resources had been redeployed from current operations.

Preparedness targets were met for most likely events, although the Very Low Level Air Defence Troop was held at a basic level of capability due to personnel being deployed to Timor-Leste as light infantry.

Equipment met the required standards for support to current operations and issues are being addressed to overcome equipment limitations for higher threat situations.

Effective interoperability was achieved with friendly forces with Exercise Long Guns (held in Australia), which successfully demonstrated artillery competency in a complex warfighting environment.

Munitions, stores and equipment were available for OLOC generation.

Personnel were available for reinforcement and rotation of the deployed forces during the reporting year, which amounted to almost three company groups. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.

Highlights

The Land Combat Support Forces maintained their support to current operational commitments, and both 16 Fd Regt and 2 Engr Regt deployed significant force elements as non-motorised peace support forces, as well as conducting a number of DLOC and OLOC generating activities, including:

Artillery:

- Exercise Quad Enjoyable, artillery unit DLOC training activity conducted in conjunction with the School of Artillery.
- Exercise Becora Dawn, skill-gap closure for artillery personnel employed as light infantry.
- Exercise Long Guns, artillery deployment in Australia, to generate a field battery to DLOC.

Engineers:

- Exercise Quarta Castra, developed an engineer squadron task group for security and stabilisation operations as an independent element.
- Exercise Complex Wolf, in support of 1 RNZIR, close support engineer section and troop headquarters with a motorised company to conduct combined training for EC 4F.
- Exercise Phantom Major and Exercise Takrouna, raised individual and low level collective motorised skills in 2 Engr Regt.

Communications:

- Exercise Athena Black, signals squadron activity to practise communications support to an EC 1D scenario.
- Exercise Pronto Cycle, signals squadron activity to practise communications support to EC 3 – 5 scenarios.
- Exercise Badgers Revenge, signals squadron activity to up skill and revise EW support to EC 3 – 5 scenarios.
- Exercise Silver Dragon, signals squadron activity to confirm step up, troop retransmission and communication operating procedures.
- Exercise Afghan Steppe, signals squadron activity to deploy a C-Band Satellite detachment.
- Exercise Waikato Spur and Exercise Waikato Seige, a TF signals activity to practice VHF/HF communication skills.
- Exercise Cyrils Advance, signals squadron activity to re-qualify all unit personnel on numerous small arm and support weapons.

Contribution to Outcomes

Output Expense 8 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Army, drawing on 2 Land Force Group (LFG) and 3 LFG Regular Force artillery, engineer, communications, and military police units (16 Field Regiment, 2 Engineer Regiment, 2 Signal Squadron, 3 Signal Squadron - including an Electronic Warfare element, and Force Military Police Company), and with supplementation from the Territorial Force, as required, will provide the initial and rotation land combat support force elements to support, as applicable:</p> <ul style="list-style-type: none"> • A Company Group (motorised, non-motorised or composite) for tasks under ECs 1 and 2. 	<p>Current Operations: The requirement to provide communications support to a company group within an EC 2 environment was 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. Communications support was also provided to the company group deployment to Afghanistan.</p> <p>Army achieved the provision for EC 2 through the deployment of an engineer construction team to Timor-Leste for force protection tasks.</p> <p>Preparedness for Other Events</p> <p>In addition to the current deployed force elements, Army was fully prepared to provide the artillery elements, communication elements and Military Police detachments required to support a task under EC 1. Engineer elements were substantially prepared within response times. Nevertheless, Army partially achieved the engineer element for EC 1 through the deployment of a light Engineer team to Antarctica.</p> <p>Army was fully prepared to provide the artillery, engineer elements, and Military Police detachments required to support an infantry company group for EC 2 tasks, however, further communications elements over and above current operations were only substantially prepared within response times.</p> <p>The following could also have been deployed within response times as a sustainable force element:</p> <ul style="list-style-type: none"> • A three-gun artillery field battery, less Joint Tactical Air Controllers. • A task organised engineer group of 40 personnel (dependent on the operational environment and likely tasks), until December 2009.

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Up to an Infantry Battalion Group (motorised, non-motorised or composite) for tasks under ECs 2 - 5. 	<p>Current Operations: During the reporting period, 16 Field Regiment and 2 Engineer Regiment were required to re-role as non motorised peace support forces in order to support operations in Timor-Leste.</p> <p>Army was able to provide 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.</p> <p>Preparedness for Other Events: The re-rolling of the artillery and Engineers and the commitment of communications capability to support current operations has been at the expense of sustainability for other events. 16 Field Regiment was able to provide a non-sustainable artillery battery to support up to an infantry battalion group. 2 Engineer Regiment was also able to provide a non-sustainable engineer squadron to support up to an infantry battalion group.</p> <p>Army was also substantially prepared to provide a one-off non-sustainable engineer squadron to support an infantry battalion for the low-level EC 2, EC 3 and EC 5 tasks.</p> <p>Army was able to provide non-sustainable combat support to an infantry battalion group.</p> <p>The Very Low Level Air Defence Troop has been at BLOC throughout this period with the personnel being deployed to Timor-Leste, as light infantry.</p>
<ul style="list-style-type: none"> Sub-unit elements as options for independent contribution to a combined force, only when those elements are available. <p>Measures NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section.)</p>	<p>Artillery, engineer elements, and MP elements could have been provided for independent contribution to a combined force. However, both artillery and engineer contributions were non-sustainable.</p> <p>Independent contributions were not possible from communications elements, because of current operational commitments.</p>
<p>Standards Army will also provide artillery, engineer, communications and military police force elements to support the framework for a Brigade Group for simulation and Command Post Exercise-based combined-arms training; this will require supplementation from the Territorial Force.</p> <p>Measures NZDF OPRES.</p>	<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>Standards Contribute to a range of services in support of other government departments and the community when not committed to operations, using the capabilities developed for the operational role. [For details see the section on Services in Support of the Government and the Community, including MAO&T.]</p> <p>Measures Satisfaction of the supported department/agency.</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>

Performance Standards and Measures	Performance Achieved																				
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section.)</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> For tasks under ECs 1 and 2 - a P1 OPRES rating. For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>(See paragraphs below.)</p> <table border="1" data-bbox="863 313 1417 521"> <thead> <tr> <th>EC</th> <th>Output 8.1</th> <th>Output 8.2</th> <th>Output 8.3</th> <th>Output 8.4</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P2</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P1</td> <td>P2</td> <td>P1</td> </tr> <tr> <td>3-5</td> <td>P2</td> <td>P2</td> <td>P2</td> <td>P1</td> </tr> </tbody> </table>	EC	Output 8.1	Output 8.2	Output 8.3	Output 8.4	1	P1	P2	P1	P1	2	P1	P1	P2	P1	3-5	P2	P2	P2	P1
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<p>Readiness:</p> <p>Standards</p> <p>Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan, as follows:</p>																					
<ul style="list-style-type: none"> Directed Level of Capability (DLOC) for units contributing to Company and Battalion Groups. 	<p>Current Operations: DLOC for 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 the Solomon Islands. Communications support was also provided to the company group deployment to Afghanistan.</p> <p>Preparedness for Other Events: Communications support to a company group for EC 1 tasks was able to be provided at DLOC.</p> <p>Non-sustainable Artillery, engineer and, sustainable Military Police elements were able to be provided at DLOC to support company group tasks for EC 1 and EC 2.</p> <p>A non-sustainable artillery battery was able to be provided at DLOC to support up to an infantry battalion group for EC 2-5 tasks.</p> <p>A non-sustainable Engineer Squadron was able to be provided at DLOC to support an infantry battalion for EC 2-5 tasks.</p> <p>A sustainable MP detachment was able to be provided at DLOC to support an infantry battalion for EC 2-5 tasks.</p>																				
<ul style="list-style-type: none"> Basic Level of Capability (BLOC) for Brigade Group framework units (TF Battalion Groups) 	<p>BLOC was maintained for TF units.</p>																				
<ul style="list-style-type: none"> Land Combat Support Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), Army Mission Essential Task Lists (METLs), Army Annual Plan, and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises. <p>Measures</p> <p>NZDF OPRES.</p>	<p>Land Combat Support Forces conducted a range of training activities, including sub-unit or specialist troop exercises.</p> <p>(See under highlights for OE 8 above.)</p>																				
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Current Operations: The collective trained state for communications support to a company group for EC 2 was achieved with the company group deployment to Timor-Leste and Afghanistan, and the enhanced platoon group deployed to Solomon Islands.</p> <p>Preparedness for Other Events: The collective trained state for artillery, engineer, communications, and MP elements was sufficient to meet the standards for low-level EC1 and EC 2 company group deployments.</p> <p>In particular, a continued lack of training for Artillery Forward Observers (FO) and Forward Air Controlling (FAC) personnel significantly limits the effect of fire support.</p>																				

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Current Operations: The required standards for equipment performance, reliability and technology were met with the communications support provided to the company group deployments to Timor-Leste and Afghanistan, and the enhanced platoon group deployed to Solomon Islands.</p> <p>Preparedness for Other Events: Combat support force elements were substantially equipped to support a company group for low-level conflict (EC 1 and EC 2).</p> <p>There were 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. There was also a lack of cueing and identification equipment for the Air Defence capability. 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>
<ul style="list-style-type: none"> Effective interoperability when working with friendly forces. <p>Measures NZDF OPRES.</p>	<p>Effective interoperability when working with friendly forces was achieved.</p> <p>Exercise Long Guns (held in Australia) demonstrated NZ Army artillery competency operating in a complex warfighting environment when compared to our closest allies. This exercise was externally validated and compared to similar Australian forces, the NZ Army artillery battery performed exceptionally, demonstrating that they are more than able to integrate into a coalition environment, and perform, at least as well as our Australian counterparts.</p>
<p>Deployability: Standards</p> <ul style="list-style-type: none"> Force Elements capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>Artillery was capable of generating OLOC within the response time, less FAC training and without NATO accreditation. Further testing would have been required in theatre if NZ Artillery and FO/FAC parties had been required to operate.</p> <p>The engineers and military police elements were capable of generating OLOC within the designated response time for a company group response.</p> <p>Communications elements were capable of meeting response times for EC 1, low end EC 2, and EC 3-5 requirements, but would have been unable to meet high end EC 2 response times, due to some equipment shortages.</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>
<ul style="list-style-type: none"> Munitions, stores and equipment available for OLOC generation, as specified in unit and Army Equipment Holding Documents and Contingency Plans. <p>Measures</p> <ul style="list-style-type: none"> NZDF OPRES. 	<p>Munitions, stores and equipment for OLOC generation could have been provided utilising total Army resources.</p>
<p>Sustainability: Standards</p> <ul style="list-style-type: none"> Munitions, expendable and technical stores available, as specified in Contingency Plans to maintain OLOC for the designated operational viability period (OVP.) <p>(Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS)).</p>	<p>Munitions, expendable, and technical stores to maintain OLOC for the designated OVP could have been provided from within total Army resources.</p>

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan. <p>Measures NZDF OPRES.</p>	<p>Personnel were available for reinforcement and rotation of current deployments.</p> <p>Due to the current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.</p>

Note 1: Land operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section.)

Note 2: This Output Expense is designed to provide Artillery, Engineer, Communications and Military Police capabilities prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised, non-motorised or composite). 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.

Note 3: Deployment Impact - the Army Communications and Military Police capabilities can be stretched when they are required to support a large number of concurrent deployments.

Costs for Output Expense 8 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
82.686	Personnel	96.271	101.426	100.405
43.344	Operating	52.484	47.683	49.741
0.101	Losses on Foreign Exchange	-	-	2.922
22.092	Depreciation	27.589	21.701	21.101
25.628	Capital Charge	25.255	28.000	28.001
173.851	Total Expenses	201.599	198.810	202.170
	Income			
171.046	Revenue Crown	200.932	197.573	197.573
0.201	Revenue Department	0.360	0.726	0.569
0.181	Revenue Other	0.307	0.511	0.227
1.297	Gains on Foreign Exchange	-	3.432	3.794
172.725	Total Income	201.599	202.242	202.163
(1.126)	Net Surplus (Deficit)	-	3.432	(0.007)
	Cost by Output			
58.975	Output 8.1	67.469	65.284	66.560
69.887	Output 8.2	77.455	78.654	79.396
37.030	Output 8.3	42.050	41.539	42.005
7.959	Output 8.4	14.625	13.333	14.209

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$201.169 million and the total expenditure excluding remeasurements was \$199.248 million. There was no unappropriated expenditure for this output expense.

Output Expense 9: Land Combat Service Support Forces

Description

Provision of the capabilities of the Land Combat Service Support Forces (transport, medical, supply, repair and movements force elements) prepared to support land operations and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

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, non-motorised or composite). 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, non-motorised or composite). 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.

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, non-motorised or composite). 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, non-motorised or composite). 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, non-motorised or composite). 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

The requirement to support a company group for tasks under ECs 1 and 2 was met. In addition, combat support could only have been provided to support up to a one-off infantry battalion group if resources had been redeployed from current operations.

Preparedness targets were met, however, a longer response time would have been required to prepare for higher threat events.

Equipment met the standards required for current operations. Munitions, stores and equipment were available for OLOC generation, and further equipment is being procured to meet requirements in higher threat situations.

In addition, personnel were available for reinforcement and rotation of the deployed forces during the reporting year, which amounted to almost three company groups. Due to these current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.

Highlights

The Land Combat Service Support Forces maintained their support to current operational commitments as well as conducting a number of DLOC generating activities:

- Exercise Heavy Crusader, to practise heavy lift in road convoy and deployments.
- Exercise Knight Rider, transport platoon training.
- Exercise Dodge, to practise deploying a supply platoon in the field.
- Exercise Winter Eclipse, to practise distribution procedures.
- Exercise Playtime Warrior, to practise second line transport tasks.
- Exercise Rickshaw Bandit, to provide combat service support to Exercise Santici.
- Exercise Bright Smile, to familiarise combat medical technicians.
- Exercise Red Scapel, to develop instructional ability, team effectiveness, leadership and individual skills.
- Exercise Falkland IV, to improve the operational preparedness of TF.

Contribution to Outcomes

Output Expense 9 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>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 Territorial Force, as required, will provide the initial and rotation combat service support force elements to support, as applicable:</p>	
<ul style="list-style-type: none"> A Company Group (motorised, non-motorised or composite) for tasks under ECs 1 and 2. 	<p>Current Operations: The requirement to provide logistic and medical support to a company group within an EC 2 environment was 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> <p>Preparedness for Other Events: In addition to the current deployed force elements, Army was prepared to meet EC 1 contingencies. Due to current operational commitments, it was partially prepared to meet EC 2 - 5 contingencies within response times.</p>
<ul style="list-style-type: none"> Up to an Infantry Battalion Group (motorised, non-motorised or composite) for tasks under ECs 2 - 5 (inclusive). 	<p>The provision of logistic and medical support to an infantry battalion under EC 2 - 5 was unachievable within response times, given the extent of Land Force contributions to current operational commitments.</p>
<ul style="list-style-type: none"> Sub-unit elements as options for independent contribution to a combined force, only when those elements are available. <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>In addition to the current deployed force elements, Army was unable to provide additional Land CSS forces (sub-unit) elements as independent contributions to a combined force.</p>
<p>Standards</p> <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 TF Battalion Groups.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>Army was able to provide CSS elements to support simulation based Command Post Exercises in a combined arms and coalition environment.</p>
<p>Standards</p> <p>Contribute to a range of services in support of other government departments and the community when not committed to operations, using the capabilities developed for the operational role. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency.</p>	<p>Army contributed to a range of services in support of other government departments and the community when resources were available.</p> <p>Services were carried out to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>

Performance Standards and Measures	Performance Achieved																								
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in Part 2.1).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> For tasks under ECs 1 and 2 - a P1 OPRES rating. For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<table border="1" data-bbox="853 241 1437 454"> <thead> <tr> <th>EC</th> <th>Output 9.1</th> <th>Output 9.2</th> <th>Output 9.3</th> <th>Output 9.4</th> <th>Output 9.5</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P1</td> <td>P1</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P1</td> <td>P1</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>3-5</td> <td>P3</td> <td>P3</td> <td>P3</td> <td>P3</td> <td>P3</td> </tr> </tbody> </table> <p>(See paragraphs below.)</p>	EC	Output 9.1	Output 9.2	Output 9.3	Output 9.4	Output 9.5	1	P1	P1	P1	P1	P1	2	P1	P1	P1	P1	P1	3-5	P3	P3	P3	P3	P3
EC	Output 9.1	Output 9.2	Output 9.3	Output 9.4	Output 9.5																				
1	P1	P1	P1	P1	P1																				
2	P1	P1	P1	P1	P1																				
3-5	P3	P3	P3	P3	P3																				
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> Designated force elements that meet specified readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 																									
<ul style="list-style-type: none"> Directed Level of Capability (DLOC) for units contributing to Company and Battalion Groups. 	<p>Current Operations: Army was able to provide CSS and medical elements to support a company group at DLOC for EC 2. This was 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, and the support to the platoon group in the Solomon Islands.</p> <p>Preparedness for Other Events: Army was fully prepared to provide CSS and medical elements to support a company group at DLOC for EC 1 tasks, but was unable to provide sustainable CSS and medical elements to support a battalion group given current operational commitments.</p>																								
<ul style="list-style-type: none"> Basic Level of Capability (BLOC) for Brigade Group framework units (TF Battalion Groups). 	<p>BLOC was maintained for TF units.</p>																								
<ul style="list-style-type: none"> Land Combat Service Support Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), Army Mission Essential Task Lists (METLs), Army Annual Plan, and Formation and Unit Training Directives. This will include participation in Battalion Group exercises and Formation level Command Post Exercises. <p>Measures</p> <p>NZDF OPRES.</p>	<p>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, the conducted collective training activities have been limited by scale and scope.</p> <p>(See under highlights for OE 9 above.)</p>																								
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Personnel that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Personnel met collective training standards, however, 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 job supervision.</p>																								

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Equipment met standards for EC 1 tasks.</p> <p>CSS force elements were partially equipped to support a company group over and above current commitments.</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.</p> <p>These issues are being addressed as part of the equipment procurement process.</p>
<ul style="list-style-type: none"> Effective interoperability when working with friendly forces. <p>Measures NZDF OPRES.</p>	<p>Effective interoperability when working with friendly forces was achieved.</p>
<p>Deployability: Standards</p> <ul style="list-style-type: none"> Force Elements capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>Army CSS force elements were capable of generating OLOC within designated response times for non-CBRE EC 1 only. EC 2 contingencies in support of a company group were only partially prepared to meet a commitment over and above current operations and were therefore unable to meet designated OLOC response times for EC 2.</p> <p>CSS force elements 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.</p>
<ul style="list-style-type: none"> Munitions, stores and equipment available for OLOC generation, as specified in unit and Army Equipment Holding Documents and Contingency Plans. <p>Measures NZDF OPRES.</p>	<p>Munitions were available from within total Army resources. Some stores and some equipment were not available within response times. These are currently being addressed through the CSS Immediate Needs Project. This project is due for completion late in 2010 and will have addressed the capability gap in CSS. The project includes LAV recovery vehicles, Powerpac lift, and refuelling equipment resources.</p>
<p>Sustainability: Standards</p> <ul style="list-style-type: none"> Munitions, expendable and technical stores available, as specified in Contingency Plans to maintain OLOC for the designated operational viability period (OVP). <p>(Availability of munitions will depend on inventory holdings to meet OLOC generation requirements and holdings of Contingency Reserve Stocks (CRS)).</p>	<p>Munitions, expendable and technical stores were available from within total Army resources to maintain OLOC for the designated operational viability period.</p>
<ul style="list-style-type: none"> Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan. <p>Measures NZDF OPRES.</p>	<p>Personnel were available for reinforcement and rotation of current deployments.</p> <p>Due to the current operational commitments, personnel were not available for reinforcement and rotation of an infantry battalion group.</p>

Note 1: Land operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: This Output Expense is designed to provide Transport, Medical, Supply, Repair and Movements capabilities prepared for the support of land operations and capable of supporting up to a battalion group sized force (motorised, non-motorised or composite). 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.

Note 3: Deployment Impact - the Army Transport, Medical, Supply and Repair capabilities can be stretched when they are required to support a large number of concurrent deployments.

Costs for Output Expense 9 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
63.861	Personnel	71.917	75.193	74.264
40.381	Operating	45.875	42.195	43.456
0.092	Losses on Foreign Exchange	-	-	2.352
14.321	Depreciation	18.461	13.816	13.295
19.153	Capital Charge	18.731	20.774	20.775
137.808	Total Expenses	154.984	151.978	154.142
	Income			
134.717	Revenue Crown	154.559	151.106	151.106
0.186	Revenue Department	0.211	0.500	0.373
0.153	Revenue Other	0.214	0.372	0.172
1.181	Gains on Foreign Exchange	-	2.763	3.055
136.237	Total Income	154.984	154.741	154.706
(1.571)	Net Surplus (Deficit)	-	2.763	0.564
	Cost by Output			
28.739	Output 9.1	29.318	29.221	29.236
26.181	Output 9.2	31.956	30.280	31.035
37.940	Output 9.3	42.892	42.151	43.020
33.247	Output 9.4	39.059	37.634	38.239
11.701	Output 9.5	11.759	12.692	12.612

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$153.877 million and the total expenditure excluding remeasurements was \$151.790 million. There was no unappropriated expenditure for this output expense.

Output Expense 10: Special Operations Forces

Description

Provision of the capabilities of the Special Operations Forces prepared to conduct special forces operations in support of land operations, counter-terrorist operations, and the provision of Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD) that threaten public safety or national interests, in accordance with NZDF Output Plan specifications.

This output expense provides Special Operations Forces prepared for:

- Special Operations (NZ Special Air Service (NZ SAS “green role”)) under ECs 1 to 5.
- Counter-Terrorist (CT) Operations (NZ SAS “black role”) under ECs 1D and 2D.
- National Response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD).

[See details on ECs at the start of this section].

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.

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.

Overview

Special Operations Forces were maintained at a high state of readiness and were able to meet the requirement to provide the initial and rotation elements in support of land combat operations in ECs 1 to 5. Counter-Terrorist Groups were available to assist the NZ Police with EC 1 tasks in New Zealand. In addition, three response teams were available in Auckland, Wellington and Christchurch to respond to IEDD threats and a specialist response team was available to respond to CBRE threats.

All preparedness targets were met, and Special Forces carried out a range of training activities and exercises to maintain and enhance readiness.

Personnel met training standards, experience levels and qualification requirements, however, supplementation from Navy and Air Force, lateral recruitment and retention strategies continued to address shortfalls in the CBRE IEDD capability.

