

VOTE *Defence* *Force*

Defence Force

Overview

The annual appropriation sought for Vote Defence Force in 2007/08 totals \$1,909.712 million. It is intended that this be spent as follows:

- \$1,869.497 million (97.9% of the Vote) on the Navy, Army, and Air Force to provide the Government with a range of military forces to protect and advance the security and interests of New Zealand. These forces are held at appropriate levels of capability and preparedness to protect New Zealand's territorial sovereignty and to contribute to regional and global security efforts. Most of these forces will also contribute a range of services to other government departments and the community when not committed to operations. The breakdown by Service is as follows:
 - Navy - \$612.864 million (32.1% of the Vote).
 - Army - \$706.955 million (37.0% of the Vote).
 - Air Force - \$549.678 million (28.8% of the Vote).
- \$11.390 million (0.6% of the Vote) on military policy development, coordination and advice to the Government.
- \$13.689 million (0.7% of the Vote) on Miscellaneous Support Activities that include the Mutual Assistance Programme, support to the New Zealand Cadet Forces, the training of Limited Service Volunteers and the provision of Service Museums.
- \$15.136 million (0.8% of the Vote) for military hydrography, and the provision of hydrographic services to Land Information New Zealand (LINZ).

In addition to the above, Vote Defence Force contains a Multi-Year Appropriation (MYA) of \$138.178 million for the three-year period 2005/06 - 2007/08 to fund the expense of *Operationally Deployed Forces*. Funding for the expense of *Operationally Deployed Forces* in subsequent years will be on a year-by-year basis.

The NZDF expects to recognise about \$17 million in third party revenue (Revenue Department and Revenue Other) in 2007/08.

Details of how the appropriations are to be applied appear in Parts B, C and E of this Vote.

Terms and Definitions Used

AE	Aeromedical Evacuation
CBRE	Chemical, Biological, Radiological, Explosive
DCARR	Defence Capability and Resourcing Review
DSI	Defence Sustainability Initiative
EEZ	Exclusive Economic Zone
EOD	Explosive Ordnance Disposal
HMNZS	Her Majesty's New Zealand Ship
HQ JFNZ	Headquarters Joint Forces New Zealand
HQ NZDF	Headquarters New Zealand Defence Force
IEDD	Improvised Explosive Device Disposal
IPCs	Inshore Patrol Craft
IPVs	Inshore Patrol Vessels
LAV	Light Armoured Vehicle (the LAV III)
LINZ	Land Information New Zealand
LOV	Light Operational Vehicle
LTDP	Long-Term Development Plan
MAO&T	Multi-Agency Operations and Tasks
MCM	Mine Counter Measures
MRV	Multi-Role Vessel
MYA	Multi-Year Appropriation
NZDF	New Zealand Defence Force
OLOC	Operational Level of Capability
OPVs	Offshore Patrol Vessels
RNZAF	Royal New Zealand Air Force
RNZN	Royal New Zealand Navy
UN	United Nations

Footnotes

Note 1	The Budget 2006 decisions to meet the cost of Capital Charge attributable to earlier Capital Injections, and other minor miscellaneous changes.
Note 2	The Budget 2005 decision to provide for Project Protector (new vessels for the Navy).
Note 3	2006/07 reduction (resulting in a comparable increase in 2007/08) achieved through depreciation savings.
Note 4	Changes arising from output cost model amendments.
Note 5	Defence Sustainability Initiative (DSI) increment (2007/08) as agreed in Budget 2005.

Minister Portfolio Table

22	Minister of Defence
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Defence Force

ADMINISTERING DEPARTMENT: New Zealand Defence Force

The Minister of Defence is the Responsible Minister for the New Zealand Defence Force

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The primary objective for *Vote Defence Force* is to prepare an effective Defence Force capable of meeting the Government's defence policy goals. These goals and the NZDF force structure to support their achievement are established in a number of policy documents as outlined below.

Defence Act 1990

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

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

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

New Zealand's Defence Policy

The *Defence Policy Framework*, issued by the Government in June 2000, provides a framework for future decisions about military capabilities, resources and funding. It articulates the Government's goals and priorities for defence, and was substantially guided by, and builds on, the *Defence Beyond 2000 Report*. Subsequent Government statements, such as those of 8 May 2001 (*A modern sustainable Defence Force matched to New Zealand's needs*), the *Defence Long-Term Development Plan* (LTDP) of 11 June 2002 (and subsequent annual updates to that plan) and the *Defence Sustainability Initiative* (DSI) of 2 May 2005, added detail to the earlier strategic document.