Highlights

During the reporting period, 1 NZSAS Gp has focused on regenerating specialist skills to achieve OLOC in order to meet directed tasks. Also the CTTAG has been maintained at OLOC for the entire period. The main bilateral activity carried out over the training year was Exercise Lion Heart (with the Singaporeans).

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 weekly IEDD OLOC training to in order to maintain specialist skills. Regular collective training is conducted in order to maintain a CBRE team capability.

Contribution to Outcomes

Output Expense 10 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Army, drawing on 1st NZ Special Air Service (SAS) Group and Army/NZDF-wide resources, will provide:</p>	
<ul style="list-style-type: none"> The initial and rotation elements of up to a SAS Squadron to conduct special operations in support of land combat operations under Employment Contexts 1 - 5, and to provide elements, as appropriate, in support of a Company and/or Battalion Group (motorised, non-motorised or composite). (See details on ECs in Section 2). 	1 NZSAS Gp was able to meet these requirements.
<ul style="list-style-type: none"> A Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D. 	A CTG and a Counter-Terrorist Assault Group were available to assist the NZ Police with non-CBRE EC 1 tasks.
<ul style="list-style-type: none"> 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. 	<p>1 NZ EOD Sqn continues to maintain this capability with considerable supplementation of qualified personnel from Navy, Army and Air Force units.</p> <p>This arrangement will continue until the unit is fully established. Equipment shortages and a shortage of qualified personnel in particular continue to affect this capability. Nevertheless, these issues are being resolved through equipment purchases and recruiting.</p>
<p>Measure</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	

Performance Standards and Measures	Performance Achieved																
<p>Standards</p> <p>Army will also maintain a SAS Squadron to support the framework of a brigade group for training in New Zealand.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>Army was able to maintain a SAS Squadron to support simulation based Command Post Exercises in a combined arms and coalition environment.</p>																
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> For tasks under ECs 1 and 2 - a P1 OPRES rating. For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<table border="1" data-bbox="775 445 1364 627"> <thead> <tr> <th>EC</th> <th>Output 10.1</th> <th>Output 10.2</th> <th>Output 10.3</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>P1</td> <td>P1</td> <td>P1</td> </tr> <tr> <td>2</td> <td>P1</td> <td>P1</td> <td>N/A</td> </tr> <tr> <td>3-5</td> <td>P1</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>Note, Output 10.2 is only assessed against ECs 1 and 2 and Output 10.3 is only assessed against EC 1. (See paragraphs below.)</p>	EC	Output 10.1	Output 10.2	Output 10.3	1	P1	P1	P1	2	P1	P1	N/A	3-5	P1	N/A	N/A
EC	Output 10.1	Output 10.2	Output 10.3														
1	P1	P1	P1														
2	P1	P1	N/A														
3-5	P1	N/A	N/A														
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> Special Forces, Counter-Terrorist (CT) Forces and CBRE IEDD Teams that meet the degrees of notice and Directed Level of Capability (DLOC) and Operational Level of Capability (OLOC) readiness criteria, as appropriate, in accordance with Schedule 4 to the NZDF Output Plan. 	<p>Special Forces elements were able to meet the specified readiness standards.</p>																
<ul style="list-style-type: none"> Special Forces, CT Forces and CBRE IEDD Teams carry out a range of readiness training activities in accordance with the NZDF Exercise Activity Schedule (EAS), Army Mission Essential Task Lists (METLs), Army Annual Plan, and Formation and Unit Training Directives to maintain DLOC and OLOC, as appropriate, in accordance with Schedule 4 to the NZDF Output Plan. <p>Measures</p> <p>NZDF OPRES.</p>	<p>Special Forces elements conducted a range of readiness training activities, including sub-unit and specialist troop exercises.</p>																
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Personnel that meet the experience levels and qualification requirements for special operations, CT tasks and CBRE IEDD tasks. 	<p>Personnel met the training standards, experience levels and qualification requirements, with the exception of CBRE.</p> <p>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.</p>																
<ul style="list-style-type: none"> Equipment performance, reliability and technology that meet required OLOC standards for commitment to special operations, CT tasks and CBRE IEDD tasks. 	<p>Equipment met standards, however, there are still some specialist equipment shortfalls, which continue to be addressed as part of the procurement process.</p>																
<ul style="list-style-type: none"> Effective standardisation when working with friendly forces. <p>Measures</p> <p>NZDF OPRES.</p>	<p>Effective standardisation when working with friendly forces was achieved.</p>																
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> 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 to the NZDF Output Plan. 	<p>Special Forces, CT Forces and CBRE IEDD Teams were capable of deploying within specified response times.</p>																

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Munitions and specialist stores available to OLOC standards. Measures NZDF OPRES.	Munitions and specialist stores were available to OLOC standards.
Sustainability: Standards <ul style="list-style-type: none"> Munitions and specialist stores available for special operations, CT tasks and CBRE IEDD tasks. 	Munitions and specialist stores were available for special operations, CT tasks and CBRE IEDD tasks.
<ul style="list-style-type: none"> Personnel available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan. Measures NZDF OPRES.	Personnel were available for reinforcement and rotation of deployed forces for continuous operations in accordance with Schedule 4 to the NZDF Output Plan.

Note 1: This Output Expense is designed to provide capabilities prepared for:

- Special Operations (NZ Special Air Service (NZ SAS) “green role”) 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. 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 Counter-Terrorist Group to assist the NZ Police in Counter-Terrorist operations, including Maritime CT, under Employment Contexts 1D and 2D.
- National Response for Chemical, Biological, Radiological, Explosive, Improvised Explosive Device Disposal (CBRE IEDD). It involves 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.

Note 2: CBRE IEDD Organisation - Cabinet has approved the formation of an independent and separately funded organisation for the conduct of CBRE IEDD and Explosive Ordnance Disposal (EOD). [CAB Min (05) 27/4 dated 25 Jul 05]. The establishment of this dedicated CBRE IEDD/EOD unit 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. 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 for CBRE IEDD/EOD, as required.

Note 3: Deployment Impact

- If a high proportion of the Special Forces capability was deployed on actual operations, 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 Counter-Terrorist capability.
- The number of personnel qualified and available to deliver CBRE is currently limited. The deployment of any personnel from this output to Output Expense 16 - Operationally Deployed Forces would have a major impact on training and the ability of the NZDF to deliver CBRE.

Costs for Output Expense 10 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
27.008	Personnel	31.984	33.664	33.284
14.266	Operating	17.900	15.379	16.241
0.043	Losses on Foreign Exchange	-	-	1.164
5.048	Depreciation	7.387	4.881	4.983
5.672	Capital Charge	5.697	6.321	6.321
52.037	Total Expenses	62.968	60.245	61.993
	Income			
50.881	Revenue Crown	62.773	59.842	59.842
0.086	Revenue Department	0.102	0.245	0.183
0.060	Revenue Other	0.093	0.158	0.060
0.555	Gains on Foreign Exchange	-	1.366	1.511
51.582	Total Income	62.968	61.611	61.596
(0.455)	Net Surplus (Deficit)	-	1.366	(0.397)
	Cost by Output			
23.103	Output 10.1	27.777	26.568	27.299
23.070	Output 10.2	27.777	26.441	27.172
5.864	Output 10.3	7.414	7.236	7.522

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$61.185 million and the total expenditure excluding remeasurements was \$60.829 million. There was no unappropriated expenditure for this output expense.

Output Expense 11: Naval Helicopter Forces

Description

Provision of the capabilities of No 6 Squadron RNZAF (Seasprite SH-2G helicopters) prepared to conduct maritime operations in support of other Output Expenses, especially the Naval Combat Forces, Naval Support Forces and Naval Patrol Forces, in accordance with NZDF Output Plan specifications.

Overview

Two Seasprites from a fleet of five were available for sustained embarked operations. For two months of the reporting period, three aircraft were concurrently embarked for operations.

Although overall, the NHF flew 76 hours more than last year, the planned target for shore based readiness training was not achieved due to maintenance and spares issues. Nevertheless, targets for operational flying hours were exceeded.

Preparedness targets for higher threat environments were not met due to equipment limitations. A major spares supportability review has been completed, which has identified several areas to mitigate availability issues.

Effective standardisation when working with friendly forces was achieved with a deployment with HMNZS *Te Mana* to the Persian Gulf and exercises with Australian, Singaporean, Malaysian and UK forces.

Personnel were available to support the deployment to the Persian Gulf, however, insufficient maintenance personnel would have been available to support the NHF on continuous operations.

Highlights

Helicopter support to the frigates and Multi Role Vessel were provided on numerous operational deployments and exercises. The deployments and exercises comprised operations in support of:

HMNZS *Te Mana*

- Operation Tiki III (Persian Gulf)
- Exercise Imdex (Singapore)
- Exercise Bersama Shield (South China Sea/Malaysia/Singapore)
- Exercise Malzea (Malaysia)

HMNZS *Te Kaha*

- Exercise Bersama Lima (South China Sea/Malaysia/Singapore)
- Principal Warfare Officer Sea Assessment Week and Fleet Concentration Periods (Australia)

HMNZS *Canterbury*

- Exercise Tropic Twilight (Cook Islands)
- Operation Havre (Re-supply of stores to Raoul Island, NZ Department of Conservation)

During the reporting period the Naval Helicopter Force (NHF) proved the employment of the Maverick missile, by day and night, with live firings against a surface target and continued to prove weapons capability in anti-submarine warfare.

The first helicopter two-spot operations (operating with two helicopters off one deck) for HMNZS *Canterbury* were developed and trialled during Exercise Tropic Twilight. These activities will give the ship an enhanced capability for future operations.

The NHF provided operational support for MAO&T, and RNZAF/RNZN public relations, community and recruiting tasks.

The first ever five-ship formation flown in the local Auckland area in December 2008 was testament to successful accomplishment of numerous squadron initiatives.

Efforts in establishing increased technical specialist knowledge in-house during the last year should pay dividends in aircraft availability in the next reporting period.

Contribution to Outcomes

Output Expense 11 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Three SH-2G(NZ) Seasprite helicopters available for military tasks - from a total fleet of five Seasprite helicopters. To be sustainable on operations in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>Two aircraft were available for sustained embarked operations in accordance with Schedule 4 to the NZDF Output Plan from a total fleet of five. Spares deficiencies and a shortage of qualified maintenance personnel made it difficult to provide three aircraft together with shore-based training requirements.</p> <p>Despite this, over the May/June 2009 period three aircraft were concurrently embarked for operations. HMNZS <i>Te Mana's</i> ships flight achieved OLOC for its deployment as part of a multinational coalition operation in the Persian Gulf. Other ships' flights maintained DLOC for all embarked operations. In addition, sufficient aircraft were available to meet all shore-based conversion training requirements, though conversions were delayed during the latter part of the year. Continuation training was limited to maintaining shore-based aircrew at a basic level of capability only.</p>
<p>Standards</p> <p>Planned Seasprite Flying Hours for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <p>1,406 hours, made up as follows:</p> <ul style="list-style-type: none"> • For flying while embarked with force elements of the Navy, a total of 453 hours (target range 430-475 hours). • For shore-based readiness training - a total of 953 hours (target range 905-1,000 hours). 	<p>The NHF flew 1,101 hours made up of 463 embarked and 638 from ashore. This was an increase over the 1,025 hours that were able to be flown in the previous year. In addition, concurrent recovery of the required stagger in aircraft maintenance schedules has put the Squadron on a much sounder footing for generation of flying hours in the coming year.</p> <p>A total of 638 hours of shore based readiness training were flown. The limitations to shore-based DLOC readiness training hours were maintenance manpower, spares and serviceability issues.</p>

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Contribute to MAO&T (Multi-Agency Operations/Tasks) and 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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>The NHF contributed to a range of services in support of other government departments and the community.</p> <p>Tasks were completed to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>For tasks under EC 1, a P2 rating was achieved.</p> <p>For tasks under EC 2 and ECs 3 to 5, a P3 rating was achieved.</p> <p>(See paragraphs below).</p>
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Naval Helicopter Forces that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>The NHF met DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan as demonstrated by embarked deployments with the Naval Combat Force. Nevertheless, this was generally limited to two deployable Seasprites due to spares deficiencies and shortage of qualified maintenance personnel.</p>
<ul style="list-style-type: none"> • Naval Helicopter Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), 6 Squadron Training Programme, and the NZBR 202 (RNZN Air Orders) to achieve DLOC. <p>Measures</p> <p>NZDF OPRES, and RNZAF and RNZN Publications, including:</p> <ul style="list-style-type: none"> • RNZAF Master Personnel Establishment. • RNZN Personnel States. • NZAP(S) 700 (This document is currently under review). • NZBR 99, RNZN Instructions for the Generation, Maintenance and Evaluation of Operational Capability. • NZBR 202, RNZN Air Orders. • 6 Squadron Standard Operating Procedures. 	<p>The NHF carried out a range of training activities and 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 in Asia, Australia, and the Pacific. HMNZS <i>Te Mana</i>'s ship flight achieved OLOC for its deployment as part of coalition operations in the Persian Gulf.</p>

Performance Standards and Measures	Performance Achieved
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Air and ground crews met the collective training standards, experience levels and qualification requirements for military tasks and all air and ground crews were qualified in accordance with their respective manuals of training. Experience across all aircrew categories was adequate, however, due to significant turnover there were limited opportunities to expose technical personnel to embarked operations. These factors contributed to a lack of experience amongst technical tradesmen and may impact on the achievement of targets in the future.</p> <p>The NHF continues to operate with significantly less than the RNZAF establishment (approximately 75% of experienced technical supervisory personnel). RNZN aircrews continue to recover in numbers and in FY08/09 peaked briefly at the required six crews.</p> <p>The current 75% manning level for technical personnel at NHF is a reflection of the on-going difficulty in filling unit posts with technical trades people. The percentage of manning is expected to increase in coming months as a result of increased supply in suitably qualified personnel.</p>
<ul style="list-style-type: none"> Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Aircraft and equipment performance, reliability and technology generally met the required standards for commitment to military tasks.</p> <p>The Seasprite airframe and engines were suitable for all of the tasks assigned and the mission equipment was generally adequate for most low threat level tasks. However, equipment deficiencies exist for operations in medium or higher threat military environments. Obsolescence issues relating to a significant number of avionics and tactical systems will become a major operational inhibitor if not addressed in the short-term. Approval was recently gained to acquire new Forward Looking Infra-Red turrets for the Seasprite. The Seasprite Spares Supportability Review has been completed and is now being assessed in terms of how it informs future options around Seasprite upgrade or replacement decisions.</p>
<ul style="list-style-type: none"> Effective standardisation when working with friendly forces. <p>Measures</p> <p>NZDF OPRES, and RNZAF and RNZN Publications (as listed above).</p>	<p>Effective standardisation when working with friendly forces was achieved.</p> <p>NHF doctrine, training and operating procedures allowed effective standardisation and integration with friendly forces as demonstrated during international exercises and operations including participation in a multinational coalition force in the Persian Gulf. Other friendly forces included (but not limited to) Australia, Singapore, Malaysia, and the United Kingdom.</p>
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> Naval Helicopter Forces capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>The NHF was capable of generating OLOC within designated response times as specified in Schedule 4 of the NZDF Output Plan to conduct lower threat level ECs. Nevertheless, it lacked capability to generate some OLOC requirements within response times for medium to high threat environments due to mission equipment constraints.</p>
<ul style="list-style-type: none"> Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Air Publication NZAP(S) 700. <p>Measures</p> <p>NZDF OPRES, and RNZAF and RNZN Publications (as listed above).</p>	<p>Aircraft, munitions, expendable and technical stores were available to generate OLOC, as specified in Air Publication NZAP(S) 700 for basic surveillance and attack roles in a low threat environment.</p>
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Aircraft, expendable and technical stores available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated operational viability period (OVP). 	<p>Aircraft, munitions, expendable and technical stores were available, as specified in Air Publication NZAP(S) 700, to generate OLOC for the designated OVP for basic surveillance and attack roles in a low threat environment.</p>

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Personnel available for sustainment/rotation of the Naval Helicopter Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan. <p>Measures NZDF OPRES, and RNZAF and RNZN Publications (as listed above).</p>	Personnel were available for the Operation Tiki III deployment to the Persian Gulf, however, there were insufficient maintenance personnel to sustain the NHF on continuous operations in accordance with Schedule 4 to the NZDF Output Plan.

Note 1: Predominantly maritime operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: 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.

Note 3: 6 Squadron will remain under full command of the Chief of Air Force.

Note 4: Operational command will be exercised through the Air Component Commander (ACC) and Officer Commanding 485 Wing for shore-based activities. When ships' flights are required to embark, operational command will be assigned by ACC to the Maritime Component Commander, who will in turn assign operational control to the ship's Commanding Officer.

Note 5: 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.

Costs for Output Expense 11 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
21.091	Personnel	22.858	23.028	23.150
20.674	Operating	21.740	22.873	25.223
0.054	Losses on Foreign Exchange	-	-	0.994
18.394	Depreciation	19.196	16.509	15.334
18.355	Capital Charge	18.481	20.463	20.508
78.568	Total Expenses	82.275	82.873	85.209
	Income			
78.617	Revenue Crown	81.863	82.372	82.372
0.109	Revenue Department	0.092	0.214	0.161
0.334	Revenue Other	0.320	0.287	0.211
0.697	Gains on Foreign Exchange	-	1.167	1.290
-	Gains on Property Plant and Equipment	-	-	1.248
79.757	Total Income	82.275	84.040	85.282
1.189	Net Surplus (Deficit)	-	1.167	0.073

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$84.500 million and the total expenditure excluding remeasurements was \$84.215 million. There was no unappropriated expenditure for this output expense.

Output Expense 12: Maritime Patrol Forces

Description

Provision of the capabilities of No 5 Squadron RNZAF (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, to conduct search and rescue missions, and to conduct maritime air operations, in accordance with NZDF Output Plan specifications. This output expense also includes some support services to the community.

Overview

The MPF met the required standards for aircraft availability, with five aircraft being available for operational, MAO&T, and maritime search and rescue tasks. A sixth aircraft was being modified under the Mission Systems Upgrade programme throughout the reporting period.

The MPF did not meet its planned flying hours target due to the upgrade programme. The MPF met preparedness targets for NZ EEZ and South Pacific search and rescue and regional surveillance, and, due to equipment limitations, was only partially prepared for regional military contingencies and contributions to collective global security operations. The Mission System Upgrade will address the majority of the aircraft deficiencies, and work has been identified to introduce P-3 self protection and P-3 air-to-surface weapons.

Air and ground crew personnel numbers and experience limited MPF preparedness. Overall, experience levels were low due to historical issues with retention of skilled aircrew and maintenance personnel. While regeneration work has commenced to increase aircrew numbers, this is a medium to long term project, and will take some time to fully realise. Despite some recovery in personnel numbers from a recently graduated large operational conversion course, there remains a shortage of instructors and crew executives, largely attributable to the upgrade programme underway. Consequently, personnel shortages in certain critical specialisations will remain the key risk to MPF output until regeneration is completed.

Highlights

During the reporting period the MPF conducted:

- One deployment in support of Five Power Defence Arrangement Exercise in South East Asia.
- Three deployments to exercises in Australia.
- One deployment through the Philippines, Japan and Korea, undertaking a number of diplomatic goodwill, regional surveillance, interoperability exercises and participating in a combined exercise with the Republic of Korea Navy.
- Exercise Joint Warrior in the United Kingdom – a UK and NATO forces exercise concentrating on coordinated protection of shipping and overland support to land and air forces.
- Exercise Maple Guardian in Canada – a multi-national exercise in support of the Canadian Battle Group work up for deployments to Afghanistan.
- Exercise Maru – a Proliferation Security Initiative activity focussing on the prevention of proliferation of Weapons of Mass Destruction and people smuggling. In addition to participating in the exercise No 5 Squadron also provided support to two Japanese Maritime Self Defence Agency Orion aircraft involved in the exercise.

- Three patrols in support of Operation Mawsoni (Southern Ocean) including two landing and overnights in Antarctica, and surveillance of the Commission for the Conservation of Antarctic Marine Living Resources region.
- 10 search and rescue missions in response to requests for support from the Rescue Coordination Centre, New Zealand.
- 10 surveillance patrols into the South Pacific.
- Operation Tapestry flying in support of the National Maritime Coordination Centre with surveillance patrols in support of a number of New Zealand Government agencies (including MFISH, NZ Customs and NZ Police).
- Intelligence, Surveillance and Reconnaissance and OLOC generation training in support of RNZAF and NZ Army elements in addition to high explosive bombing training.
- Day/night flying in support of No 6 Squadron RNZAF Maverick Missile Firings.

Contribution to Outcomes

Output Expense 12 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Two P-3K Orion aircraft available for military tasks - from a total fleet of six Orion aircraft. To be sustainable on operations in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>Two P-3K Orion aircraft were available and could have been sustained in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>Due to one aircraft undergoing P-3K2 Mission Systems Upgrade over the reporting period, five aircraft were available for tasking.</p>
<p>Standards</p> <p>A third P-3K Orion for maritime Search and Rescue and other emergency tasks, as required.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>A third P-3K Orion was available for maritime Search and Rescue and other emergency tasks, as required.</p> <p>All callouts were met within the required degrees of notice. A number of callouts were met by diverting aircraft that were already on task, thus shortening the time required to reach the search area. A flight also delivered essential parts at short notice to an unserviceable USAF C-17 aircraft in Antarctica.</p>
<p>Standards</p> <p>Planned Orion Flying Hours for the year (1 July 2008-30 June 2009).</p> <p>The total P-3K Orion annual flying hour's allocation has been adjusted to reflect the reduction in the number of aircraft available and the total number of hours that can be generated and supported by the Orion fleet during FY 2008/09.</p> <p>Measures</p> <p>2,380 hours (target range 2,261-2,499).</p>	<p>The MPF flew 2,140 hours. The reduction from the planned flying hours was largely due to the P-3K2 upgrade project.</p>

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>The MPF contributed to a wide range of services in support of other government departments and the community when resources were available.</p> <p>The number of aircraft fitted with additional interim capability limited the desired output to government agencies.</p> <p>Tasks were completed to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>A rating of P1 was achieved for EC 1, while a rating of P3 was achieved for ECs 2-5.</p> <p>(See paragraphs below.)</p>
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Maritime Patrol Forces that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>The MPF met the specified DLOC readiness criteria for New Zealand and regional support operations but, due to personnel shortages and equipment limitations, was partially prepared within response times for higher threat environments.</p>
<ul style="list-style-type: none"> • Maritime Patrol Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), RNZAF Mission Essential Task Lists (being updated) and the 5 Squadron Training Programme. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications, including:</p> <ul style="list-style-type: none"> • 5 Squadron Standard Operating Procedures. • RNZAF Master Personnel Establishment. • NZAP(S) 700 (This document is currently under review). • RNZAF 9000 series (training manuals). 	<p>The MPF carried out a range of training activities in accordance with the EAS, RNZAF Mission Essential Task Lists and Squadron training programme.</p> <p>Regional and global exercises provided crews with excellent co-ordinated operations. One operational conversion course and several crew executive and specialist upgrades were achieved.</p>

Performance Standards and Measures	Performance Achieved
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Air and ground crews met the collective training standards, general experience levels and qualification requirements for military tasks.</p> <p>Crew skill levels continue to improve through the achievement of Readiness Training Activities.</p> <p>The MPF remained short of mid and high-level experienced personnel (instructors and supervisors) in the operations and maintenance flights who were able to maintain operations while at the same time address the additional demands associated with the mission upgrade project and the introduction into service (including operational airworthiness and testing and evaluation) of the P-3K2.</p>
<ul style="list-style-type: none"> Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Aircraft and equipment performance, reliability and technology met the required standards for routine New Zealand and regional operations, however, the current equipment and weapons fit is inadequate for operations in higher threat environments.</p> <p>The P-3 Systems Upgrade Project will address supportability, reliability, and effectiveness issues of aircraft mission critical systems.</p>
<ul style="list-style-type: none"> Effective standardisation when working with friendly forces. <p>Measures</p> <p>NZDF OPRES and RNZAF Publications (as listed above).</p>	<p>Effective standardisation when working with friendly forces was achieved.</p> <p>Crew skill levels and aircraft availability figures are comparable to friendly forces, however, the current communication suite, weapons fit and self-protection is below their standard. The P-3K2 Mission Systems Upgrade will address a large part of the communication issue.</p>
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> Maritime Patrol Forces capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>The MPF was capable of generating OLOC within the designated response times as specified in Schedule 4 of the NZDF Output Plan.</p>
<ul style="list-style-type: none"> Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Air Publication NZAP(S) 700. <p>Measures</p> <p>NZDF OPRES and RNZAF Publications (as listed above).</p>	<p>Aircraft, munitions, expendable and technical stores were available to generate OLOC, as specified in Air Publication NZAP(S) 700, for short-term operations in a low threat environment.</p> <p>The current aircraft weapons suite is not accurate enough for operations in higher threat environments.</p>
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Aircraft, expendable and technical stores available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated operational viability period (OVP). 	<p>Aircraft, munitions, expendable and technical stores were available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated OVP for short-term operations in low-threat environments.</p>
<ul style="list-style-type: none"> Personnel available for sustainment/ rotation of the Maritime Patrol Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan. <p>Measures</p> <p>NZDF OPRES and RNZAF Publications (as listed above).</p>	<p>While there were personnel available to generate OLOC within the designated response times as specified in Schedule 4 of the NZDF Output Plan, there were insufficient personnel to sustain the MPF on continuous operations.</p> <p>The MPF was at four of the required six aircrews for the majority of the period. A fifth operational crew, at minimum strength, was posted to the Mission Systems Upgrade Project in Texas to conduct training in readiness for P-3K2 Acceptance Testing and Evaluation. There were also shortages of critical maintenance personnel.</p>

Note 1: Maritime air operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section).

Note 2: The number of P-3K Orion aircraft available during 2008/09 (through to 2010/11) will be affected by the Long-Term Development Plan (LTDP) rolling programme to upgrade the Orion fleet and will reduce the full capacity of this output expense. From September 2008 up to two 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 effect 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.

Costs for Output Expense 12 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
50.668	Personnel	54.671	62.091	62.123
53.166	Operating	62.292	55.827	57.878
0.071	Losses on Foreign Exchange	-	-	1.509
17.165	Depreciation	20.740	15.536	15.236
26.214	Capital Charge	29.152	32.279	32.327
147.284	Total Expenses	166.855	165.733	169.073
	Income			
148.886	Revenue Crown	165.792	164.644	164.644
0.142	Revenue Department	0.137	0.321	0.241
0.731	Revenue Other	0.926	0.768	0.640
0.912	Gains on Foreign Exchange	-	1.772	1.958
-	Gains on Property Plant and Equipment	-	-	4.382
150.671	Total Income	166.855	167.505	171.865
3.387	Net Surplus (Deficit)	-	1.772	2.792

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$169.047 million and the total expenditure excluding remeasurements was \$167.564 million. There was no unappropriated expenditure for this output expense.

Output Expense 13: Fixed Wing Transport Forces

Description

Provision of the capabilities of No 40 Squadron RNZAF (Boeing 757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation, in accordance with NZDF Output Plan specifications, and to contribute support services to the community.

Outputs in Output Expense 12

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.

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

Due to the modification programme, one Boeing 757 aircraft was available for strategic air transport tasks for the period October 2008 to February 2009, and two aircraft were available for the remainder of the period. The C-130 Transport Force met aircraft availability targets and two aircraft were undergoing upgrade with the Life Extension Programme (LEP) during the period.

The B757 Transport Force did not meet its planned flying hours due to flight management efficiencies and the modification programme.

The C-130 Transport Force did not quite meet its planned flying hours due to the LEP.

Preparedness targets were not achieved for the B757 Transport Force for the entire reporting period due to aircraft undergoing modification. Nevertheless, readiness requirements were met once two aircraft were available towards the end of the reporting period. C-130 Transport Force preparedness targets were mostly met. The upgrade of the C-130 will address self protection issues.

Effective standardisation with friendly forces was achieved, with participation in Exercise Maple Flag in Canada and two flights to support the NZDF PRT in Afghanistan.

Munitions, and stores were available to generate OLOC and personnel were available for sustainment of operations, within the limitations of the LEP and modification programmes.

Highlights

B757

The first upgraded B757 arrived back in New Zealand on 8 August 2008. A robust Operational Test and Evaluation (OT&E) was conducted on the B757 and involved all the support units. There were 56 hours of flying carried out during OT&E with operationally representative tasks in all new configurations. The OT&E was completed on schedule on 17 October 2008 with the aircraft moving immediately to routine tasking. The B757 achieved NZDF Supplemental Type Certification on 28 November 2008. The second upgraded B757 returned to New Zealand on 11 February 2009.

The B757s has been used extensively since returning to service. Support flights for Task Group Gyro, Operation Rata and Task Group Manu, rotating personnel and equipment were flown in October and November 2008. Other NZDF units utilised both aircraft to support planned readiness training activities around the globe throughout the period.

An aircraft supported the South Pacific Leaders meeting held in Papua New Guinea in January and NZ fire-fighters were deployed at short notice to assist the Victoria bushfire disaster in February 2009.

Support to Task Unit Crib (Provincial Reconstruction Team, Afghanistan), recommenced in April with the 13th rotation of personnel into the Middle East theatre.

C-130

The C-130 flight successfully completed two deployments in support of Task Unit Crib rotations to Afghanistan in October 2008 and April 2009. In addition, there was ongoing support to NZDF deployments in Timor Leste and the Solomon Islands. A C-130 was also deployed to Malaysia for one week as a contingency in case New Zealand nationals needed evacuation from Thailand during a recent period of unrest.

The annual contribution to the New Zealand Antarctic Research Programme continued with six flights to Antarctica in January 2009.

A Maple Flag readiness training activity was conducted at Canadian Defence Force Base, Cold Lake for two crews for advanced combat training in May 2009.

In New Zealand, initial combat qualifications were achieved during Tacex, although the deployed Exercise Skytrain was cancelled due to the lack of available aircraft and concurrent primary training requirements. Although combat training has reduced during the LEP, generation was sufficient to hold the output at DLOC.

Contribution to Outcomes

Output Expense 13 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Two C-130 Hercules aircraft available for deployed military tasks - from a total fleet of five C-130 Hercules aircraft. To be sustainable on operations in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p>	<p>Two C-130 Hercules aircraft were available for deployed military tasks and could have been sustained on operations in accordance with Schedule 4 to the NZDF Output Plan.</p> <p>During the reporting period, two C-130 Hercules were undergoing LEP and as a result a total of three aircraft were available for tasking.</p>

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>A third Hercules to be available for specified tasks under EC 1D and emergency tasks, as required.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>A third C-130 Hercules aircraft was available for specified tasks under EC 1D and emergency tasks, as required, for most of the reporting period. Where dedicated EC 1 coverage was not available for short periods due to unscheduled servicing, LEP requirements or short-notice tasking, alternative arrangements were made to provide coverage.</p>
<p>Standards</p> <p>One Boeing 757-200 available for strategic transport tasks - from a total fleet of two Boeing 757 aircraft. To be sustainable for expected duration of strategic transport task in accordance with Schedule 4 to the NZDF Output Plan. (Provided from a fleet of two B-757-200 aircraft).</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>Due to the modification programme, one Boeing 757-200 aircraft was available for strategic air transport tasks in accordance with Schedule 4 to the NZDF Output Plan for five months of the period (October 2008 – February 2009) and two Boeing 757-200 aircraft were available for the remainder of the period.</p>
<p>Standards</p> <p>An Aeromedical Evacuation (AE) element for strategic and tactical AE in support of land operations. 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.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>A dedicated aeromedical evacuation capability has yet to be realised by the RNZAF, although the C-130 Hercules fleet remains available for aeromedical evacuation tasks. Aeromedical evacuation equipment is under trial, but personnel dedicated to this capability are not yet available.</p> <p>Subject to the availability of personnel, a dedicated aeromedical evacuation capability could be achieved by 2011.</p>
<p>Standards</p> <p>Planned Flying Hours for the year (1 July 2008-30 June 2009).</p> <p>The total C-130 annual flying hour's 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 the period.</p> <p>Measures</p> <ul style="list-style-type: none"> • The Hercules will fly a total of 2,200 hours (target range 2,090-2,310). 	<p>The C-130 fleet flew 2,036 hours. The reduction from the planned flying hours was mainly due to the LEP.</p>
<ul style="list-style-type: none"> • The Boeing 757s will fly a total of 1,400 hours (target range 1,330-1,470). 	<p>The B757s flew 900 hours. The reduction from the planned flying hours was due to flight management efficiencies and the modification programme.</p>
<p>Standards</p> <p>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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community, including MAO&T].</p> <p>Measures</p> <ul style="list-style-type: none"> • Satisfaction of the supported department / agency. • Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development. 	<p>The FWTF contributed to a range of services in support of other government departments and the community.</p> <p>Tasks were completed to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>

Performance Standards and Measures	Performance Achieved												
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<table border="1" data-bbox="762 241 1361 432"> <thead> <tr> <th data-bbox="762 241 906 293">EC</th> <th data-bbox="906 241 1126 293">Output 13.1 (B757)</th> <th data-bbox="1126 241 1361 293">Output 13.2 (C-130H)</th> </tr> </thead> <tbody> <tr> <td data-bbox="762 293 906 338">1</td> <td data-bbox="906 293 1126 338">P3</td> <td data-bbox="1126 293 1361 338">P1</td> </tr> <tr> <td data-bbox="762 338 906 383">2</td> <td data-bbox="906 338 1126 383">P3</td> <td data-bbox="1126 338 1361 383">P2</td> </tr> <tr> <td data-bbox="762 383 906 432">3-5</td> <td data-bbox="906 383 1126 432">P3</td> <td data-bbox="1126 383 1361 432">P3</td> </tr> </tbody> </table> <p>Note: While Output 13.1 was assessed on average as a P3 for the whole reporting year due to unavailability of aircraft while undergoing upgrade, towards the end of the reporting period this output was assessed as P2.</p> <p>(See paragraphs below.)</p>	EC	Output 13.1 (B757)	Output 13.2 (C-130H)	1	P3	P1	2	P3	P2	3-5	P3	P3
EC	Output 13.1 (B757)	Output 13.2 (C-130H)											
1	P3	P1											
2	P3	P2											
3-5	P3	P3											
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Fixed Wing Transport Forces that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>Fixed Wing Transport Forces met the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan, within the limitations imposed by the LEP and Boeing 757 modification project.</p>												
<ul style="list-style-type: none"> • Fixed Wing Transport Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), RNZAF Mission Essential Task Lists (being updated) and the 40 Squadron Training Programme. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications, including:</p> <ul style="list-style-type: none"> • 40 Squadron Standard Operating Procedures. • RNZAF Master Personnel Establishment. • NZAP(S) 700 (This document is currently under review). • RNZAF 9000 series (training manuals). 	<p>Fixed Wing Transport Forces carried out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), RNZAF Mission Essential Task Lists and the 40 Squadron Training Programme.</p> <p>Readiness Training Activities undertaken included the New Zealand based activity (Tacex) and Maple Flag in Canada.</p>												
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Air and ground crews met the collective training standards, experience levels and qualification requirements for military tasks.</p>												
<ul style="list-style-type: none"> • Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Aircraft and equipment performance, reliability and technology substantially met required standards for commitment to military tasks.</p> <p>Upgrade of the C-130 self-protection systems is being progressively undertaken in conjunction with the C-130 LEP. The second aircraft delivered to the RNZAF will be the first fitted with the new system. Subsequent aircraft will be fitted in due course.</p>												
<ul style="list-style-type: none"> • Effective standardisation when working with friendly forces. <p>Measures</p> <p>NZDF OPRES and RNZAF Publications (as listed above).</p>	<p>Effective standardisation when working with friendly forces was achieved. This included participation in Exercise Maple Flag in Canada and the ongoing air transport support to Operation Enduring Freedom in Afghanistan.</p>												
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> • Fixed Wing Transport Forces capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness), as specified in Schedule 4 to the NZDF Output Plan. 	<p>Fixed Wing Transport Forces were capable of generating OLOC within designated Response Times, as specified in Schedule 4 to the NZDF Output Plan, within the constraints of the C-130 LEP and Boeing 757 modification programme. Two deployments in support of the NZDF PRT in Afghanistan were completed.</p>												

Performance Standards and Measures	Performance Achieved
<ul style="list-style-type: none"> Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Air Publication NZAP(S) 700. <p>Measures NZDF OPRES and RNZAF Publications (as listed above).</p>	Aircraft, munitions, expendable and technical stores were available to generate OLOC, as specified in Air Publication NZAP(S) 700.
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Aircraft, expendable and technical stores available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated operational viability period (OVP). 	Aircraft, expendable and technical stores were available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated OVP.
<ul style="list-style-type: none"> Personnel available for sustainment/rotation of the Fixed Wing Transport Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan. <p>Measures NZDF OPRES and RNZAF Publications (as listed above).</p>	Personnel were available for sustainment/rotation of the Fixed Wing Transport Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan, but at reduced numbers due to the LEP and modification upgrade.

Note 1: Strategic and tactical air transport operations under ECs 1, 2, 3, 4, and 5. (See details on ECs at the start of this section.)

Note 2: The number of C-130 Hercules aircraft available during 2008/09 (through to 20010/11) will be affected by the Long-Term Development Programme project to upgrade the C-130 fleet and will reduce the full capacity of this output. At least two C-130 aircraft will be removed from service at any one time during the upgrade programme. While the number of aircraft required by the NZDF Output Plan for OLOC should be maintained for the period, there will be periods where aircraft availability will be reduced - 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.

Costs for Output Expense 13 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
59.930	Personnel	61.921	69.658	69.881
63.407	Operating	70.061	74.275	71.570
0.083	Losses on Foreign Exchange	-	-	1.566
20.961	Depreciation	32.463	34.243	30.621
30.975	Capital Charge	36.773	40.709	40.735
175.356	Total Expenses	201.218	218.885	214.373
	Income			
177.346	Revenue Crown	198.958	217.466	217.466
0.166	Revenue Department	0.285	0.486	0.402
1.266	Revenue Other	1.975	0.933	0.784
1.064	Gains on Foreign Exchange	-	1.838	2.031
-	Gains on Property Plant and Equipment	-	-	3.388
179.842	Total Income	201.218	220.723	224.071
4.486	Net Surplus (Deficit)	-	1.838	9.698
	Cost by Output			
65.497	Output 13.1	75.561	90.968	87.972
109.859	Output 13.2	125.657	127.917	126.401

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$222.029 million and the total expenditure excluding remeasurements was \$212.807 million. There was no unappropriated expenditure for this output expense.

Output Expense 14: Rotary Wing Transport Forces

Description

Provision of the capabilities of No 3 Squadron RNZAF (Iroquois helicopters) prepared to conduct tactical air transport, including aeromedical evacuation, and counter-terrorist operations, and to contribute support services to the community, in accordance with NZDF Output Plan specifications.

Overview

During the reporting period, aircraft availability targets were met, as well as having two aircraft deployed to Timor-Leste until October 2008. Two helicopters were also available for rapid response tasks, including counter-terrorist operations and search and rescue call outs.

Planned flying hours were also met and preparedness targets for ECs 1 and 2 tasks were achieved. The introduction of the NH-90 medium and A109 light utility helicopters will address the operating and equipment limitations of the current Iroquois fleet in medium to high threat environments.

Effective standardisation was achieved with friendly forces in the deployment to Timor-Leste and participation in Exercise Swift Eagle in Australia. This exercise confirmed the RWTF maintains good levels of interoperability with its partners, in particular the ADF.

Munitions and stores were available to generate and maintain OLOC, however, experienced personnel levels were not sufficient to sustain continuous operations.

The introduction into service of the NH90 Medium Utility Helicopters (MUH) and A109 Light Utility Helicopters (LUH) is beginning to impact on the current capability with experienced personnel (aircrew and maintenance) increasingly being employed in support of the introduction into service project. This impact is inevitable and can be safely managed, provided the expectation of the RWTF over the next few years is also carefully managed.

Highlights

The most significant output was Task Group Manu, under Operation Koru supporting the International Stabilisation Force in Timor-Leste. Two Iroquois helicopters and approximately 30 personnel remained in Timor-Leste until October 2008. The serviceability rate of the two deployed Iroquois was well over 90% throughout the entire six rotations of the deployment. Moreover, the detachment achieved an enviable safety record and the NZDF received significant and widespread praise for the conduct of the personnel and the support provided by the unit during the deployment.

Over this last year the RWTF has provided helicopter support to the NZ Army, RNZN, NZ Police, Ministry of Civil Defence and Emergency Management, Department of Conservation, and a variety of other civil and government agencies; and undertook several major readiness training activities, including those listed below.

- Exercise Swift Eagle in October – November 2008 successfully validated the RWTF preparedness and training. This deployment provided an opportunity to train in the tropical environment while also meeting many tactical training objectives through participation in the major ADF activity Exercise Swift Eagle. No 3 Squadron further enhanced its close relationship with its comparative Australian Army Aviation Rotary Wing units during this deployment. Maintenance of this relationship will pay dividends as NH90 MUH aircraft are introduced on both sides of the Tasman. The Swift Eagle deployment of four aircraft was conducted at the same time as Task Group Manu deployment was readying itself for redeployment back to New Zealand.

- Exercise Blackbird (annual mountain flying) was conducted in the St Arnaud region, near Nelson, in July 2008 and then again in June 2009. The 2008 exercise provided additional training value due to the heavy snow conditions encountered and the subsequent generation of flights to support the local farming community.
- Exercise Pekapeka (annual night flying and special operations activity) was conducted in April 2009 in two distinct phases: Battlefield Support conducted from Waiouru and Counter Terrorism conducted from Ohakea. All critical training objectives of the exercise were achieved, despite a reduced flying effort due to poor weather and an emphasis this year on detailed operational planning.

The serviceability rate of the Iroquois and Sioux continues to be very good, despite the age of both fleets. This was best illustrated by the historic 19-ship formation flight conducted on 18 December 2008. The full complement of 14 Iroquois aircraft was joined by the five-strong Sioux aircraft fleet and together they flew over the Manawatu and Rangitikei Districts in a show of gratitude for the local community’s support to No.3 Squadron throughout a safe and successful 2008.