The *Defence Policy Framework* sets out five key defence policy objectives, and appropriations are sought to support them. The defence policy objectives are to:

- defend New Zealand and to protect its people, land, territorial waters, EEZ, natural resources and critical infrastructure
- meet our alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests
- assist in the maintenance of security in the South Pacific and to provide assistance to our Pacific neighbours
- play an appropriate role in the maintenance of security in the Asia-Pacific region, including meeting our obligations as a member of the Five Power Defence Arrangements
- contribute to global security and peacekeeping through participation in the full range of UN and other appropriate multilateral peace support and humanitarian operations.

Defence Outcomes

The following main and intermediate *Defence Outcomes*, to which the NZDF has major contributions, continue to be as follows:

- Main Defence Outcome: New Zealand secure and protected from external threats now and in the future.
- Intermediate Defence Outcomes:
 - Intermediate Outcome 1: Secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure.
 - Intermediate Outcome 2: Reduced risks to New Zealand from regional and global insecurity.
 - Intermediate Outcome 3: New Zealand values and interests advanced through participation in regional and international security systems.
 - Intermediate Outcome 4: New Zealand is able to meet future national security challenges.

The New Zealand Defence Force Vision Statement

The NZDF Vision Statement has been refreshed and now reflects our developing aspiration for the future

"Three Services as One Force, being the best in everything we do".

Primary Mission of the New Zealand Defence Force

The primary mission of the NZDF remains:

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

Link to Government's Priorities

The NZDF mission is primarily linked to *Government Priority Number 3* - the theme of *National Identity* and the connotation that, as New Zealanders, we celebrate our identity in a world as people who support and defend freedom and fairness. This theme links with the Government policy to not only provide Defence Force contributions to the resolution of conflict and maintenance of stability, particularly the international roles of peacekeeping and humanitarian relief operations, but also to the wide range of assistance that is provided by the NZDF to other government departments and the wider New Zealand community. *National Identity* also carries the belief that New Zealanders understand our history as a nation and our stance on international issues. The NZDF also has less obvious links with the Government Priority themes of *Economic Transformation* and *Families - young and old*, as noted in more detail in the *NZDF 2007/08 Statement of Intent*.

Defence Capability and Resourcing Review and Defence Sustainability Initiative

In response to the results of the Government-commissioned Defence Capability and Resourcing Review (DCARR) conducted in 2004/early 2005, the NZDF has been set on a Government-approved course of recovery and growth. The plans for this come under the Defence Sustainability Initiative (DSI) launched in May 2005. This initiative provides the NZDF with a \$4.6 billion package over ten years, commencing from 2005/06, to develop NZDF military and organisational capability to a level that will ensure the Government's defence policy objectives are met on a sustainable basis.

The DSI funding package will continue to increase the NZDF's nominal baseline each year for the next eight years and will provide the NZDF with a high degree of assurance for funding into the future. The NZDF is required to fund output delivery, capability development, some minor capital acquisition, and standard operational deployments from this package. Additional funding would need to be considered and appropriated for any major event or operational deployment of a scale greater than the normal operational tempo and funding.

In summary, the DSI funding package will provide the financial resources to:

- restore personnel numbers in the three services, HQ NZDF and HQ JFNZ to the levels required, over a period of time
- address the number and trained state in some trades deemed as critically deficient
- restore aspects of corporate management capability that were considered to be severely depleted
- replace and upgrade some major weapons platforms in accordance with the Government's intentions, through the LTDP
- raise the standard of some military equipment (other than major weapons platforms) that is currently beneath the required standard
- return contingency reserve stocks to acceptable levels
- reduce the substantial backlog of maintenance and capital expenditure in the Defence Estate, over the longer term.

Steps to responsibly manage the DSI funding package allocation process and to ensure that the allocation remains sustainable over 10 years have been developed and implemented, and will continue to be closely monitored. The DSI is required to be reported on annually (by 30 June each year), and is subject to annual review and a formal mid-term review (30 June 2010). Further details are included in the *NZDF 2007/10 Statement of Intent*.

Shaping and Rebuilding the NZDF

The *Government's Defence Policy Framework June 2000* sets the *Priorities for Rebuilding the NZDF*. It notes that sensible prioritisation of projects against available resources is essential and that priority will be given to the acquisition and maintenance of essential equipment. The core requirement is for well-equipped, combat-trained land forces which are also able to act as effective peacekeepers, supported by the Navy and Air Force. The greatest needs, as listed in the *Policy Framework*, are to:

- upgrade the Army's mobility, communications, surveillance, and fire support capabilities
- provide effective air and naval transport capabilities
- maintain effective maritime surveillance capabilities of the Air Force and Navy, within the New Zealand EEZ and the EEZs of Pacific Island States.