Contribution to Outcomes

Output Expense 14 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

Performance measurement for this output expense is in accordance with the standard measures for operational force outputs shown at the beginning of this section and those measures listed in the table below. For additional important information on this Output Expense, see the notes at the end of this table.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Six UH-1H Iroquois helicopters available for military tasks - from a fleet total of 14 Iroquois helicopters. To be sustainable on operations in accordance with Schedule 4 of the NZDF Output Plan.</p> <p>Measures</p> <p>NZDF OPRES (Operational Preparedness and Reporting System). (See the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in this section.</p>	<p>Six helicopters were available for military tasks and were capable of being sustained on operations in accordance with Schedule 4 of the NZDF Output Plan.</p> <p>Two aircraft were deployed on Task Group Manu in Timor-Leste until October 2008.</p>
<p>Standards</p> <p>Two additional helicopters on standby for rapid response tasks in New Zealand (under EC 1), such as Counter-Terrorist Operations and for Search and Rescue Missions.</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>Two additional helicopters were available for rapid response tasks under EC 1, such as Counter-Terrorist Operations, and one helicopter was available for Search and Rescue in accordance with Schedule 4 of the NZDF Output Plan.</p>
<p>Standards</p> <p>Planned Iroquois Flying Hours for the year (1 July 2008-30 June 2009).</p> <p>Measures</p> <p>4,560 hours (target range 4,332-4,788 hours).</p>	<p>The Iroquois fleet flew 4,473 hours.</p>

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>A Forward and Tactical Aeromedical Evacuation (AE) element for the support of land operations. (Note: The RNZAF is required to provide forward and tactical Rotary Wing AE services, including responsibility for the provision of AE-qualified personnel and associated AE equipment.)</p> <p>Measures</p> <p>NZDF OPRES.</p>	<p>A Forward and Tactical Aeromedical Evacuation element was available when required. A number of aeromedical evacuation tasks were conducted by the Task Group Manu Detachment.</p>
<p>Standards</p> <p>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. While specific, pre-planned operations/tasks (under MAO&T) normally require specific quality standards, the quality of other assistance to the Government and the community may rely on the satisfaction expressed by the supported party/agency. [For details see the section on Services in Support of the Government and the Community].</p> <p>Measures</p> <p>Satisfaction of the supported department/agency. Many of the MAO&T agreements/MOUs, which will include performance requirements (conditions and standards), are still under development.</p>	<p>Significant and varied MAO&T were conducted throughout the year for a range of government agencies. The total amount of MAO&T flown this year exceeded the previous year total by approximately 100 hours. This increase was primarily due to better tasking management, including the greater use of DLOC training to concurrently achieve MAO&T objectives.</p> <p>Tasks were completed to the satisfaction of agencies.</p> <p>[For details of the support provided, see the section on Services in Support of the Government and the Community, including MAO&T.]</p>
<p>Standards</p> <p>Standards and performance rating required under the NZDF Operational Preparedness and Reporting System (OPRES) against the four Elements of Preparedness (see the OPRES Key Performance Indicators and OPRES Performance Rating Scale earlier in Part 2.1).</p> <p>Measures</p> <p>While the <i>aim</i>, under the OPRES rating system, is an OPRES Rating of P1, for 2008/09 the following will apply:</p> <ul style="list-style-type: none"> • For tasks under ECs 1 and 2 - a P1 OPRES rating. • For tasks under ECs 3 to 5 - a P2 OPRES rating. 	<p>A P1 rating was achieved for ECs 1-2, and a P4 rating was achieved for EC 3-5.</p> <p>(See paragraphs below.)</p>
<p>Readiness:</p> <p>Standards</p> <ul style="list-style-type: none"> • Rotary Wing Transport Forces that meet the Directed Level of Capability (DLOC) readiness criteria in accordance with Schedule 4 to the NZDF Output Plan. 	<p>The RWTF met the DLOC readiness criteria in accordance with Schedule 4 to the NZDF Output Plan for low-threat environments.</p> <p>The aircraft lacked the self-protection and performance needed to meet operating requirements in a medium/high-threat environment.</p>
<ul style="list-style-type: none"> • Rotary Wing Transport Forces carry out a range of training activities in accordance with the NZDF Exercise Activity Schedule (EAS), RNZAF Mission Essential Task Lists (being updated) and the 3 Squadron Training Programme. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications, including:</p> <ul style="list-style-type: none"> • 3 Squadron Standard Operating Procedures. • RNZAF Master Personnel Establishment. • NZAP(S) 700 (This document is currently under review). <p>RNZAF 9000 series (training manuals).</p>	<p>The RWTF conducted training activities with other NZDF units, NZ government agencies and foreign forces. Activities included Exercise Swift Eagle (tactical transport operations, conducted near Townsville Australia), two Blackbird exercises (mountain flying training in Marlborough) and Exercise Pekapeka (night vision goggle operations); held in two phases operating out of Waikouaiti and Ohakea.</p>

Performance Standards and Measures	Performance Achieved
<p>Combat Viability:</p> <p>Standards</p> <ul style="list-style-type: none"> Air and ground crews that meet the collective training standards, experience levels and qualification requirements for military tasks. 	<p>Air and ground crews met the collective training standards, experience levels and qualification requirements for military tasks.</p>
<ul style="list-style-type: none"> Aircraft and equipment performance, reliability and technology that meet required standards for commitment to military tasks. 	<p>Aircraft and equipment performance and reliability continued to limit the capability of the RWTF. In particular, the performance of the aircraft in bad weather, at night and in hot and high conditions is unsatisfactory. The aircraft also lacked the self-protection needed to meet the OLOC requirements in a medium/high-threat environment.</p> <p>These issues will be addressed when the Iroquois is replaced in the medium term by the NH90 Medium Utility Helicopter.</p>
<ul style="list-style-type: none"> Effective standardisation when working with friendly forces. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications (as listed above).</p>	<p>Effective standardisation was achieved when working with friendly forces.</p> <p>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. Exercise Swift Eagle provided the RWTF valuable exposure to a large scale combined exercise for the first time in over a decade. This exercise also confirmed that the RWTF maintains satisfactory levels of interoperability with allied forces following close liaison with ADF helicopter units and ground forces.</p>
<p>Deployability:</p> <p>Standards</p> <ul style="list-style-type: none"> Rotary Wing Transport Forces capable of generating the Operational Level of Capability (OLOC) within designated Response Times (timeliness). 	<p>The RWTF was capable of generating OLOC within applicable designated response times, as specified in Schedule 4 to the NZDF Output Plan.</p> <p>Nevertheless, the current Iroquois fleet lacked adequate levels of aircraft performance and self-protection to meet the OLOC requirements for a medium/high-threat environment.</p>
<ul style="list-style-type: none"> Aircraft, munitions, expendable and technical stores available to generate OLOC, as specified in Air Publication NZAP(S) 700. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications (as listed above).</p>	<p>Aircraft, munitions, expendable and technical stores were available to generate OLOC, as specified in Air Publication NZAP(S) 700.</p>
<p>Sustainability:</p> <p>Standards</p> <ul style="list-style-type: none"> Aircraft, expendable and technical stores available, as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated operational viability period (OVP). 	<p>Aircraft, expendable and technical stores were available as specified in Air Publication NZAP(S) 700, to maintain OLOC for the designated OVP.</p>
<ul style="list-style-type: none"> Personnel available for sustainment/rotation of the Rotary Wing Transport Forces on continuous operations as specified in Schedule 4 to the NZDF Output Plan. <p>Measures</p> <p>NZDF OPRES, and RNZAF Publications (as listed above).</p>	<p>Personnel were available for sustainment/rotation for the TG Manu deployment to Timor-Leste.</p> <p>Due to personnel strength levels (which averaged 85% during the reporting period) sufficient personnel were not available for continuous operations as specified in Schedule 4 to the NZDF Output Plan.</p>

Note 1: Tactical air transport operations under ECs 1, 2, 3, 4 and 5, and Counter-Terrorist operations under ECs 1 and 2. (See details on ECs at the start of this section).

Note 2: The Seasprite naval helicopters are provided under a different Output Expense - Naval Helicopter Forces.

Costs for Output Expense 14 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
44.305	Personnel	46.418	53.286	53.214
37.460	Operating	42.518	37.031	39.092
0.027	Losses on Foreign Exchange	-	-	0.599
11.035	Depreciation	11.080	10.935	9.157
25.784	Capital Charge	24.875	27.526	27.403
118.611	Total Expenses	124.891	128.778	129.465
	Income			
118.236	Revenue Crown	124.100	128.084	128.084
0.055	Revenue Department	0.054	0.128	0.095
0.256	Revenue Other	0.737	0.566	0.507
0.348	Gains on Foreign Exchange	-	0.704	0.777
-	Gains on Property Plant and Equipment	-	-	2.242
118.895	Total Income	124.891	129.482	131.705
0.284	Net Surplus (Deficit)	-	0.704	2.240

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$131.275 million and the total expenditure excluding remeasurements was \$128.866 million. There was no unappropriated expenditure for this output expense.

Output Expense 15: Miscellaneous Support Activities/Multi-Class Output Appropriation

Description

The provision of the NZDF 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.

Adjustments made since 2007/08

This Multi-Class Output Appropriation (MCOA) reflects the disparate nature of four NZDF Outputs that do not individually justify separate departmental output expense recognition. This change from previous years was recommended by The Treasury so that it complied with the provisions of the Public Finance Act 1989. The wording of the individual Output Classes, as shown below, was also recommended by The Treasury to conform to the new scope requirements of appropriations.

Outputs in Output Expense 15

Output Class 15.1 – Support to Mutual Assistance Programme (MAP)

This output class is limited to the provision of training, technical advice and resources to the defence forces and law enforcement agencies of participant countries under the Mutual Assistance Programme (MAP), both in New Zealand and in MAP countries.

Output Class 15.2 – Support to NZ Cadet Forces

This output class is limited to the provision of leadership and skills training for all approved New Zealand Cadet Forces (NZCF) units.

Note:

The NZCF comprises **350** NZCF officers and **3,910** cadets within **102** Cadet Force Units across New Zealand. The personnel figures fluctuate from month to month, especially at the end of the school year.

Output Class 15.3 – Support to Limited Service Volunteer Training Scheme

This output class is limited to the conduct of Limited Service Volunteer courses for unemployed or disadvantaged youth, selected by the Ministry of Social Development, to encourage these youth towards employment.

Output Class 15.4 – Support to Service Military Museums

This output class is limited to the collection development, collection management and exhibits related to New Zealand's military history.

Overview

The NZDF continued to provide valuable training and technical assistance to countries within the Pacific and Asian regions under the MAP. The MAP delivered 124 out of 168 planned activities, which included assistance to MAP partners via Mutual Assistance Training Teams (MATTs), technical advisors, NZDF courses, tertiary study, resource provision, exchanges and attachments. Highlights during 2008/09 included re-engagement with Thailand, increased activity with Timor-Leste with five NZDF technical advisers now providing assistance, and a significant increase in engagement with the

Philippines. A summary of MAP activities by country during 2008/09 is shown in the table at the end of this output expense section.

The NZDF continued to provide a high level of support to NZCF and LSV training activities. For the NZCF, this comprised 41 courses for cadets and 28 courses for officers. Five courses were run for LSVs.

Public satisfaction surveys continue to indicate positive opinions and feedback, and an increased public perception and knowledge of the Navy, Army and Air Force Museums.

Contribution to Outcomes

Output 15.1 contributes to Intermediate Outcomes 1 and 2, while Outputs 15.2, 15.3 and 15.4 contribute to the Government's initiatives on youth and history.

Performance

Output performance, in general, will be measured by the degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. Performance will also 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.

Training and administrative support will be provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation.

- **For MAP.** 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 (where appropriate), and that are also consistent with NZDF practices. It will include 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.**
 - Meet the training, course and exercise objectives of the NZ Cadet Forces.
 - Conduct courses that meet the requirements of the NZQA framework, where appropriate.
 - Meet NZDF standards for the administrative support provided to NZCF units.
 - 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 overall evaluation by the Commandant NZCF.
- **For LSV Scheme.** Complete training courses to standards agreed in a Memorandum of Understanding (MOU) between the NZDF and the Ministry of Social Development (MSD). This will include an 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.** Services provided in accordance with the relevant Trust Deeds and the Memorandums of Understanding between each of the Services and the individual museum trust boards. For Service Museums, an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme will be conducted. Performance assessment will be based on feedback from the individual museum trust boards and NZDF command, 'public satisfaction' surveys, annual and periodic reviews, and the number of military and civilian visitors per financial year.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Generally for this MCOA: Training and administrative support will be provided in accordance with NZDF training quality standards as modified with senior staff from the requesting organisation.</p> <p>Measures</p> <ul style="list-style-type: none"> • Performance, in general, will be measured by the degree of satisfaction expressed by the authorities requesting assistance - in accordance with their annual programmes. • Performance will also 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. 	
<p>Mutual Assistance Programme:</p> <p>Standards</p> <p>Training and technical assistance for the Mutual Assistance Programme (MAP) - anticipated to be in the range of 120 to 180 activities. Each activity could include formal training, on-the-job training, technical advice, attachments, study, Mutual Assistance training teams (MATT), and exchanges - both in New Zealand and overseas.</p> <p>Measures</p> <ul style="list-style-type: none"> • 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 (where appropriate), and that are also consistent with NZDF practices. • It will include 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. 	<p>The MAP delivered 124 out of 168 planned activities, which included assistance to MAP partners via MATTs, technical advisors, NZDF courses, tertiary study, resource provision, exchanges and attachments. The gap between the planned target and actual target was largely attributable to MAP partner countries failing to nominate personnel for courses for which they requested and had reserved places. In some cases, candidates were not accepted as they did not meet the required language standard for courses.</p> <p>Of the total activities completed, about 60 per cent of that total was undertaken with Pacific MAP partners while the rest was conducted with South East Asian MAP partners. Approximately 70 per cent of the MAP operating and personnel expenditure of about \$1.7m was spent on Pacific MAP activities, while the majority of the rest was expended on MAP activities conducted with South East Asian partners.</p> <p>The main outcomes were:</p> <p>MAP talks were conducted with the Cook Islands, Brunei, Malaysia, Philippines, Thailand, Papua New Guinea, Samoa, Timor-Leste, Tonga, Vanuatu and Vietnam. The MAP talks with Timor-Leste and Vietnam were the first ever conducted with those countries. MAP was also represented at the whole of government security talks held with Vanuatu. At these various talks the NZDF presented five year plans for our MAP partners to adopt and use as a tool for co-ordinating their bids over the next few years.</p> <p>Talks were also held with other donors under the umbrella of the Quadrilateral Defence Coordinating Group (QUADs) [NZ, Aust, France and USA] to ensure better co-ordination between our respective military assistance programmes in the Pacific.</p> <p>In December 2008 the NZDF Defence Adviser based in Suva concluded his posting and returned to NZ. The Fiji interim government did not agree to the NZDF replacing the Defence Adviser in Fiji. As a consequence, there is now a Wellington based NZDF Defence Advisor Pacific who is accredited to Cook Islands, Niue, Tonga and Samoa.</p> <p>Collaboration continues with NZ Police on the provision of training assistance to disciplined forces in the South Pacific.</p> <p>Following agreement between the NZDF and the Malaysian Armed Forces (MAF), the NZDF Technical Adviser post in Pulada, Malaysia, concluded in December 2008. Although outside of the MAP, but as a result of this post concluding, a new post has been established for a NZDF officer as Directing Staff at the MAF Staff College, Kuala Lumpur at the Lieutenant Colonel (equivalent) level.</p> <p>As mentioned above, MAP talks were held with Viet Nam. Apart from this, the only other activity was a delegation which visited NZ to study the NZ whole of government approach to establishing a military role on peacekeeping operations.</p>

Performance Standards and Measures	Performance Achieved
	<p>Regrettably, they were unable to take up the offer this year (2009) for a position on the NZDF Senior Staff Course (the standard of English language competence being the impediment).</p> <p>Following re-engagement with Thailand, a modest level of activity has occurred including an officer attending the 2009 NZDF Senior Staff Course.</p> <p>Special effort has been made to increase MAP engagement with Timor-Leste despite it remaining an operational area for the NZDF. HQNZDF now has policy overview of the five technical advisers assisting the F-FDTL (Armed Forces of Timor Leste). The current roles of the TA's have been reviewed. It is intended to change one position to an English Language Tutor at the English Language School at Metinano Camp. One limiting factor of getting F-FDTL personnel to NZ is the low level of English language ability. Two highlights from the period of this report have been the graduation of a F-FDTL officer cadet from the NZ Army 2008 Commissioning Course and a MATT to help train and prepare the F-FDTL band for Independence Day celebrations in May 2009.</p> <p>The Philippines has recorded a significant increase in MAP engagement with 17 Armed Forces of the Philippines personnel attending courses/activities in NZ and two MATTs conducted in country. One of these was a Regional MATT which aimed for attendance from other regional MAP partners (further detail below).</p> <p>The high level of activity with PNG continues. Two activities deserve highlighting. Firstly, the NZDF involvement with the PNGDF Commercial Support Programme continued including contract compliance training. Secondly, following the review last year of PNGDF naval training by a senior RNZN officer, a long term programme has been implemented and the first PNGDF sailors started a variety of courses with the RNZN this year.</p> <p>Six MATTs were successfully completed as follows:</p> <p>Tonga</p> <p>A NZ Army team conducted First Aid and Combat Survival (medical) training (November 2008). Four members of the Samoan Fire Service also attended.</p> <p>A NZ Army team conducted report writing and written language training for the Tongan Defence Service (September 2008.)</p> <p>Papua New Guinea</p> <p>Four NZDF personnel carried out a review of current contract negotiations and conducted contract compliance training for the PNGDF Commercial Support Programme (April 2009.)</p> <p>Timor-Leste</p> <p>Two NZDF specialist personnel conducted band training in support of Independence Day celebrations and also assessed the suitability of any personnel to attend the NZ Army MAP Musician course (May 2009.)</p> <p>Philippines</p> <p>A NZ army team conducted Officer Professional Development (leadership) training (September 2008). A combined RNZN/RNZAF team conducted Instructional Techniques training (March 2009). An officer from the Malaysian Armed Forces also attended.</p>

Performance Standards and Measures	Performance Achieved
<p>New Zealand Cadet Forces Support:</p> <p>Standards</p> <p>Support for the New Zealand Cadet Forces (NZCF) in 2008/09 will involve the conduct of 34 courses for NZCF officers and 47 courses for cadets - amounting to about 2,416 officer training days and 11,085 cadet training days. Permanent staff includes 27 Tri-Service, Regular Force training and support staff, and 5 civilian administrative staff. [Note: Training days do not include community projects completed at the local level].</p> <p>The NZCF comprises 350 NZCF officers and 3,910 cadets within 102 Cadet Force Units across New Zealand. The personnel figures fluctuate from month to month, especially at the end of the school year.</p> <p>Measures</p> <ul style="list-style-type: none"> • Meet the training, course and exercise objectives of the NZ Cadet Forces. • Conduct courses that meet the requirements of the NZQA framework, where appropriate. • Meet NZDF standards for the administrative support provided to NZCF units. <p>The effectiveness of the support provided to the NZCF is assessed from the reports of Area Coordinators and Cadet Unit Commanders and feedback from the public, and overall evaluation by the Commandant NZCF.</p>	<p>Support has been achieved for 102 cadet units comprising 401 officers and 3,857 cadets. A total of 2,665 officer training days and 10,885 cadet training days were conducted. This comprised 28 courses for NZCF officers and 41 courses for cadets. The average enrolled cadet numbers during the year was 3,015.</p> <p>Training delivered by the NZDF to the NZCF has been consistent throughout the organisation, has met the objectives of the NZCF, and where NZQA unit standards are included, met the requirements of the NZQA framework.</p> <p>The permanent staff support during the year has been maintained at slightly below the establishment of 27 Regular Force and five civilian personnel. The support generally met the standards required although some units received lower than the normal frequency of visits from Area Advisors due to the lower staff numbers.</p> <p>NZDF delivered training and support to the NZCF has been of a nature commensurate with the civilian and voluntary nature of the NZCF.</p>
<p>Limited Service Volunteer Training:</p> <p>Standards</p> <p>Special Training for Limited Service Volunteers, to include 5 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 Jul 08 - 30 Jun 09).</p> <p>Measures</p> <ul style="list-style-type: none"> • Complete training courses to standards agreed in a Memorandum of Understanding (MOU) between the NZDF and the Ministry of Social Development (MSD). <p>This will include an analysis of the training objectives achieved, the reported post-course employment status of Scheme participants, and feedback from the public and the MSD.</p>	<p>Five courses have been conducted throughout the 08/09 training year with trainees from the fifth course due to graduate 4 July 2009. Course statistics are as follows:</p> <p>01/09 - 21 Jul – 31 Aug 08</p> <p>142 Accepted 116 Commenced Training 80 Completed Training Completion Rate: 69%</p> <p>02/09 - 13 Oct – 23 Nov 08</p> <p>160 Accepted 131 Commenced Training 103 Completed Training Completion Rate: 79%</p> <p>03/09 - 02 Feb – 15 Mar 09</p> <p>158 Accepted 114 Commenced Training 87 Completed Training Completion Rate: 76%</p> <p>04/09 - 30 Mar – 09 May 09</p> <p>163 Accepted 130 Commenced Training 97 Completed Training Completion Rate: 75%</p>

Performance Standards and Measures	Performance Achieved
	<p>05/09 - 25 May – 05 Jul 09</p> <p>180 Accepted 132 Commenced Training 81 Completed Training Completion Rate: 61%</p> <p>Summary 08/09:</p> <p>625 Commenced Training 448 Completed Training 72% Completion Rate</p> <p>Trainees who graduate from a LSV Course will have demonstrated attitudinal and behavioural traits desired by an employer and a level of commitment, motivation and competence. On completion, all trainees receive a course report detailing the activities undertaken and their performance throughout the period.</p> <p>Graduated trainees will also have demonstrated varying degrees of increased motivation, self confidence, self discipline and initiative which is reported on weekly and visible throughout their period of training.</p> <p>Under the MOU, 80% of participants who start the course are to successfully complete it. This year's completion rate, 72%, is lower than expected due to an increase in behavioural difficulties and mental health issues. This has been raised with MSD and has resulted in a psychologist being contracted to provide support during each course for at risk trainees.</p> <p>There were also a significantly higher number of trainees released from course 5/09 for medical reasons (flu).</p> <p>Verbal feedback received from MSD departments, families and ex-trainees reflect a positive view on the benefits/outcomes of the LSV Course and of the training conducted.</p>
<p>Service Military Museums:</p> <p>Standards</p> <p>For Service Military Museums. The provision of staff, infrastructure and resources to Service Museums to ensure the collection development, collection management and exhibits of New Zealand's significant military history to the people of New Zealand, her Armed Forces and visitors to our nation, to sector best practice. The current Service Museums are at Devonport (Navy), Waiouru (Army), and Wigram (Air Force). Note: "Collection management" includes <i>preservation</i>.</p> <p>Measures</p> <p>Services provided in accordance with the relevant Trust Deeds and the Memorandums of Understanding between each of the Services and the individual museum trust boards. For Service Museums, an annual review against Service Museum benchmarks and periodic reviews against the New Zealand Museum Standards Scheme will be conducted. Performance assessment will be based on feedback from the individual museum trust boards and NZDF command, 'public satisfaction' surveys, annual and periodic reviews, and the number of military and civilian visitors per financial year.</p>	<p>Navy Museum</p> <p>Total visitors to the Navy Museum during the period were 10,325 compared with 6,855 for the same period 07/08 FY. The substantial increase in visitor numbers reflects the Museum recovering from the extended period of closure during 07/08 and the early part of 08/09.</p> <p>The museum delivered two significant site exhibitions including the very successful "Bomb Gone" exhibition. This outreach exhibition was visited by several thousand visitors and was supported by an extensive lecture and education programme.</p> <p>The Museum delivered three editions of the heritage journal "The White Ensign". Each edition, comprising 13,000 copies, was distributed to a broad national and international audience.</p> <p>The Museum ran a very successful open day at Torpedo Bay during January 2009 with over 1,600 people attending the open day. The main focus during the year has been in the detailed planning and preparations for the redevelopment of the Navy Museum at Torpedo Bay. At the time of writing, construction was scheduled to commence in August 2009.</p> <p>Army Museum</p> <p>The project to house the Social History collection in an upgraded facility is in the process of being implemented to provide a more appropriate location for the collection.</p> <p>Upgrades to the Museum's security systems are also being implemented. As at the time of writing, the first two stages of this project have been completed.</p>

Performance Standards and Measures	Performance Achieved
	<p>Governance of the Army Museum is provided by the Trust Board with overall responsibility for the Museum and its activities, and the Executive Management Committee who have delegated responsibility for short term planning and operation. Day to day operation is vested with the Director.</p> <p>Public satisfaction surveys are run regularly that continue to indicate positive opinions, with an increased public perception and knowledge of the National Army Museum. Total visitor numbers for the reporting year were 52,572, compared to 47,596 for the previous year – an increase of 11%.</p> <p>Air Force Museum</p> <p>The Air Force Museum operating budget has been maintained at the same level as previous years but extra funding was provided to assist with upgrading security. Two new posts were established to give much needed extra resource in the collections area.</p> <p>Services have been provided in accordance with the RNZAF / Museum Trust Board Memorandum of Understanding.</p> <p>The regular Air Force Museum Qualmark assessment scored the Museum at 100% across five of the seven categories with an overall score of 97%, up 6% on the previous score. The Museum has also qualified for a silver award under the newly introduced Qualmark Responsible Tourism Standards based on its environmental and sustainable business practices.</p> <p>Visitor numbers of 55,720 are the highest ever and exceed the ten-year average by just over 58%.</p>

Summary of MAP Activities by Country for 2008/09

	South Pacific						South-East Asia								Sub-Total	Other	Grand Total
	Cook Is	PNG	Samoa	Solomon Is	Tonga	Vanuatu	Sub-Total	Brunei	Indonesia	Malaysia	Philippines	Thailand	Timor-Leste	Viet Nam			
NZDF Defence College		2			1		3	1	1	1	1	1			5	3	11
Training (RNZN – both sea and shore based)	2	4					6			1	3				4		10
Training in NZ (NZ Army)		15	3		17	5	40	2		2	7				11		51
Training in NZ (RNZAF)							0				4				4		4
Attachments in NZ		1			1	1	3				2				2		5
NZDF Technical Advisers (TA) (1)	1				1	2	4			1 (3)			5 (4)		6		10
Mutual Assistance Training Teams visiting (2)		1			2		3				2		1		3		6
Sponsored Activities (2)		2				1	3			1		2		1	4	1	8
Resource Provision (2)					2	1	3				1		1		2		5
MAP Talks	1	1	1			1	4	1		1	1	1	1	1	6	4 (5)	14
TOTAL	4	26	4	0	24	11	69	4	1	7	21	4	8	2	47	8	124

Notes

1. Based in country for 2-3 year tours of duty. Timor-Leste TAs serve 12 months.
2. Denotes number of NZDF Teams, not people.
3. Concluded December 2008.
4. Output 16 activity, but under MAP for strategic and policy direction.
5. MAP-DCP x 2, QUADS x 1, MAP Co-ordination Conference x 1.

Costs for Output Expense 15 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
7.068	Personnel	6.368	8.427	8.322
4.728	Operating	5.345	5.662	5.552
0.683	Depreciation	0.510	0.589	0.589
1.641	Capital Charge	1.551	1.715	1.715
14.120	Total Expenses	13.774	16.393	16.178
	Income			
12.895	Revenue Crown	12.424	14.031	14.031
1.400	Revenue Department	1.350	2.362	2.362
-	Gains on Property Plant and Equipment	-	-	0.095
14.295	Total Income	13.774	16.393	16.488
0.175	Net Surplus (Deficit)	-	-	0.310
	Cost by Output			
1.619	Output 15.1	1.977	1.677	1.668
2.859	Output 15.2	2.897	3.285	3.177
2.883	Output 15.3	2.576	4.078	3.969
6.759	Output 15.4	6.324	7.353	7.364

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$16.606 million and the total expenditure excluding remeasurements was \$16.178 million. There was no unappropriated expenditure for this output expense.

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.

Overview

Headquarters Joint Forces New Zealand (HQ JFNZ) 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.

Over the past year, the main effort for HQ JFNZ has continued to be the campaign planning, deployment and rotation of force elements in support of deployed operations overseas, including Timor-Leste, Solomon Islands, Afghanistan, and NZDF support to Antarctica.

All operational missions and deployments were maintained and completed within applicable Cabinet-approved budgets. Personnel were at the required level of capability prior to deployment and where suitable personnel were not available, in-theatre personnel resources were used or a person closest to matching the qualifications was sourced.

During the reporting period, a number of letters of appreciation were received regarding NZDF contributions to overseas operations and missions. A number of personnel were also awarded citations and certificates of merit.

Contribution to Outcomes

Output Expense 16 contributes to Intermediate Outcomes 1 and 2 (Secure New Zealand and Reduced Risks to New Zealand from regional and global insecurity).

Performance

- Maintain the commitments specified by Government in its approval for each task/mission/operation.
- Actual operational commitments as at 1 April 2008 are shown in the following table:

Operational Mission / Contribution	Number Deployed
OP KORU (Timor Leste) All Task Groups	182
UNTSO (Middle East) [OP SCORIA]	8
MFO (Sinai) [OP FARAD]	26
UNMIK (Kosovo) [OP KOSTER]	1
UNAMI (Iraq) [OP HAVEN, Task Group IRON]	1
OP ARIKI (Afghanistan) [Task Group CRIB]	111
OP ARIKI (Afghanistan) [Task Group KEA]	5
OP ARIKI (Tampa, Florida, USA) [Task Group SPEAK]	2
OP ARIKI (Afghanistan) [Task Group AFFIRM]	1
OP ARIKI (Afghanistan) [Task Group RUA]	2
OP ARIKI (Afghanistan) Task Group MANAAKI	2
OP ARIKI (Arabian Sea area) [Task Group TROY]	6
UNMIS [OP SUDDEN] (Sudan)	3
OP RATA II (Solomon Islands)	52
UNCMAC (Republic of Korea) [OP MONITOR]	3
USCENTCOM Staff Officer	1
Total NZDF personnel deployed	406

- Personnel, as applicable, to be at OLOC (for applicable ECs) before deployment.
- Services provided to the satisfaction of Coalition Commanders, Contingent Commanders and staff responsible for each task.
- Standards achieved as agreed with the parent organisation requesting NZDF participation.
- Timely replacement of each element or individual, when requested and as approved by the Government.

Performance Standards and Measures	Performance Achieved
<p>Standards</p> <p>Maintain the operational commitments specified by Government in its approval for each task/mission/operation.</p>	<p>Operational commitments for each Government-approved task/mission/operation were maintained and completed within the applicable Cabinet-approved budget.</p>
<p>Personnel, as applicable, to be at the Operational Level of Capability (OLOC) - for applicable ECs - prior to deployment.</p>	<p>Personnel were at OLOC prior to deployment for applicable ECs.</p>
<p>Timely replacement of each element or individual, when requested and as approved by the Government.</p> <p>(See Current Operational Commitments table below.)</p>	<p>In most instances, individuals were replaced as required with suitably qualified personnel. Where suitably personnel were not available, in-theatre personnel resources were used or a person closest to matching the qualifications was sourced.</p>
<p>Measures</p> <p>Generally:</p> <ul style="list-style-type: none"> • The level of capability achieved by individuals, detachments or units prior to departure will be assessed by the designated Operational Commander. • Regular formal reporting against the stated <i>mission</i> of the deployed force from the New Zealand Senior National Officer on the operation. • Occasional reports received from respective United Nations/Coalition/Force Commanders. • Degree of satisfaction of performance of duties expressed by the authorities requesting the assistance. • Performance of equipment provided by NZDF, when applicable. • Evaluation by visiting New Zealand politicians and senior NZDF personnel. • Budget considerations. (Each deployment is to be completed within a Cabinet-approved budget). 	<p>Levels of capability were assessed by the designated Operational Commander prior to departure, regular reports against the stated mission were provided by the Senior National Officer, and all deployed equipment performed to the level expected.</p> <p>In addition to letters of appreciation received from Commanders-in-Chief regarding the NZDF contributions to overseas operations and missions, advice and emails received from the NZDF Liaison Officer to the United Nations indicates the NZDF is still held in very high regard as a troop contributing nation. Letters of appreciation were also received from government departments for inter-departmental support provided by the NZDF.</p> <p>During the reporting period, a letter was received from the Commander United States Central Command thanking the NZDF for its continued contribution to Operation Enduring Freedom and the International Security Force in Afghanistan.</p> <p>His Excellency Mr José Ramos-Horta, President of Timor-Leste visited New Zealand during February 2009 and thanked the NZDF for its continued contribution to peace and security in Timor-Leste. He also presented medals to six individuals involved in Timor-Leste's peacekeeping response to the outbreak of violence in Timor-Leste in April and May 2006.</p> <p>In a speech to Massey University's Centre for Defence Studies on 20 May 2009, the Minister of Defence the Hon Wayne Mapp, having returned from a recent visit to Timor-Leste, noted "our troops are truly excellent ambassadors for New Zealand and the values we hold."</p> <p>A number of personnel were awarded citations and certificates of merit from various missions. The first ever NATO Meritorious Service Medal to be awarded to a New Zealander was presented to Lieutenant Colonel Jeremy Ramsden, MNZM at a special ceremony in Brussels, Belgium. The medal was awarded to LTCOL Ramsden for outstanding service while he was working for the International Security Assistance Force (ISAF) in Afghanistan.</p>

Note 1: The Government's desired goals for the delivery of this output expense over the ten-year period (2005/06 - 2014/15), in accordance with the results of the Defence Capability and Resourcing Review (DCARR) and the Defence Funding Package (DFP), are detailed within Schedule 4 (Classified) to the NZDF Output Plan

Note 2: Deployed force elements across all ECs as determined at any one time. (See details on ECs at the start of this section.)

Region and Mission	NZDF Commitment
Pacific	
United Nations Integrated Mission in Timor-Leste (UNMIT) - Operation KORU (Task Group TOA)	The NZDF currently has one UN Military Liaison Officer deployed to Dili under TG TOA. The role is to monitor the security environment and provide military advice to the Special Representative to the Secretary General. Other duties include ensuring a constructive border agency relationship with Indonesia and to provide specialist officers to the Joint Agencies.
(Task Group KAIHANGA)	In August 2008 there was an increase from two to a total of five personnel for TG KAIHANGA. 2 x Logistics Officer, 2 x Personnel Officers and one Small Arms Instructor are deployed to support the Office of Defence Force Development and are based in Dili. Two Bandsmen were deployed in May 2009 to assist the Timor-Leste Defence Force Band.
(Task Group GYRO)	A NZDF Infantry Company Group is deployed to Timor-Leste as TG GYRO under the command of an ADF led Combined Joint Task Force (CJTF). An additional two aircraft re-fuel personnel and two field security specialists were also added bringing the total to 146 as of May 2009. The Senior National Officer (SNO) is the Deputy Commander of the CJTF. A National Support Element (NSE) of five personnel is also based in Darwin, Australia.
Regional Assistance Mission Solomon Islands (RAMSI) (Operation RATA II)	A NZDF platoon of up to 50 personnel is currently in theatre. A NZDF Officer is the Deputy Commander of the CTF.
Asia	
Support to Multinational Operations against trans-national terrorism in Afghanistan - Operation ARIKI (Task Group CRIB)	Under TG CRIB, the NZDF maintains a presence of 140 personnel as a Provincial Reconstruction Team (PRT) in Bamian, Afghanistan. A number of PRT personnel are based in Bagram to provide a logistic support function as the PRT NSE.
(Task Group KEA)	Under TG Kea, five NZDF personnel are employed with the International Security Assistance Force (ISAF) HQ in Kabul. Three personnel are located at HQ ISAF, one is employed at Bagram Airbase and one is attached to a coalition unit.
(Task Group RUA)	Under TG RUA, two Army Senior Non-Commissioned Officers are attached to a British battalion as part of the United Kingdom Leadership Training Team (UKLTT-A) with the Office of Military Cooperation in Afghanistan (OMC-A).
(Task Group TROY)	Under TG TROY, six NZDF personnel provide a support mechanism for NZDF force elements deployed to the Gulf Region and to assist co-located coalition partners.
(Task Group SPEAK) (USA)	Under TG SPEAK, three NZDF officers are based at US Central Command in Florida, USA to provide planning advice, liaison and assistance for Operation Enduring Freedom in Afghanistan.
(Task Group AFFIRM)	Under TG AFFIRM, the NZDF contributes one officer to work as a Military Advisor in the Military Advisory Unit (MAU) of the UN Assistance Mission Afghanistan (UNAMA).
(Task Group MAANAKI)	Under TG MAANAKI, two medical personnel are attached to the Canadian lead Multi National Medical Centre based in Kandahar, Afghanistan.
UN Command Military Armistice Commission in Korea (UNCMAC) (Operation MONITOR)	Three NZDF officers are deployed to the United Nations Command Military Armistice Commission in the Republic of Korea.

Region and Mission	NZDF Commitment
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, Iraq.
UN Interim Force in Lebanon (UNIFIL)	This mission comprises one New Zealand Army Legal Officer (NZALS) as a staff officer working for the Force Commander UNIFIL in Southern Lebanon from 1 June 2009 to 30 November 2009.
New Zealand Contingent Multinational Force and Observers (NZCMFO) (Operation FARAD)	The Multinational Force and Observers 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 has seven personnel committed to this mission. NZDF personnel are moved and located in either, UNTSO HQ, Jerusalem; or the following outstations: Observer Group Golan – Damascus and Tiberias (OGG-D and OGG-T); Observer Group Lebanon (OGL) and Observer Group Egypt (OGE).
Africa	
United Nations Mission in Sudan (UNMIS) (Operation SUDDEN)	The NZDF currently has 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 the field.

Funding

Funding for this output expense was placed under a three-year, Multi-Year Appropriation for the period 2005/06 to 2007/08. From 1 July 2008, Operationally Deployed Forces was appropriated annually.

Costs for Output Expense 16 (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
21.632	Personnel	20.000	21.873	24.172
44.695	Operating	34.110	53.728	50.925
0.004	Losses on Foreign Exchange	-	-	0.040
0.002	Depreciation	-	3.032	2.363
66.333	Total Expenses	54.110	78.633	77.500
	Income			
69.875	Revenue Crown	53.659	78.049	78.049
0.401	Revenue Other	0.451	0.584	0.800
0.047	Gains on Foreign Exchange	-	-	-
70.323	Total Income	54.110	78.633	78.849
3.990	Net Surplus (Deficit)	-	-	1.349

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The total approved appropriation in 2008/09 for this output expense was \$78.633 million and the total expenditure excluding remeasurements was \$77.460 million. There was no unappropriated expenditure for this output expense.

Services in Support of the Community - including Multi-Agency Operations and Tasks (MAO&T)

General

Conducting the training activities needed to maintain the Directed Level of Capability (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 the Chief of Defence Force, a Service Chief (Navy/Army/Air Force), or the Commander Joint Forces NZ. Details are contained in Defence Force Orders 1 (DFO 1), Chapter 13 - Assistance to Community Organisations.

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 and fire fighting, are less predictable. The NZDF maintains elements at specified degrees of notice (DON) for response to such emergencies.

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 and MOUs.

Elements Available for Emergency Tasks

Service	Performance Achieved – Elements Available [with Degree of Notice (DON) where applicable]
Navy	
<ul style="list-style-type: none"> One frigate (or alternative vessel) at 8 hours' DON for emergency tasks, including Search and Rescue (SAR) and Medical Assistance/Evacuation. 	One frigate or alternative vessel was available.
<ul style="list-style-type: none"> One Inshore Patrol Vessel (IPV), once in service, at 8 hours' DON for emergency tasks, including SAR. 	A nominated vessel was available for the reporting period, given that Project Protector IPVs had yet to complete their introduction into service.
<ul style="list-style-type: none"> One Diving Team at 12 hours' DON for emergency tasks, including under-water search and Explosive Ordnance Disposal (EOD). [Note: EOD only as Improvised Explosive Device Disposal (IEDD) comes under Output Expense 10 - Special Operations Forces]. 	Availability was maintained throughout the period.
<ul style="list-style-type: none"> One 25-person Civil Defence Response Group. 	One 25 person Civil Defence Response Group was available at Devonport.
<ul style="list-style-type: none"> On-shore personnel for fire fighting, as available. 	Availability was maintained throughout the period.
Army	
<ul style="list-style-type: none"> Personnel in the North Island and South Island at 48 hours' DON for emergency tasks, including SAR, Fire Fighting, and Casualty/Medical Evacuation. 	Personnel and groups at Waiouru, Linton, Trentham and Burnham were available at 48 hours' DON.
<ul style="list-style-type: none"> HQ elements on call for Civil Defence in the North Island and South Island to support a Civil Defence HQ. 	These elements were available from the formations.

Service	Performance Achieved – Elements Available [with Degree of Notice (DON) where applicable]
<ul style="list-style-type: none"> Four 25-person Civil Defence Response Groups. 	Four 25-person Civil Defence Response Groups were available.
<ul style="list-style-type: none"> Two 100-person Civil Defence Response National Reserve Groups. 	Two 100-person Civil Defence Response National Reserve Groups were available.
<ul style="list-style-type: none"> One 500-person Reserve for Civil Defence. 	One 500-person Reserve for Civil Defence was available.
<ul style="list-style-type: none"> EOD Teams in North Island and South Island at 12 hours' DON. [Note: EOD only as Improvised Explosive Device Disposal (IEDD) comes under Output Expense 10 - Special Operations Forces]. 	EOD teams were available in the North Island and South Island at 12 hours' DON.
<ul style="list-style-type: none"> In-camp personnel for fire fighting, as available. 	In-camp personnel for fire fighting were available.
Air Force	
<ul style="list-style-type: none"> One Iroquois helicopter at 2 hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation. 	One Iroquois was available at two hours' DON for emergency tasks, including SAR, Fire Fighting and Casualty Evacuation.
<ul style="list-style-type: none"> One Orion (or one Hercules if an Orion is not available) at 2 hours' DON for emergency tasks, including SAR and Aeromedical Evacuation. 	One Orion was available at two hours' DON for emergency tasks, including SAR and Aeromedical Evacuation.
<ul style="list-style-type: none"> One Hercules at 14 hours' DON for emergency tasks. 	One C-130 Hercules aircraft was available at 14 hours' DON for emergency tasks for most of the reporting period. Where dedicated coverage was not available for short periods due to unscheduled servicing, LEP requirements or short-notice tasking, alternative arrangements were made to provide coverage.
<ul style="list-style-type: none"> One EOD Team at 12 hours' DON. [Note: Explosive Ordnance Disposal (EOD) only as Improvised Explosive Device Disposal (IEDD) comes under Output Expense 10 - Special Operations Forces]. 	An EOD team was available at 12 hours' DON.
<ul style="list-style-type: none"> One 25-person Civil Defence Response Group at each Air Base, and elements to support a Civil Defence HQ. 	One 25-person Civil Defence Response Group to support a National Civil Defence Headquarters was available from each base. Staff officers were also available from HQ JFNZ.
<ul style="list-style-type: none"> 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 in many of the NZDF Output Performance Tables contained in this document. 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 refer 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 (MNZ), and related agencies.

The Navy and Air Force, in particular, work closely, individually and/or 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 will continue during 2008/09, significant increase in this support cannot be guaranteed until new/replacement/upgraded vessels 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.

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

NZDF Support to:	Support Provided
NZ Police (excluding Search and Rescue)	<p>RNZAF 3, 5 and 40 Squadrons provided 500.2 flying hours in support of the NZ Police for both training and operations, during which 4,278kg of freight and 202 passengers were carried.</p> <p>The RNZN, NZ Army and RNZAF provided a variety of military support to the NZ Police for both training and operations involving 83 personnel days and 826 km travelled.</p>
Land, Sea and Air SAR (in support of NZ Police, Rescue Coordination Centre New Zealand (RCCNZ), NadiRCC, SuvaMCC, or other requesting agency)	<p>RNZN and RNZAF units provided 17 personnel for a total of 87 personnel days and 120 km travelled in support of SAR exercises and operations.</p> <p>RNZAF 3 and 5 Squadrons provided 200.7 flying hours in support of SAR exercises and operations.</p> <p>The RCCNZ requested the services of RNZAF Liaison Officers on a number of occasions who, along with communications, operations and intelligence personnel provided support to SAR.</p>
Ministry of Civil Defence and Emergency Management	<p>RNZAF 3 Squadron provided a total of 4.5 flying hours for a volcanic activity inspection of Mount Ruapehu, and other reconnaissance flights. A total of 15 passengers were carried.</p>
Department of Conservation (DOC)	<p>HMNZ Ships <i>Te Kaha</i>, <i>Canterbury</i> and <i>Resolution</i> conducted support to DOC through re-supply operations and maritime patrols totalling 27 sea days.</p> <p>RNZAF 3 and 40 Squadrons provided 40.8 hours flying time carrying 3 passengers and 12,903kg of freight in support of DOC.</p> <p>NZ Army provided support in assisting with maintenance and laying of bait for feral pest population eradication totalling 137 personnel days and 314 km travelled.</p>
Department of Corrections	<p>Nil activity recorded for the reporting period.</p>
Environmental Risk Management Authority	<p>Nil activity recorded for the reporting period.</p>
NZ Fire Service and National Rural Fire Authority	<p>NZ Army and RNZAF personnel assisted the NZ Fire Service and National Rural Fire Authority in callouts covering motor vehicle accidents, rural, domestic and structural fires, training and alarm activations totalling 361 personnel days and 4,178 km driven.</p> <p>RNZAF 3 and 6 Squadron flew 19 hours carrying 80 passengers in support of fire operations/training.</p>
Ministry of Fisheries	<p>HMNZ Ships <i>Te Kaha</i> and <i>Resolution</i> conducted 25 sea days of patrols off the NZ coast.</p> <p>RNZAF P-3K aircraft conducted standard fisheries patrols totalling 281.4 flying hours in the reporting period. Operational, intelligence and communications support was also provided to surveillance flights.</p>
Ministry of Foreign Affairs and Trade (MFAT)	<p>HMNZ Ships <i>Te Kaha</i>, <i>Te Mana</i>, <i>Canterbury</i>, <i>Endeavour</i> and <i>Resolution</i> conducted goodwill/diplomacy visits to foreign ports totalling 49 days during the reporting period.</p> <p>RNZAF 5 Squadron Orion P3K aircraft conducted Southern Ocean/Ross Sea and Pacific Island patrols, and 40 Squadron B757 and C-130 aircraft transported a total of 383 passengers and 29,320kg of freight. A total of 606.6 hours was flown in support of these activities.</p>
Government House	<p>NZDF personnel and vehicles were provided in support of Government House ceremonies totalling 273 man days and 3,617 km driven.</p> <p>RNZAF 3 and 42 Squadrons conducted 5.5 flying hours of VIP flights carrying 11 passengers.</p>
Ministry of Health	<p>One NZDF officer spent one week at the National Health Coordination Centre working on the production of contingency plans in response to the swine flu pandemic. An informal regional request for general support in Auckland resulted in the services of one NZDF officer being utilised over a weekend.</p>
Department of Internal Affairs	<p>RNZN, RNZAF and NZ Army Bands and NZDF personnel provided ceremonial, parade and logistical support for foreign dignitaries and state occasions. Other support was accorded to Waitangi 2009, Commonwealth Day and wreath laying ceremonies. A total of 1,017 personnel provided 2,179 man days travelling 20,633kms.</p> <p>RNZAF 40 Squadron flew 13.8 hours in support of the Department of Internal Affairs carrying 52 passengers and 2,395kg of freight.</p>
Maritime New Zealand (MNZ)	<p>RNZAF 3 Squadron provided 12.7 hours flying time in support of MNZ conducting winch training for coast guard elements throughout NZ.</p>

NZDF Support to:	Support Provided
New Zealand Customs Service	<p>HMNZ Ships <i>Te Kaha</i>, <i>Canterbury</i>, <i>Kahu</i> and <i>Resolution</i> provided 27 sea days of patrolling in support of NZ Customs activities.</p> <p>RNZAF 5 and 40 Squadron aircraft carried out standard Customs patrols and surveillance of the Northern EEZ, and yacht routes, flying a total of 92.5 hours.</p> <p>RNZN allocated HMNZ Ships <i>Canterbury</i> and <i>Endeavour</i> and two personnel in support of training NZ Customs Service officers in boarding operations for a total of 20 personnel hours.</p>
Department of the Prime Minister and Cabinet (DPMC)	<p>NZDF units provided support for the DPMC on various occasions.</p> <p>RNZAF 3, 40 and 42 Squadrons flew a total of 32.2 flying hours carrying 30 passengers.</p> <p>The NZDF provided 59 personnel for 110 personnel days with 400 km driven by NZDF vehicles.</p>
Explosive Ordnance Disposal (EOD)	<p>NZDF EOD personnel attended callouts as required 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, 108 personnel days were utilised and vehicles travelled 18,964 km.</p>
Support to the NZ Antarctic Programme (NZAP)	<p>NZDF personnel supported the Harewood Air Movements Section during August 2008 with US C17 flights to Antarctica. Pre-deployment training commenced in August for 26 personnel prior to their deployment to Harewood and Scott Base for the summer season. NZDF personnel were deployed to Harewood (23) and Scott Base (18) during the season.</p> <p>RNZAF 40 Squadron C130 Hercules provided seven return flights totalling 51.2 flying hours, carrying 145 passengers and 29,064 kg of freight.</p>
Disaster Relief (South Pacific)	<p>Nil activity recorded for the reporting period.</p>
Detection of Pollution	<p>Nil activity recorded for the reporting period.</p>
Other Agency Support, as applicable	<p>Nil activity recorded for the reporting period.</p>
General Medical Assistance/Support	<p>NZ Army attended to 145 civilian personnel during the reporting period. A total of 250 km was travelled and involved 480 man hours.</p> <p>The RNZN Hyperbaric Chamber and the associated medical staff treated 47 civilian divers. A total of 2,918 personnel hours (365 personnel days) were used.</p>
General Community Support	<p>The NZDF continued to provide a wide range of support to the community and various organisations across New Zealand such as Rotary, Lions, Red Cross, RSAs and other service 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. Some 4,000 personnel provided in excess of 46,000 personnel days and travelled more than 75,000 km. Additionally, RNZAF 3, 6, 40 and 42 Squadrons provided 42.3 flying hours carrying 151 passengers and 1,900 kg of freight.</p>
General Training Courses	<p>NZ Army facilities, personnel and vehicles were provided to train a variety of personnel. This involved 61 personnel hours and 203 km travelled in support of this training.</p>

Costs

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 Four

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, as well as 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;
- facilitating and co-ordinating the services provided to veterans and their families by other government departments and agencies; and
- facilitating veterans' access to services within the broader community.

Accountability Arrangements

The Chief of Defence Force, as 'Chief Executive', is responsible to the Minister of Veterans' Affairs for the financial management of Veterans' Affairs New Zealand under the Public Finance Act 1989. Veterans' Affairs New Zealand is subject to the accountability and monitoring frameworks under that Act.

The New Zealand Defence Force is not a Department of the Public Service under the First Schedule of the State Sector Act 1988 and Veterans' Affairs New Zealand does not come under the auspices of the State Sector Act 1988. Veterans' Affairs New Zealand is not, therefore, subject to the accountability and monitoring frameworks and processes under the State Sector Act 1988

Primary Legislation

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

- Patriotic and Canteen Funds Act 1947;
- War Pensions Act 1954;
- Burial and Cremation Act 1964;
- Defence Act 1990; and
- Veterans' Affairs Act 1999

Links with the Government's Policy and Themes

The Government's stated intent underpinning policy related to veterans is "Respecting Veterans, Honouring Service." This is substantiated by the broader principles of:

- Respecting Veterans;
- Strengthening Communities; and
- Dignity for Older New Zealanders.

The services provided to veterans support these principles and are focused on respecting the contribution made by veterans and honouring the service that they have given to the community.

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

The specific initiatives addressed within the Veterans' Affairs New Zealand outcomes for 2008/09 are reported below.

Outcome: Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.

Support Activity: The management and administration of the commemorations programme.

Veterans' Affairs New Zealand administers funding for veterans' groups to hold reunions and to allow veterans to undertake battlefield revisits. In the 2008/09 year, funding was provided to 41 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 for them. Veterans were funded to travel on the J-Force Veterans Return to Japan, Whiskey 3 trip to Viet nam, 50th anniversary of the 2nd NZ Regiment deployment to Malaya, NZ Korean Veteran's Association revisit of Korea and the 3rd Div commemoration in New Caledonia.

Funding was also provided to 12 groups to assist with the organisation of New Zealand-based events and reunions.

There were no government sponsored commemorations in the 2008/09 year.

A successful commemoration was held in Gallipoli in April 2009 to commemorate the 94th anniversary of the Gallipoli Landings. Numbers attending the Dawn Service were down to approximately 7,500 from the 2008 figure of 11,000.

The success of this commemoration is largely due to the degree of co-operation between officials from Turkey, New Zealand and Australia.

The 2009 commemoration was seen as a dress rehearsal for the 95th anniversary in 2010.

The programme to provide certificates of appreciation was initially implemented in 2006 for the 'Year of the Veteran'. This initiative has proven to be a successful means of acknowledging service and has been continued.

Outcome: The development of a five year capital works plan for the maintenance and development of services cemeteries.

This has not been completed. This led to an underspend in the “Development and Maintenance of Services Cemeteries” Output Expense in the 2008/09 year.

A framework has been developed and work done to spread larger projects across financial years. In the 2009/10 year, after consultation with local authorities, an ongoing process for the long term planning of development and maintenance work in Services Cemeteries will be developed.

Outcome: Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and veterans have information about and access to services and supports that promote wellbeing.

Support Activity: Implementation of the findings of the review of services to veterans.

Two reviews of Veterans’ Affairs New Zealand were undertaken in 2006 and 2007. As a result of these reviews the Cabinet agreed that:

- the semi-autonomous body status of Veterans’ Affairs New Zealand would be revoked and that Veterans’ Affairs New Zealand would become an operational unit of the New Zealand Defence Force, with the Chief of Defence Force having full accountability and responsibility; and
- full responsibility for War Disablement Pensions would be transferred to Veterans’ Affairs New Zealand and that Veterans’ Affairs New Zealand case managers would be responsible for facilitating access to services for veterans who are in receipt of War Disablement Pensions.

On receipt of the Cabinet decision, a full implementation plan was developed with the objective of making the formal change of responsibility operational from 1 July 2008. Implementation was achieved with the exception of the electronic systems associated with the payment of War Disablement Pensions. The Ministry of Social Development (MSD) continued to make War Disablement Pension payments up until 5 August 2008.

In implementing the outcomes of the review, a number of internal reviews of process and service delivery systems have been undertaken to ensure that the systems that are in place are responsive to the needs of veterans. The recommendations of these reviews, where practicable, have been implemented.

As part of the process of integrating the two organisations, training is being provided to staff to ensure that they have knowledge of the services and support available.

Primary level decision making has been reviewed and a comprehensive training manual developed for primary level decision makers. Regular training has been introduced for primary level decision makers. In addition, 10% of the decisions made by the War Pensions Claims Panels are reviewed to ensure consistency of decision making. Any issues identified as a result of this process form part of the claims panels training process.

Outcome: Improve the information provided to veterans, and the way that information is provided, to ensure that the communication mechanisms used are appropriate and reach all veterans.

A dedicated enquiry line has been established. This group has been resourced to deal with all incoming calls. Information sheets and forms are being standardised and new material developed to ensure that veterans are able to access the information they need. Work is also being undertaken to update the Veterans’ Affairs New Zealand website.

The General Manager Veterans' Affairs/Secretary for War Pensions and other members of Veterans' Affairs New Zealand staff have made presentations at various ex-service group seminars. A regular process of briefing serving personnel has also been developed.

Outcome: The development of registration databases for various veteran cohorts. This will make VANZ aware of the veteran groups in the population and enable VANZ to contact specific groups of veterans to make them aware of services. This will provide the basis for establishing mechanisms for the monitoring of ongoing health and wellbeing issues of various veteran cohorts.

As part of the Memorandum of Understanding with the Royal New Zealand Returned and Services Association and Ex Viet Nam Services Association to address the concerns of Viet Nam veterans, Veterans' Affairs New Zealand has developed a registration database for Viet Nam veterans and their families. This has provided a valuable basis for the development of databases for other veterans groups.

Outcome: 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 that 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 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.

Statement of Objectives and Service Performance

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.	Policy and Administration
	Support for Veterans and their Families
Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and they have information about and access to services and supports that promote wellbeing.	Policy and Administration
	Support for Veterans and their Families
The veterans' perspective is considered as part of government decision-making on issues that impact on their lives.	Policy and Administration

Departmental Output Expenses

Departmental Output Expense D1: Policy and Administration

Description

The purchase of the provision of policy advice on, and administration of, a wide range of issues relating to veterans' entitlements, care, and recognition. This includes the provision of administrative services to relevant boards and committees, the coordination of commemorations, the administration of contracts for service for, and undertaking quality audits of, maintenance and development work carried out in Services Cemeteries.

Overview

All but two performance targets were met.

Performance

Performance Standards and Measures	Performance Achieved
Provide policy advice to the Minister of Veterans' Affairs on veterans' entitlements, care and recognition	
95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	100% of all replies to requests were completed within 20 days of receipt.
95% of drafts of policy papers presented to the Minister will be accepted on their first presentation.	100% of first drafts of all policy papers were accepted on their first presentation.
Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options, consultation, practicality and presentation).	All of these defined characteristics were met.
90% of responses to submissions, other than policy papers, accepted without amendment.	100% of responses to submissions, other than policy papers, were accepted without amendment.
Provide Ministerial Servicing and Support	
95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	Due to staffing levels, 88% of all replies to requests were completed within 20 days of receipt.
95% of responses accepted without amendment.	100% of responses were accepted without amendment.

Performance Standards and Measures	Performance Achieved
Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board	
All arrangements and actions will meet the Boards' requirements.	All arrangements and actions met the Boards' requirements.
95% of actions defined by Boards will be completed within 20 working days after decisions made, unless otherwise specified.	100% of actions defined by Boards were completed within 20 working days after decisions were made.
Management of Rehabilitation Loan Scheme	
Provide information to MSD in a timely manner to enable them to make payments 100% of the time.	Information was provided to MSD in a timely manner to enable them to make payments 100% of the time. Veterans' Affairs New Zealand took this function over from MSD in August 2008.
Administration of maintenance agreements and contracts for service relating to the maintenance and development of Services Cemeteries	
Contracts to be current, legally correct and clearly specify maintenance and development requirements.	Contracts were current, legally correct and clearly specified maintenance and development requirements.
No breaches of contract by Veterans' Affairs New Zealand.	There were no breaches of contract by Veterans' Affairs New Zealand.
Breaches of contracts by contractors will be managed as per the conditions in the contract.	There were no breaches of contract.
100% of Services Cemeteries will have maintenance agreements specifying the maintenance standards in place.	99% of Service Cemeteries had maintenance agreements specifying the maintenance standards in place. (One council has signed subsequent to 30 June 2009.)
Quality Audits of Services Cemeteries	
100% of specifications outlined in contracts for service have been met.	100% of the specifications outlined in contracts for service were met.
Services Cemeteries are maintained to the satisfaction of VANZ, Local Authorities, the RSA and veterans' representative organisations.	Service Cemeteries were maintained to the satisfaction of VANZ, Local Authorities, the RSA and veterans' representative organisations.
Coordinate New Zealand's participation in the commemoration of significant military anniversaries	
Participation to be delivered in accordance with agreed parameters and budget.	Participation was delivered in accordance with agreed parameters and budgets.
The event coordination will be to the satisfaction of the key stakeholders.	Event coordination was to the satisfaction of key stakeholders.

Conditions

Reference	Conditions
Quality Characteristics	Description
Purpose	The aims of the papers are clearly stated and answer the questions the Minister has raised.
Logic	The assumptions behind the advice are explicit, the argument is logical and supported by facts.
Accuracy	The facts in the papers are accurate and all material facts have been included.
Options	An adequate range of options has been presented and each is assessed for benefits, costs and consequences to the Government and the community.
Consultation	Evidence of adequate consultation with interested parties and possible objections to proposals have been identified.
Practicality	The problems of implementation, technical feasibility, timing and consistency with other policies have been considered.
Presentation	The format meets Cabinet Office requirement, the material is effectively and concisely summarised, has short sentences in plain English, and is free from spelling and grammatical errors.

Costs of Output Expense D1: Policy and Administration (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
1.777	Personnel	1.085	0.563	0.572
1.405	Operating	0.584	1.678	1.259
-	Capital Charge	-	0.028	0.028
3.182	Total Expenses	1.669	2.269	1.859
	Income			
4.901	Revenue Crown	1.669	2.269	2.269
0.008	Revenue Other	-	-	-
4.909	Total Income	1.669	2.269	2.269
1.727	Net Surplus (Deficit)	-	-	0.410

Departmental Output Expense D2: Services and Payments to Veterans**Description**

To purchase the assessment of entitlements and benefits and the provision of appropriate services. This includes the assessment and review of entitlements and benefits - War Disablement Pension, Veterans' Pension and burial in Services Cemeteries, the provision and installation of ex-service memorials for eligible veterans and the provision of case management for veterans and their families.

Overview

Most performance targets were met.

A staffing issue meant the target for review and re-openings of pensions by the War Pensions Claims Panel was not achieved. This issue has now been resolved.

Due to the increase in the number of claims to the War Pensions Appeal Board, only 4% of appeals were heard within three months. Action has now been taken to have the Appeal Board meet more frequently.

There have been some difficulties with completion rates for the manufacture and installation of ex-Service memorials. This issue is being addressed.

Because of restructuring, the case management survey was not completed during the reporting period.

Performance Standards and Measures	Performance Achieved
Assess and Review Entitlements to War Disablement Pension and Veterans Pension	
Assessments and Reviews will be conducted against extant policy.	Assessments and Reviews were conducted against extant policy.
95% of assessments will be completed within 10 working days of receipt by the War Pensions Claims Panel.	The War Pensions Claims Panels made decisions on 20,314 applications for disabilities for war disablement pensions. 100% of assessments were completed within 10 working days of receipt by the War Pensions Claims Panel.

Performance Standards and Measures	Performance Achieved
95% of reviews and re-openings will be completed within three months of receipt by the National Review Officer.	<p>The National Review Officer undertook 255 reviews of the decisions of the War Pensions Claims Panel and considered the re-opening of 218 claims for re-consideration by the War Pensions Claims Panel at the request of the veteran concerned.</p> <p>18% of reviews and re-openings were completed within three months of receipt.</p> <p>A staffing issue meant that there was no fulltime National Review Officer for five months. This has now been resolved.</p>
95% of reviews will be completed within three months of receipt by the Secretary for War Pensions.	<p>The Secretary for War Pensions undertook 772 administrative reviews of war disablement pension claims.</p> <p>Due to an increase in the number of complex retrospective reviews that took longer to resolve, 77% of reviews were completed within three months of receipt.</p>
95% of appeals will be heard within three months of receipt by the War Pensions Appeal Board.	<p>The War Pensions Appeal Board considered 46 appeals.</p> <p>4% of appeals were heard within three months of receipt.</p> <p>The number of claims placed before the Appeal Board has increased. Action has been taken to have the Appeal Board sit more frequently to clear the claims.</p>
Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans	
99.5% of ex-service memorials will be factually correct, meet technical specifications as contracted and be correctly installed.	<p>A total of 1,932 orders for ex-service memorial plaques and headstones were assessed for eligibility, ordered from the manufacturer and installation arranged.</p> <p>100% were factually correct, technically correct and correctly installed.</p>
Decisions on eligibility for ex-service memorials will be made within legislative parameters.	Decisions were made on eligibility for ex-service memorials within legislative parameters.
Where correct documentation has been supplied with the application, 75% of ex-Service memorials will be manufactured and installed within four months of receipt of the order.	When correct documentation was supplied, 61% of all ex-service memorials were manufactured and installed within four months of receipt. There have been difficulties with turn around times. Work is being undertaken with the manufacturer to address this.
Provide Case Management	
95% of new referrals to case management will be assigned a case manager within 5 working days.	<p>100% of all new referrals to case management were assigned a case manager within five working days.</p> <p>(Team Leaders Case Management assign all new cases within five working days of referral into Veterans' Affairs New Zealand. An online register is maintained to record all new referrals and the date recorded in terms of when a case manager is assigned.)</p>
100% of active cases will be contacted every 4 months (in the range 1 to 4 months) to monitor progress and the effectiveness of the interventions put in place.	<p>A total of 6,314 veterans and their family members were case managed.</p> <p>100% of all active cases were contacted, with the exception of the first and second quarters, to monitor the progress and the effectiveness of the interventions put in place. Call backs did not meet the required standard in the first and second quarters due to the increase in the number of cases being managed and the fact that the service was not fully staffed.</p>
85% of 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 case management service being restructured as part of the review of VANZ, the case management satisfaction survey was not undertaken.

Conditions

Reference	Conditions
Extant Policy.	Policy complies with the War Pensions Act 1954.
Technical specifications for ex-service memorials.	Ex-service memorial must meet specified size, material composition and finish as per the relevant contract specifications.
Eligibility for ex-service memorials.	Decision on eligibility for ex-service memorials will be made on the basis of Section 15 of the Burial and Cremation Act 1964.

Costs of Output Expense D2: Services and Payments to Veterans (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
	Expenditure			
1.238	Personnel	0.977	3.334	3.389
1.161	Operating	1.295	2.179	1.663
2.399	Total Expenses	2.272	5.513	5.052
	Income			
2.153	Revenue Crown	1.795	5.036	5.036
0.381	Revenue Other	0.477	0.477	0.386
2.534	Total Income	2.272	5.513	5.422
0.135	Net Surplus (Deficit)	-	-	0.370

Non-Departmental Expenses

Non-Departmental Output Expense O1: Development and Maintenance of Services Cemeteries

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Veterans are acknowledged and recognised for their service and sacrifice and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation.	Development and Maintenance of Services Cemeteries
	Services to Veterans
Working in partnership with the NZDF, the impacts of service on eligible veterans and their dependants are monitored and they have information about and access to services and supports that promote wellbeing.	Services to Veterans

Description

The purchase of the development and maintenance of Services Cemeteries.

Overview

All targets were met.

Performance

Performance Standards and Measures	Performance Achieved
Develop and Maintain Services Cemeteries	
90% of works carried out under contract will comply with agreed contract standards.	100% of all work carried out under contracts complied with agreed contract standards.
100% of Services Cemeteries will be maintained to specified standards.	100% of all Services Cemeteries were maintained to specified standards.
Works in Services Cemeteries will be managed in accordance with an agreed annual programme.	Capital works were managed in accordance with the annual agreed programme.
Works carried out will be to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	Works were carried out to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.

Conditions

Reference	Conditions
Standards for Services Cemeteries.	These define the maintenance standards for service cemeteries that Local Authorities need to meet in order to receive maintenance grants.
Works in Services Cemeteries.	All work funded under this appropriation is contracted with specifications around the work to be undertaken.

Costs of Non-Departmental Output Expense O1: Development and Maintenance of Services Cemeteries (GST Inclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
0.745	Total Expenses	0.746	0.746	0.605

Non-Departmental Output Expense O2: Support for Veterans and Their Families

Description

To provide for the support of veterans and their families. This includes the provision of counselling for veterans' families, the reimbursement of out of pocket expenses for veterans' children with specified conditions and additional support for veterans to facilitate them remaining in their own homes for as long as possible.

Overview

One out of two targets was met.

Performance

Performance Standards and Measures	Performance Achieved
Support for Veterans and Their Families	
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	Due to the case management service being restructured as part of the review of VANZ, the case management satisfaction survey was not undertaken.
95% of works carried out under contract will comply with agreed contract standards.	100% of all work carried out under contracts complied with agreed contract standards.

Conditions

Reference	Conditions
Services.	All interventions are contracted with specifications around the work to be undertaken.

Costs for Non-Departmental Output Expense O2: Support for Veterans and their Families (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
0.963	Total Expenses	2.027	1.577	1.544

Non-Departmental Benefits and Other Unrequited Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome - Working Age People	Medical Treatment, Veteran's Pension, and War Disablement Pensions.
Outcome - Older People	Interest Concessions Land and Buildings, Medical Treatment, Veteran's Pension, and War Disablement Pensions.
Outcome - Communities, Hapū and Iwi	Interest Concessions Land and Buildings
Objective - Strengthening communities. Build our relationships with, and the capability of, the community and voluntary sector to ensure that New Zealand families and communities are strong and resilient.	

Non-Departmental Benefits and Other Unrequited Expenses B1: War Disablement Pensions

Description

Provision to pay War Disablement Pensions to ex-service people who have a disability attributable to, or aggravated by service in a declared war or emergency at any time, or in routine service prior to 1 April 1974 as set out in the War Pensions Act 1954. This appropriation also covers Surviving Spouse Pensions as set out in the War Pensions Act 1954, the allowances set out under the War Pensions Act 1954 and the War Pensions Regulations 1956.

Conditions

Reference	Conditions
War Disablement Pensions are paid in accordance with the criteria set out in the War Pensions Act 1954, the allowances set out under the War Pensions Act 1954, and the War Pensions Regulations 1956.	<p>A War Disablement Pension may be payable to:</p> <ul style="list-style-type: none"> ex-service personnel whose disablement is attributable to, or has been aggravated by their service in a recognised war or emergency, and routine service personnel whose disablement was caused by, or aggravated by, Service prior to the implementation of the Accident Compensation Act (now known as Injury Prevention, Rehabilitation, and Compensation Act 2001) on 1 April 1974. <p>A War Disablement Pension may be received on its own or in conjunction with other social assistance or income.</p> <p>Weekly payments range from \$9.10 for a 5% disablement to \$182.02 for a 100% disablement. An additional pension of up to 60% may be awarded to those already in receipt of a 100% pension in cases of severe disablement (up to a total pension payment of \$320.34). Surviving Spouse Pension of \$134.26 per week may be payable to surviving spouses or surviving partners of ex-service personnel or routine-service personnel in certain circumstances. This pension is paid in addition to any other social assistance or income. There is also provision to pay specific concessions and allowances to veterans with certain disabilities, and educational bursaries to children of veterans. Educational bursary payments range from \$199.46 to \$946.79 per child, per year.</p>

Costs for Non-Departmental Benefits and Other Unrequited Expenses B1: War Disablement Pensions (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
-	Total Expenses	-	144.059	124.956

Non-Departmental Benefits and Other Unrequited Expenses B2 - Medical Treatment

Description

Provision to pay assessment costs for War Disablement Pension applications and reviews, medical treatment costs for accepted service-related disabilities, and the costs of appliances and aids required as a result of an accepted disability. All costs associated with medical treatment are set out in the War Pensions Regulations 1956.

Conditions

Reference	Conditions
Medical treatments paid in accordance with the War Pensions Regulations 1956.	<p>Medical Treatment is a War Disablement Pension entitlement available for disabilities found to be attributable to or aggravated by service with the armed forces prior to 1 April 1974, or as a result of service on or after 1 April 1974 in connection with a recognised war or emergency. This entitlement covers medical assessment costs and costs related to individual veteran's medical treatment, including pharmaceutical supplies, aids and appliances, and travel associated with medical appointments. Medical Treatment is paid on an ad hoc basis and is made up of three categories: Medical Treatment (excluding Australia), Australian Medical Treatment, and Aids and Appliances.</p>

Costs for Non-Departmental Benefits and Other Unrequited Expenses B2: Medical Treatment (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
-	Total Expenses	-	22.476	19.181

Non-Departmental Benefit and Other Unrequited Expense B3: Interest Concessions: Land and Buildings

Description

Provision of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941. Legislation enacting the scheme was repealed in August 1991 and the Rehabilitation Loan Programme has since ceased. Current provisions cover the grand parenting of loans.

Reference	Conditions
Interest Concessions Land and Buildings - Rehabilitation Loan rates are set in accordance with the Rehabilitation Act 1941. Payments continue under section 3 of the Rehabilitation Repeal Act 1991.	The Rehabilitation Loan Programme funds the difference between the fixed 3% or 5% interest rate, available to eligible ex-service personnel for their mortgage, and the current market rate. No further Rehabilitation Loans are available. These loans are being 'grand-parented' out of the system for all recipients current immediately prior to 1 August 1991. All current loans have a value of below \$11,000.

Costs for Non-Departmental Benefit and Other Unrequited Expense B3: Interest Concessions Land and Buildings (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
-	Total Expenses	-	0.046	0.037

Non-Departmental Other Expenses

Non-Departmental Other Expenses OE1: Ex-Gratia Payments

Description

Provision of payments to: veterans and/or members of their family with accepted conditions; veterans for one-off medical assessments; the EVSA (Neville Wallace Memorial) Youth Development Trust and the Viet Nam Veterans' and Their Families Trust.

Costs for Non-Departmental Other Expenses OE1: Ex-Gratia Payments (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
1.187	Total Expenses	-	0.800	0.598

Non-Departmental Other Expenses OE2: Debt Write-down for Benefits and Other Unrequited Expenses

Description

This appropriation is limited to the write-down of Crown debtors administered by the New Zealand Defence Force due to the requirement to comply with Crown accounting policies and generally accepted accounting principles (GAAP).

Costs for Non-Departmental Other Expenses OE2: Debt Write-Down for Benefits and Other Unrequited Expenses (GST Exclusive)

Actual 2007/08 (\$ million)	Category	Main Estimates (\$ million)	Supplementary Estimates (\$ million)	Actual 2008/09 (\$ million)
-	Total Expenses	-	0.250	0.015

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 2009.

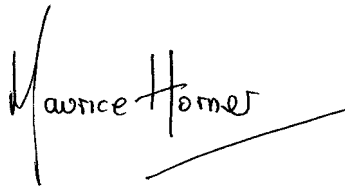
Signed by:



J. MATEPARAE
Lieutenant General
Chief of Defence Force

20 August 2009

Countersigned by:



M. HORNER
Corporate Financial Officer

20 August 2009

Audit Report**To the readers of the
New Zealand Defence Force's
Financial Statements and Statement of Service Performance
for the year ended 30 June 2009**

The Auditor-General is the auditor of the New Zealand Defence Force. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the New Zealand Defence Force for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the New Zealand Defence Force on pages 140 to 148 and 152 to 175:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the New Zealand Defence Force's financial position as at 30 June 2009;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the New Zealand Defence Force and each class of outputs included in each output expense appropriation for the year ended on that date; and
 - its unappropriated expenses and capital expenditure for the year ended on that date.
- The schedules of non-departmental activities on pages 149 to 151 fairly reflect the assets, liabilities, expenses, contingencies, commitments and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2009.
- The statement of service performance of the New Zealand Defence Force on pages 28 to 122 and 127 to 135:
 - 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 included 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 included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 20 August 2009, 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 of Defence Force 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 of Defence Force;
- 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 of Defence Force and the Auditor

The Chief of Defence Force 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 2009 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the New Zealand Defence Force and each class of outputs included in each output expense appropriation for the year ended 30 June 2009. The financial statements must also fairly reflect the New Zealand Defence Force's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief of Defence Force is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2008 that must fairly reflect the assets, liabilities, expenses, contingencies, commitments and trust monies managed by the New Zealand Defence Force on behalf of the Crown for the year ended 30 June 2009.

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.

The Chief of Defence Force's responsibilities arise from sections 45A and 45B 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.

In addition to the audit, we have carried out independent quality assurance over tendering and contract management reviews which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the New Zealand Defence Force.



S. B. Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements, Statement of Service Performance and Schedules of Non-Departmental Activities

This audit report relates to the financial statements, statement of service performance, and schedules of non-departmental activities of the New Zealand Defence Force for the year ended 30 June 2009 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, statement of service performance, and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of performance, and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance, and schedules of non-departmental activities. 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, statement of service performance, schedules of non-departmental activities, and the related audit report dated 20 August 2009 to confirm the information included in the audited financial statements, statement of service performance, and schedules of non-departmental activities presented on this website.

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

NZDF Financial Statements

Statement of Financial Performance for the Year Ended 30 June 2009

30 June 08			30 June 09	30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates	Total Appropriation
(\$000)			(\$000)	(\$000)	(\$000)	(\$000)
	Income					
1,874,992	Crown	3	2,083,494	2,045,532	2,083,494	2,083,494
10,062	Departmental	4	13,579	10,942	12,942	12,942
6,954	Other Revenue		6,837	8,643	10,643	10,643
14,799	Gains	5	45,281	-	30,693	59,516
78	Interest		49	100	100	100
1,906,885	Total Income		2,149,240	2,065,217	2,137,872	2,166,695
	Expenditure					
691,791	Personnel costs	6	816,443	764,208	813,708	813,708
556,870	Operating costs	7	611,639	589,784	573,440	602,263
279,755	Depreciation and amortisation	8	306,200	349,671	319,844	319,844
356,601	Capital charge	9	400,428	361,454	400,427	400,427
1,885,017	Total Output Expenditure		2,134,710	2,065,117	2,107,419	2,136,242
1,940	Other operating expenses	10	2,819	-	3,000	3,000
1,886,957	Total Expenditure		2,137,529	2,065,117	2,110,419	2,139,242
19,928	Net Surplus		11,711	100	27,453	27,453

Statement of Other Comprehensive Income

30 June 08			30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
19,928	Net Surplus		11,711	100	27,453
514,633	Gain on revaluation	11	454,885	-	-
534,561	Total Other Comprehensive Income		466,596	100	27,453

Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2009

30 June 08			30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Balance at 1 July				
3,570,383	General funds	11	3,655,619	3,653,523	3,655,619
1,132,138	Revaluation reserve	11	1,647,789	1,134,132	1,647,789
4,702,521			5,303,408	4,787,655	5,303,408
19,928	Net surplus for the year		11,711	100	27,453
514,633	Total revaluation gains	11	454,885	-	-
534,561	Total Comprehensive Income for the Period		466,596	100	27,453
(7,069)	Repayment of surplus	17	(24,005)	(100)	(100)
73,395	Capital contribution		54,930	54,190	54,930
-	Capital withdrawal		(80,000)	-	(80,000)
5,303,408	Balance as at 30 June		5,720,929	4,841,845	5,305,691
3,655,619	General funds	11	3,618,986	3,707,713	3,658,016
1,647,789	Revaluation reserve	11	2,101,943	1,134,132	1,647,675

Reconciliation of Changes in Taxpayers' Funds

30 June 08			30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	General Funds				
3,570,383	Balance as at 1 July		3,655,619	3,653,523	3,655,619
19,928	Net Surplus		11,711	100	27,453
(7,069)	Provision for the repayment of surplus		(24,005)	(100)	(100)
73,395	Capital contribution		54,930	54,190	54,930
-	Capital withdrawal		(80,000)	-	(80,000)
(1,018)	Transfer from revaluation reserves on disposal	11	731	-	114
3,655,619	Balance as at 30 June		3,618,986	3,707,713	3,658,016
	Revaluation Reserve				
1,132,138	Balance as at 1 July		1,647,789	1,134,132	1,647,789
514,633	Revaluation Gains		454,885	-	-
1,018	Gain on revaluation	11	(731)	-	(114)
1,647,789	Balance as at 30 June		2,101,943	1,134,132	1,647,675
5,303,408	Total Taxpayers' Funds		5,720,929	4,841,845	5,305,691

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2009

30 June 08			30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Assets				
	Current Assets				
80,530	Cash and cash equivalents		13,099	30,050	21,464
17,691	Debtors and other receivables	12	28,617	9,465	4,300
197,738	Debtor - Crown		161,244	141,191	201,245
33,306	Prepayments		38,150	30,059	35,000
82,820	Inventories	13	95,178	104,745	97,827
3,799	Derivatives in gain	21	3,746	-	-
415,884	Total Current Assets		340,034	315,510	359,836
	Non-Current Assets				
4,957,082	Property, plant and equipment	14	5,482,912	4,514,468	4,979,277
16,756	Intangible Assets	15	14,213	21,227	16,518
171,355	Inventories	13	175,300	194,526	181,679
1,845	Derivatives in gain	21	46	-	-
5,147,038	Total Non-Current Assets		5,672,471	4,730,221	5,177,474
5,562,922	Total Assets		6,012,505	5,045,731	5,537,310
	Liabilities				
	Current Liabilities				
168,351	Creditors and other payables	16	175,623	136,951	147,490
7,069	Surplus repayable	17	24,005	100	100
5,586	Provisions	18	4,031	3,990	4,029
27,636	Employee entitlements	19	31,074	21,500	29,000
346	Derivatives in loss	21	3,492	-	-
208,988	Total Current Liabilities		238,225	162,541	180,619
	Non-Current Liabilities				
50,526	Employee entitlements	19	49,079	41,345	51,000
-	Derivatives in loss	21	4,272	-	-
50,526	Total Non-Current Liabilities		53,351	41,345	51,000
259,514	Total Liabilities		291,576	203,886	231,619
5,303,408	Net Assets		5,720,929	4,841,845	5,305,691
	Taxpayers' Funds				
3,655,619	General funds	11	3,618,986	3,707,713	3,658,016
1,647,789	Revaluation reserve	11	2,101,943	1,134,132	1,647,675
5,303,408	Total Taxpayers' Funds		5,720,929	4,841,845	5,305,691
5,562,922	Total Liabilities and Taxpayers' Funds		6,012,505	5,045,731	5,537,310

Statement of Cash Flows for the Year Ended 30 June 2009

30 June 08			30 June 09	30 June 09	30 June 09
Actual		Note	Actual	Main Estimates	Supplementary Estimates
(\$000)			(\$000)	(\$000)	(\$000)
	Cash Flow – Operating Activities				
1,815,042	Receipts from Crown		2,119,988	2,102,079	2,079,987
11,281	Receipts from departments		16,377	10,942	16,443
3,670	Receipts from other		12,110	8,743	20,633
(681,368)	Payments to employees		(809,139)	(764,861)	(806,189)
(553,550)	Payments to suppliers		(605,986)	(603,046)	(582,539)
(356,601)	Payments for capital charge		(400,428)	(361,454)	(400,427)
2,367	Goods and services tax (net)		(3,056)	(5,294)	(2,570)
240,841	Net Cash Flow from Operating Activities	25	329,866	387,109	325,338
	Cash Flows – Investing Activities				
1,911	Receipts from sale of property, plant and equipment		28,929	-	7,207
(352,792)	Purchase of property, plant and equipment		(391,132)	(429,067)	(352,677)
(5,704)	Purchase of intangible assets		(2,955)	(8,000)	(6,795)
(356,585)	Net Cash Flow from Investing Activities		(365,158)	(437,067)	(352,265)
	Cash Flows from Financing Activities				
73,395	Capital contribution		54,930	54,190	54,930
-	Capital withdrawal		(80,000)	-	(80,000)
(6,182)	Repayment of surplus		(7,069)	(100)	(7,069)
67,213	Net Cash Flow from Financing Activities		(32,139)	54,090	(32,139)
(48,531)	Net increase / (decrease) in cash		(67,431)	4,132	(59,066)
129,061	Cash at the beginning of the year		80,530	25,918	80,530
80,530	Cash and Cash Equivalents at the End of the Year		13,099	30,050	21,464

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

Statement of Commitments as at 30 June 2009

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Capital Commitments	
812,964	Property, plant and equipment	915,967
812,964		915,967
334,028	Not later than one year	509,322
478,936	Later than one year and not later than five years	406,645
812,964	Total Capital Commitments	915,967
	Non-Cancellable Operating Lease Commitments	
12,214	Not later than one year	12,140
28,452	Later than one year and not later than five years	29,710
67,110	Later than five years	62,343
107,776	Total Non-Cancellable Operating Lease Commitments	104,193
	Other Non-Cancellable Contracts	
123,170	Not later than one year	75,347
77,876	Later than one year and not later than five years	73,827
2,225	Later than five years	15,823
203,271	Total Other Non-Cancellable Contracts	164,997
1,124,011	Total Commitments	1,185,157

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. These leases have a non-cancellable period ranging from 6 months to 19 years.

Other Non-Cancellable Contracts

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

Statement of Contingent Liabilities and Assets as at 30 June 2009**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 08		30 Jun 09
Actual (\$000)		Actual (\$000)
6,096	Potential claims from legal proceedings and disputes	5,522
6,700	Restructuring cost	6,180
12,796	Total quantifiable contingent liabilities	11,702

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 (2008 nil).

Statement of Indemnities for the Year Ended 30 June 2009

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 the 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. The 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 the 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 NZDF of the terms of a lease to access a satellite owned by the company.

The NZ Blood Services in respect of blood products.

United Airlines in respect of a contract for the provision of flight simulation training services to the NZDF.

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

Statement of Departmental Expenses and Capital Expenditure against Appropriations for the year ended 30 June 2009

30 June 08			30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09
Actual			Main Estimates	Supplementary Estimates	Section 26A Changes	Section 26B Changes	Total Appropriation	Actual Expenditure excluding Remeasurements	Remeasurements	Actual Expenditure including Remeasurements
(\$000)			(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
		Vote: Defence Force								
		Output Appropriations								
10,388	1	Military Policy Development, Coordination & Advice	10,352	13,374	150	-	13,524	13,517	-	13,517
385,932	2	Naval Combat Forces	398,056	397,663	250	4,885	402,798	400,739	6,050	406,789
90,365	3	Naval Support Forces	108,664	102,089	-	1,502	103,591	103,313	1,855	105,168
26,582	4	Mine Countermeasures (MCM) and MCM Diving Forces	30,950	27,685	-	362	28,047	27,918	447	28,365
58,214	5	Naval Patrol Forces	104,652	82,859	-	1,307	84,166	79,915	1,617	81,532
15,007	6	Military Hydrography and Hydrographic Data Collection and Processing for LINZ	15,996	16,253	300	74	16,627	16,473	91	16,564
328,980	7	Land Combat Forces	354,832	357,046	-	4,000	361,046	360,468	4,956	365,424
173,851	8	Land Combat Support Forces	201,599	198,810	-	2,359	201,169	199,248	2,922	202,170
137,808	9	Land Combat Service Support Forces	154,984	151,978	-	1,899	153,877	151,790	2,352	154,142
52,037	10	Special Operations Forces	62,968	60,245	-	940	61,185	60,829	1,164	61,993
78,568	11	Naval Helicopter Forces	82,275	82,873	-	1,627	84,500	84,215	994	85,209
147,284	12	Maritime Patrol Forces	166,855	165,733	-	3,314	169,047	167,564	1,509	169,073
175,356	13	Fixed Wing Transport Forces	201,218	218,885	(880)	4,024	222,029	212,807	1,566	214,373
118,611	14	Rotary Wing Transport Forces	124,891	128,778	-	2,497	131,275	128,866	599	129,465
1,619	15.1	Support to Mutual Assistance Programme	1,977	1,677	-	33	1,710	1,668	-	1,668
2,859	15.2	Support to New Zealand Cadet Forces	2,897	3,285	130	-	3,415	3,177	-	3,177
2,883	15.3	Support to Limited Service Volunteer Scheme	2,576	4,078	-	-	4,078	3,969	-	3,969
6,759	15.4	Support to Military Museums	6,324	7,353	50	-	7,403	7,364	-	7,364

30 June 08			30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09	30 June 09
Actual (\$000)			Main Estimates	Supplementary Estimates	Section 26A Changes	Section 26B Changes	Total Appropriation	Actual Expenditure excluding Remeasurements	Remeasurements	Actual Expenditure including Remeasurements
			(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
		Vote: Defence Force								
		Output Appropriations								
66,333	16	Operationally Deployed Forces	54,110	78,633	-	-	78,633	77,460	40	77,500
1,879,436		Total Vote: Defence Force Output Appropriations	2,086,176	2,099,297	-	28,823	2,128,120	2,101,300	26,162	2,127,462
		Other Expense Appropriations								
1,940		Asset Write Off	-	3,000	-	-	3,000	2,819	-	2,819
-		Loss on Sale of Physical Assets	-	340	-	-	340	337	-	337
1,940		Total Vote: Defence Force Other Expense Appropriations	-	3,340	-	-	3,340	3,156	-	3,156
1,881,376		Total Vote: Defence Force	2,086,176	2,102,637	-	28,823	2,131,460	2,104,456	26,162	2,130,618
		Vote: Veterans' Affairs - Defence Force								
3,182	1	Policy & Administration	1,669	2,269	-	-	2,269	1,859	-	1,859
2,399	2	Services & Payments to Veterans	2,272	5,513	-	-	5,513	5,052	-	5,052
5,581		Total Vote: Veterans' Affairs - Defence Force	3,941	7,782	-	-	7,782	6,911	-	6,911
1,886,957		Total Appropriations	2,090,117	2,110,419	-	28,823	2,139,242	2,111,367	26,162	2,137,529

The NZDF is appropriated for expenditure excluding remeasurements. Remeasurements are defined under the Public Finance Act as a revision of a future obligation that changes the carrying amount of an asset or liability. The remeasurements detailed above relate to losses on foreign exchange that were previously netted off against gains on foreign exchange.

The accompanying notes form part of these financial statements

Statement of Capital Expenditure

30 June 08		30 June 09	30 June 09	30 June 09
Actual		Supplementary Estimates	Total Appropriation	Actual
(\$000)		(\$000)	(\$000)	(\$000)
	Capital Expenditure			
358,496	Capital expenditure	388,366	388,366	365,530
358,496	Total Capital Expenditure	388,366	388,366	365,530

Statement of Departmental Unappropriated Expenditure for the Year Ended 30 June 2009**Vote: Defence Force**

There was no unappropriated expenditure for Vote: Defence Force.

Vote: Veterans' Affairs – Defence Force

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

Non-Departmental Statements for the year ended 30 June 2009**Schedule of Non-Departmental Expenditure for the Year Ended 30 June 2009**

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
	Vote: Veterans Affairs - Defence Force	
-	Benefits and Other Unrequited Expenses	144,174
1,708	Classes of Outputs to be supplied by other parties	2,149
1,187	Other Expenses to be incurred by the Crown	613
2,895	Total Non-Departmental Expenditure	146,936

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2009 (2008 nil).

Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2009

Vote: Veterans' Affairs – Defence Force

30 Jun 08		30 June 09	30 June 09	30 June 09	30 June 09	30 June 09
Actual	Description	Main Estimates	Supplementary Estimates	Section 26A Changes	Total Appropriation	Actual
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
	Non-Departmental Output Classes					
745	Development & Maintenance of Services Cemeteries	746	746	-	746	605
963	Support for Veterans and Their Families	2,027	1,577	-	1,577	1,544
1,708	Total Non-Departmental Output Appropriations	2,773	2,323	-	2,323	2,149
	Other Expenses to be Incurred by the Crown					
1,187	Ex Gratia Payments	-	800	-	800	598
-	Debt Write-down for Benefits and Other Unrequited Expenses	-	250	-	250	15
1,187	Total Other Expenses to be Incurred by the Crown	-	1,050	-	1,050	613
	Benefits and Other Unrequited Expenses to be Incurred by the Crown					
-	War Disablement Pensions	-	144,059	-	144,059	124,956
-	Medical Treatment	-	22,476	-	22,476	19,181
-	Interest Concessions for Land and Buildings	-	46	-	46	37
-	Total Benefits and Other Unrequited Expenses to be Incurred by the Crown Appropriations	-	166,581	-	166,581	144,174
2,895	Total Non-Departmental Expenditure	2,773	169,954	-	169,954	146,936

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 \$0.800 million (2008 \$1.680m) to eligible veterans, spouses, natural children and their families, as set out in the provisions of the Viet Nam Veterans package.

Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2009

There was expenditure outside the scope of the appropriation for Benefits and Other Unrequited Expenses (War Disablement Pensions) of \$0.027 million due to the relocation of the administration of the War Disablement Pensions from the Ministry of Social Development.

There was unappropriated expenditure for Other Expenses (Ex Gratia Payments) of \$0.243 million due to payments made prior to an approval of an expense transfer from 2007/08 to 2008/09.

Schedule of Non-Departmental Assets as at 30 June 2009**Vote: Veterans' Affairs – Defence Force**

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
	Current Non-Departmental Assets	
1,304	Cash and cash equivalents	21,882
1,304	Total Current Non-Departmental Assets	21,882
	Non-Current Non-Departmental Assets	
2,725	Loan to Montecillo Trust	2,725
225	Loan to Rannerdale Trust	225
920	Viet Nam Veterans' and their Families Trust	920
3,870	Total Non-Current Non-Departmental Assets	3,870
5,174	Total Non-Departmental Assets	25,752

Schedule of Non-Departmental Liabilities as at 30 June 2009**Vote: Veterans' Affairs – Defence Force**

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
	Current Non-Departmental Liabilities	
569	Creditors and payables	204
-	Other short term liabilities	3,862
569	Total Non-Departmental Liabilities	4,066

Statement of Non-Departmental Trust Monies for the Year Ended 30 June 2009

30 June 08			30 June 09
Opening Balance	Deposits	Distributions	Closing Balance
(\$000)	(\$000)	(\$000)	(\$000)
13	-	-	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

Notes to the Financial Statements

Note 1: Statement of Accounting Policies for the Year Ended 30 June 2009

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 2009. The financial statements were authorised for issue by the Chief of Defence Force on 20 August 2009.

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.

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.

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, which is 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 the NZDF to exercise judgement in the process of applying the NZDF's accounting policies. Accounting estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any area involving a high degree of judgement or complexity or 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 and increases under Section 26B of the Public Finance Act 1989.

Revenue

The NZDF derives revenue through the provision of outputs to the Crown and for services to third parties. 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.

Interest

The NZDF derives interest income on funds held in overseas bank accounts and is recognised using the effective interest method.

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.

The net GST paid to, or received from the IRD including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

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.

Taxpayers' funds is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

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.

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 and accumulated impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5,000. The value of an individual asset that is less than \$5,000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the NZDF and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Financial Performance. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the asset is transferred to general funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZDF and the cost of the item can be measured reliably.

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. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the asset 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, 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 prevailing 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 prevailing 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. 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.

Vote: Defence Force

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.

Vote: Veterans' Affairs – Defence Force

All costs associated with the delivery of outputs are attributed directly to the appropriate output.

There have been no changes in the cost accounting methodology during the financial year.

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

	Main Estimates	Supplementary Estimates Changes	Supplementary Estimates
	(\$000)	(\$000)	(\$000)
Income			
Crown	2,045,532	37,962	2,083,494
Departmental	10,942	2,000	12,942
Other	8,643	2,000	10,643
Gains	-	30,693	30,693
Interest	100	-	100
Total Revenue	2,065,217	72,655	2,137,872
Expenditure			
Personnel	764,208	49,500	813,708
Operating	589,784	(16,344)	573,440
Depreciation and amortisation	349,671	(29,827)	319,844
Capital charge	361,454	38,973	400,427
Total Output Expenses	2,065,117	42,302	2,107,419
Other expenses	-	3,000	3,000
Total Expenses	2,065,117	45,302	2,110,419

The main contributors to the Supplementary Estimates changes were:

		(\$000)
	Vote: Defence Force	
Personnel expenses	The change is largely as a result of increased personnel numbers and market alignment of military remuneration.	47,665
Operating expenses	The decrease includes savings and delays in delivery of specialist military equipment.	(18,322)
Depreciation	Depreciation reduced due to delays in the capitalisation of specialist military equipment.	(29,827)
Capital charge	This reflects the impact of the June 2008 asset revaluation on the value of Taxpayers' Funds.	38,945
		38,461

		(\$000)
	Vote: Veterans' Affairs - Defence Force	
Personnel expenses	Relocation of the administration of the War Disablement Pensions from the Ministry of Social Development.	1,835
Operating expenses	Relocation of the administration of the War Disablement Pensions from the Ministry of Social Development.	1,978
Capital charge	Relocation of the administration of the War Disablement Pensions from the Ministry of Social Development.	28
		3,841

Variations from Budget

The final result for the year was a surplus of \$11.711 million, compared with a budget surplus of \$27.453 million. The main factors causing this surplus are:

- An increase in operating expenditure of \$38.539 million due to foreign exchange losses.
- An increase in personnel expenditure of \$2.735 million due to the increase in RF personnel numbers.
- A decrease in depreciation of \$13.644 million due to delays in the capitalisation of specialist military equipment.
- An increase in the gain on sale of fixed assets of \$11.355 million due to the completion of the sale of Shelly Bay.

Note 3: Crown Revenue

This is revenue earned for the supply of outputs to the Crown.

Note 4: Departmental Revenue

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
	Inland Revenue Department	1,498	-
6,340	Land Information New Zealand	6,332	6,292
350	Ministry of Defence	1,050	2,064
1,400	Ministry of Social Development	2,362	2,362
1,972	State Services Commission	2,337	2,224
10,062	Total Departmental Revenue	13,579	12,942

Note 5: Gains

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
-	Gain on realised foreign exchange	22,701	-
14,799	Gain on unrealised foreign exchange	11,225	30,693
-	Gain on sale of property, plant and equipment	11,355	-
14,799	Total Gains	45,281	30,693

Note 6: Personnel Costs

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
635,036	Salaries and wages	754,467	738,017
46,448	Superannuation contributions to defined contribution schemes	54,662	60,203
7,107	Retirement and accumulated leave	1,991	9,837
3,200	Accident Compensation Corporation (ACC)	5,323	5,651
691,791	Total Personnel Costs	816,443	813,708

Note 7: Operating Costs

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
185,645	Materials	199,879	208,146
77,342	Premises cost	74,071	73,189
85,749	Repairs and maintenance	80,072	77,178
58,722	Training and travel	62,568	64,584
40,729	Operating lease rentals	45,656	44,640
1,936	Consultancy	3,251	3,496
360	Audit fees for financial statements audit: Audit NZ	360	360
24	NZ IFRS transition: Audit NZ	-	-
-	Fees for other services: Audit NZ	33	-
30	Fees to auditors other than Audit NZ	29	-
474	Increase/(decrease) in provision for doubtful debts	206	-
141	Bad debts written off	(216)	-
1,150	Realised foreign exchange losses	5,462	-
-	Unrealised foreign exchange losses	20,700	-
2,375	Loss on sale of property, plant and equipment	2,671	340
102,193	Other operating costs	116,897	101,507
556,870	Total Operating Costs	611,639	573,440

Note 8: Depreciation and Amortisation

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
33,991	Buildings	31,674	31,190
222,338	Specialist military equipment	250,294	262,962
8,251	Plant and equipment	8,580	7,925
5,612	Office and computer equipment	5,132	5,992
4,756	Computer application software	5,498	6,795
4,807	Motor vehicles	5,022	4,980
279,755	Total Depreciation and Amortisation	306,200	319,844

Note 9: 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 2009 was 7.5% (2008 7.5%).

Note 10: Other Operating Expenses

30 June 08		30 June 09	30 June 09
Actual		Actual	Supplementary Estimates
(\$000)		(\$000)	(\$000)
1,940	Air Combat Force disposal costs	2,819	3,000
1,940	Total Other Operating Expenses	2,819	3,000

Note 11: Taxpayers' Funds**General Funds**

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
3,570,383	Opening Balance	3,655,619
19,928	Net surplus for the year	11,711
(1,018)	Transfers from revaluation reserve on disposal of assets	731
73,395	Capital contribution	54,930
-	Capital withdrawal	(80,000)
(7,069)	Repayment of surplus	(24,005)
3,655,619	Closing Balance	3,618,986

Revaluation Reserve for Property, Plant and Equipment

30 June 08		30 June 09	30 June 09	30 June 09	30 June 09
Total		Land	Buildings	Specialist Military Equipment	Total
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
1,132,138	Opening Balance	482,734	698,915	466,140	1,647,789
514,633	Revaluation movement	(57,458)	(46,554)	558,897	454,885
1,018	(Gains)/losses on revaluation realised and transferred to general funds for assets disposed	-	(512)	(219)	(731)
1,647,789	Closing Balance	425,276	651,849	1,024,818	2,101,943

This reserve reflects revaluation changes of asset classes carried at current valuation.

Note 12: Debtors and Other Receivables

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
3,501	Trade debtors: departments	19,651
15,056	Trade debtors: non departments	9,822
(866)	Less: provision for doubtful debts	(856)
17,691	Total Debtors and Receivables	28,617

As at 30 June 2009 and 2008, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

		30 June 08				30 June 09	
Gross	Impairment	Net		Gross	Impairment	Net	
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	
16,632	-	16,632	Past due to 30 days	12,665	-	12,665	
1,226	(167)	1,059	Past due 31 - 60 days	388	-	388	
56	(56)	-	Past due 61 - 90 days	1,264	-	1,264	
643	(643)	-	Past due >91 days	15,156	(856)	14,300	
18,557	(866)	17,691	Total	29,473	(856)	28,617	

Movements in the provision for doubtful debt

30 June 08		30 June 09
Actual		Actual
(\$000)		(\$000)
533	Opening Balance	866
474	Additional provisions made during the year	206
(141)	Charged against provision for the year	(216)
866	Closing Doubtful Debt Provision	856

Note 13: Inventories

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
122,490	Inventories: current	123,948
(39,670)	Obsolescence	(28,770)
82,820	Total Current Inventories	95,178
254,375	Inventories : non-current	264,501
(83,020)	Obsolescence	(89,201)
171,355	Total Non-Current Inventories	175,300
254,175	Total Inventories	270,478

Note 14: Property, Plant and Equipment

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
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	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
Cost or Valuation						
Balance at 1 July 2008	579,020	1,062,628	3,652,213	246,434	63,052	5,603,347
Additions	-	19,982	265,755	12,499	4,930	303,166
Impairment loss	-	(32,591)	-	-	-	(32,591)
Revaluation	(57,458)	(32,752)	333,689	-	-	243,479
Disposal	(337)	(4,304)	(16,393)	(6,976)	(4,505)	(32,515)
Transfers	-	(2,218)	6,993	(2,448)	(2,151)	176
Work in progress	-	19,149	41,741	1,254	3,599	65,743
Balance at 30 June 2009	521,225	1,029,894	4,283,998	250,763	64,925	6,150,805
Accumulated Depreciation						
Balance at 1 July 2008		(7,674)	(463,381)	(136,755)	(38,455)	(646,265)
Depreciation expense		(31,674)	(250,295)	(13,601)	(5,132)	(300,702)
Eliminated on disposal		210	24,633	5,845	4,499	35,187
Eliminated on revaluation		18,789	225,208	-	-	243,997
Transfers		36	(2,903)	857	1,900	(110)
Balance at 30 June 2009		(20,313)	(466,738)	(143,654)	(37,188)	(667,893)
Net PPE at 30 June 2009	521,225	1,009,581	3,817,260	107,109	27,737	5,482,912

There are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities.

Revaluation

The land and buildings revaluation was conducted by Mike Sellars FNZIV, RPINZ, from Sellars Valuation Limited, an independent registered valuer.

The specialist military equipment revaluation was reviewed by Marvin Clough BE (Electrical) Plant, Machinery and Infrastructure and Kyle Baxter AAPI, ASA, AVAA, Certified Practising Value (Plant and Machinery) from Beca Valuations Limited, an independent registered valuer.

Land, buildings and specialist military equipment have been revalued to fair value as at 30 June 2009.

Work in Progress

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.

Note 15: Intangible Assets

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Cost or Valuation	
25,939	Opening balance	31,602
5,713	Additions	3,021
(50)	Disposals	(148)
-	Transfers	(176)
31,602	Closing Balance	34,299
	Accumulated Amortisation	
(10,131)	Opening balance	(14,846)
(4,756)	Less amortisation	(5,498)
41	Eliminated on disposal	148
-	Transfers	110
(14,846)	Balance	(20,086)
16,756	Net Intangible Assets	14,213

There are no restrictions over the title of the NZDF's intangible assets, nor are any intangible assets pledged as security for liabilities.

Note 16: Creditors and Other Payables

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
919	Trade creditors: departments	2,751
24,375	Trade creditors: non-departments	21,889
98,216	Accrued expenses	100,878
22,711	Payroll liabilities	28,695
2,258	Other short term liabilities	4,594
148,479	Total Trade Creditors and Accruals	158,807
19,872	GST payable	16,816
168,351	Total Creditors and Payables	175,623

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: Surplus Repayable to the Crown

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
19,928	Net operating surplus	11,711
1,940	Add: other expenses	2,819
(14,799)	Add: unrealised foreign exchange losses / (gains)	9,475
7,069	Net Surplus from Delivery of Outputs	24,005
7,069	Total Provision for Repayment of Surplus	24,005

The repayment of surplus is required to be paid by the 31st October of each year.

Note 18: Provisions

30 June 08		30 June 09
Actual \$(000)		Actual \$(000)
5,753	Opening Balance	5,586
-	Additional provisions made during the year	120
(167)	Charges against provision during the year	(1,675)
5,586	Closing Balance	4,031

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: Employee Entitlements

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Current Entitlement	
2,902	Retirement, incentive and long service leave	2,173
24,734	Accrued and annual leave	28,901
27,636	Total Current Entitlement	31,074
	Non-Current Entitlement	
33,399	Retirement, incentive and long service leave	34,948
13,836	Accrued leave	11,503
391	Sick leave	391
2,900	ACC self insurance liability	2,237
50,526	Total Non-Current Entitlement	49,079
78,162	Total Provision for Employee Entitlements	80,153

Annual leave is calculated using the number of days owing as at the end of June 2009. 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 the ACC Accredited Employer Programme has been actuarially calculated by the NZDF based on expected treatment costs, rehabilitation entitlements, income compensation and historical claims information. This calculation has been completed by the NZDF. Claims management practices focus on limiting liability without compromising care and entitlements. 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.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.000 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$9.335 million which is 160% of the risk.

Note 20: Events after Balance Date

There have been no significant events after the balance 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's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, and derivative financial instrument assets.

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.

There were no letters of credit with banking institutions (2008 \$3.371 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 loss of \$3.972 million (2008 gain of \$5.297 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 \$155.303 million (2008 \$165.382 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2009, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.336 million higher. Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.371 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative Financial Instruments

At 30 June 2009, 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 \$7.206 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 \$7.964 million lower. The movements are a result of the exchange gains or losses on translation of overseas currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The NZDF has no interest bearing financial instruments and accordingly has no exposure to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The table on the next page analyses the NZDF's financial instrument that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 2008	Less than 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	80,530	-	-	-
Debtors and other receivables	215,429	-	-	-
Derivative financial instruments	2,360	1,439	-	-
Total Current Assets	298,319	1,439	-	-
Non-Current Assets				
Derivative financial instruments	-	-	1,845	-
Total Non-Current Assets	-	-	1,845	-
Total Assets	298,319	1,439	1,845	-
Liabilities				
Current Liabilities				
Creditors and other payables	168,351	-	-	-
Derivative financial instruments	346	-	-	-
Total Current Liabilities	168,697	-	-	-
Non-Current Liabilities				
Derivative financial instruments	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	168,697	-	-	-
Net Liquidity of Continuing Operations	129,622	1,439	1,845	-

30 June 2009	Less than 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 Years
	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
Cash and cash equivalents	13,099	-	-	-
Debtors and other receivables	189,861	-	-	-
Derivative financial instruments	2,636	1,110	-	-
Total Current Assets	205,596	1,110	-	-
Non-Current Assets				
Derivative financial instruments	-	-	46	-
Total Non-Current Assets	-	-	46	-
Total Assets	205,596	1,110	46	-
Liabilities				
Current Liabilities				
Creditors and other payables	175,623	-	-	-
Derivative financial instruments	1,892	1,600	-	-
Total Current Liabilities	177,515	1,600	-	-
Non-Current Liabilities				
Derivative financial instruments	-	-	4,272	-
Total Non-Current Liabilities	-	-	4,272	-
Total Liabilities	177,515	1,600	4,272	-
Net Liquidity of Continuing Operations	28,081	(490)	(4,226)	-

Note 22: Categories of Financial Instruments

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Loans and Receivables	
80,530	Cash and cash equivalents	13,099
215,429	Debtors and other receivables	189,861
295,959	Total Loans and Receivables	202,960
	Fair Value through Profit and Loss	
5,644	Derivative financial instrument assets	3,792
346	Derivative financial instrument liabilities	7,764
5,990	Total Fair Value through Profit and Loss	11,556
	Financial Liabilities Measured at Amortised Cost	
168,351	Creditors and other payables	175,623
168,351	Total Financial Liabilities Measured at Amortised Cost	175,623

Note 23: Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2009 were AUD \$18,300,000, CAD \$2,058,200, EUR \$2,688,295, GBP \$11,310,330, and USD \$58,500,000 (2008 AUD \$23,000,000, CAD \$2,600,000, EUR \$9,666,018 GBP \$9,800,000, NOK 1,857,250, SEK 3,675,000 and USD \$62,400,000.) The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates.

Note 24: 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.

Service Museums and Non-Public Funds**Financial Performance of Service Museums and Non-Public Funds**

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Income	
2,808	Non-public funds	3,899
1,575	Service museums	1,674
4,383	Total Income	5,573
	Expenditure	
1,882	Non-public funds	2,131
2,394	Service museums	1,339
4,276	Total Expenditure	3,470
107	Total Net Surplus	2,103

Financial Position of Service Museums and Non-Public Funds

30 June 08		30 June 09
Actual (\$000)		Actual (\$000)
	Assets	
19,670	Current assets – non-public funds	22,814
4,352	Current assets - service museums	3,454
4,242	Property, plant and equipment – non-public funds	4,231
4,587	Property, plant and equipment - service museums	4,601
15,941	Investments	22,612
30,350	Museum collections	37,534
79,142	Total Assets	95,246
613	Total Liabilities	4,931
78,529	Total Equity	90,315

Service Museums

The Service Museums are independent entities established by trust deed. The 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 are owned by independent trusts and 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 (NPF) 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 NPF are the service personnel who are the sole contributors to them. NPF 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 NPF in the form of administrative support and facilities, for which no charge is made. There are no other transactions with NPF.

Key Management Personnel

30 June 08 (\$000)		30 June 09 (\$000)
1,608	Salaries and short term employee benefits	1,226
9	Other long term benefits	(25)
1,617	Total Key Management Personnel	1,201

Key management personnel include the Chief of Defence Force, Chief of Navy, Chief of Army and Chief of Air Force. On 1 May 2009 there were new appointments of the Chief of Navy and Chief of Army. There has been a reduction in other long term benefits due to accrued leave entitlements from previous periods being utilised by personnel during the year.

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 25: Reconciliation of Net Surplus/ (Deficit) to Net Cash Flow from Operating Activities for the Year Ended 30 June 2009

30 June 08 Actual (\$000)		30 June 09 Actual (\$000)
19,928	Net Operating Surplus	11,711
	Add / (less) Non – Cash Items	
279,755	Depreciation and amortisation expense	306,200
14,506	Inc / (Dec) in the provision for stock obsolescence	(4,719)
333	Inc / (Dec) in provision for doubtful debts	(10)
1,082	Inc / (Dec) in non-current employee entitlements	(1,447)
1,940	Write down of property, plant and equipment	2,819
(1,150)	Realised foreign exchange gain/(loss)	(5,462)
296,466	Total Non-Cash Items	297,381
	Add / (less) Items Classified as Investing Activities	
2,375	(Gains) / losses on disposal of property, plant and equipment	(8,684)
2,375	Total Investing Activity Items	(8,684)
	Add / (less) Movements in Working Capital Items	
(67,871)	(Inc) / Dec in debtors and receivables	43,891
(21,948)	(Inc) / Dec in inventories	(17,847)
(3,226)	(Inc) / Dec in prepayments	(4,844)
6,892	Inc / (Dec) in creditors and other payables	9,431
2,367	Inc / (Dec) in GST payable	(3,056)
(167)	Inc / (Dec) in provisions	(1,555)
6,025	Inc / (Dec) in current employee entitlements	3,438
(77,928)	Net Movements in Working Capital Items	29,458
240,841	Net Cash from Operating Activities	329,866

Note 26: Appropriation Movements

	Authority	(\$000)	(\$000)
Vote: Defence Force			
Main Estimates as at 1 July 2008			2,086,176
October Baseline Update – through Revenue Crown			
KiwiSaver Tax Credits	Joint Ministers	4,000	
Capital Charge impact 30 June 2007 asset revaluation	Joint Ministers	38,334	
Absorb Capital charge to 0.001% of Taxpayers' Funds	Joint Ministers	(5,303)	
			37,031
Budget Adjustments – through Revenue Crown			
Return Savings to the Crown	CAB Minute	(40,000)	
Expense Transfer to 2009/10	CAB Minute	(10,000)	
Revised Tax Treatment	CAB Minute	1,700	
Operationally Deployed Forces	CAB Minute	24,390	
			(23,910)
Total Appropriation Changes			13,121
Total Supplementary Estimate of Appropriations			2,099,297

	Authority	(\$000)	(\$000)
Vote: Veterans' Affairs - Defence Force			
Main Estimates as at 1 July 2008			3,941
October Baseline Update – through Revenue Crown			
Relocation of Administration of the War Disablement Pension	CAB Minute	(1,795)	
Relocation of Administration of the War Disablement Pension	CAB Minute	1,795	
Relocation of Administration of the War Disablement Pension	CAB Minute	3,241	
VANZ WAM System recovered from 2007/08	CAB Minute	1,150	
March Baseline Update – through Revenue Crown			4,391
Viet Nam Veterans Memorandum of Understanding: Expert Panel	CAB Minute	250	
Transfer of Funding to Ex-Gratia Payments	CAB Minute	(500)	
			(250)
Budget Adjustments – through Revenue Crown			
Savings transfer to Non Departmental support for Veterans	CAB Minute	(300)	
			(300)
Total Appropriation Changes			3,841
Total Supplementary Estimate of Appropriations			7,782

Departmental Net Asset Movements

	(\$000)	(\$000)
Opening Balance Main Estimates		4,787,655
Movement due to results as at 30 June 2008		515,753
Capital injections: Main Estimates	54,190	
Capital injections: Supplementary Estimates	740	
Transfer to 2009/10	(80,000)	
		(25,070)
Surplus to be retained		27,353
Closing Balance Supplementary Estimates		5,305,691

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 and materiel. Within the context of this annual report, the term is mainly used in relation to personnel leaving the Services.

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.

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 and tools for policy development, capability definition, acquisition, introduction into service and disposal of capabilities. The CMF is currently being revised and updated.

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.

Command Post Exercise

An exercise in which forces are simulated, involving the Commander, his or her staff, and communications within and between headquarters.

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 deploy on operations. These reserves need to be held by the NZDF because they don't normally lend themselves to "just-in-time" purchasing.

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 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 Sustainability Initiative (DSI)

The ten-year programme of work 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.

Defence Review 2009

This review is developing Defence policy priorities and strategies, and options for aligning Defence policy, force structure/capability and funding. The review will also provide advice on improving organisational/operational capability and value for money of the NZDF and MoD. The review will culminate in a Defence White Paper.

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 Corporate Financial Officer.

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 ten year plan (2002-2012) for the acquisition of new and replacement capability. Defence Review 2009 will consider the development of a new defence capital acquisition plan.

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-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.

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.

Operation Enduring Freedom (OEF)

The name given to US-led operations in Afghanistan beginning in December 2001. The term OEF has since expanded to encompass several US-led operations in that region in support of the international campaign against terrorism.

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.

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.

Ocean Survey 20/20

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.

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.

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.

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

The 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.

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.