In follow up to its *Defence Policy Framework June 2000*, the Government announced major decisions in shaping and rebuilding the NZDF for the future (*A Modern, Sustainable Defence Force Matched to New Zealand's Needs: Government Defence Statement 8 May 2001*). These decisions will result in a high quality Defence Force which is able to keep abreast of technological developments, is affordable and can be sustained over the longer term. The decisions will ensure that resources are available to:

- continue with the modernisation of the Army
- meet both our civilian and military needs for long range maritime patrol

- renew the air transport fleet and utility helicopters
- develop a practical maritime surface fleet matched to our wide security needs.

The key decisions made in the Statement of 8 May 2001, including subsequent decisions and actions, are contained in the *NZDF 2007/10 Statement of Intent*.

On 11 June 2002, the Government released details of the first Defence LTDP. The LTDP is a planning tool to enable decisions on defence acquisitions to be taken in the context of the Government's defence policy, the priority of projects and affordability. The LTDP has a rolling forward focus of 10 years and links the Government's defence policy objectives with the capability requirements announced in May 2001. It contains a comprehensive list of major capability/major capital projects, with preliminary costings, timings and priorities. The LTDP, last updated in October 2006, continues to be a key planning document to support the decision-making processes required for shaping the future capabilities of the NZDF.

NZDF Strategic Plan

The NZDF launched its first enterprise-level Strategic Plan in March 2007. That plan provides guidance for all subordinate strategic planning and for annual planning and budgeting. It sits within the wider architecture of the *Defence Planning Framework* (DPF), and provides the measurement framework, via the *NZDF Balanced Score Card* (BSC), for corporate level reporting of progress against strategic objectives. The strategic objectives are supported by annually updated strategic initiatives.

The NZDF strategy to achieve its mission and to continually grow towards its vision will be effected through the three Strategic Themes of **Resource Efficiency**, **The Agile Force - Operationally Effective**, and **Valued Partner - Organisational Capacity**. All NZDF activities and projects will be aligned with these three broad strategic themes and are aimed at, ultimately, "mission success". Resource Efficiency is about being the best at what the NZDF does by being selective and optimising how it uses its resources. The Agile Force is about being Operationally Effective. Operational Effectiveness links the objectives that will allow the NZDF to deliver the agility and organisational resilience for operational success. The NZDF must also remain agile in everything it does. The Valued Partner theme reflects the need for the NZDF to retain the trust and confidence of its partners and stakeholders. Through integration and synergy across the organisation the NZDF will release additional capacity for mission success.

The Government's ownership interests in the NZDF are addressed within the *NZDF Strategic Objectives*. For 2007/08 and out to five years, these objectives, within the four *NZDF BSC Strategic Perspectives*, relate to the following:

- **Strategic Perspective - NZDF Stakeholders:**
 - Current Operations. The NZDF needs to sustain current operational commitments while introducing new capabilities (0 to 5 year timeframe)
 - Future Operations. The NZDF must be ready to meet the Government's next request (5 to 10 year timeframe)
 - Finance and Resources. The NZDF must make best use of allocated finance and resources
 - Reputation. The NZDF needs to enhance its reputation as an effective Defence Force and valued interagency and coalition partner.

- **Strategic Perspective - Enabling Processes.** The NZDF:
 - must deliver effective and efficient business processes
 - must deliver agile and effective logistic support by exploiting the potential of effects-based logistics through a Network Enabled and Knowledge Edge force
 - must deliver flexible and relevant future capabilities (beyond 20 year timeframe)
 - will develop and sustain an effective military policy capability
 - will increase its contribution to wider Government initiatives and activities - both in the security sector and in Whole of Government
 - will develop key relationships with national and international partners.
- **Strategic Perspective - Learning and Growth.** The NZDF:
 - will be an Organisation of Choice
 - must ensure it has the people it needs
 - must be good at personnel management and prepare and support the joint team
 - will grow Information Management capabilities to support the Knowledge Edge Force
 - will improve the ability of technology to support effective management of the NZDF.
- **Strategic Perspective - Resources.** The NZDF:
 - must equip its forces to meet current operational commitments and be ready for the next request
 - must optimise Defence Infrastructure to meet future needs.

The above *NZDF Strategic Objectives*, together with the annual *NZDF Strategic Initiatives* that support them, are specified in more detail in the *NZDF 2007/10 Statement of Intent* and the *NZDF 2007/08 Output Plan*.

Part A2 - Trends in Vote

Output Trends 2002/03 - 2007/08

The table at the end of Part A2 provides a summary of financial activity trends in Vote Defence Force from 2002/03 to 2007/08.

Departmental outputs

- The \$103 million overall increase in departmental output appropriations between 2002/03 and 2003/04 is explained primarily by: an increase in funding for the introduction into service of the NZ LAV; a targeted pay increase for Service personnel; new funding to provide for ongoing and new NZDF operational commitments, especially in the Arabian Sea region, Afghanistan, Iraq and the Solomon Islands; and funding for the impact of Capital Charge following the June 2003 revaluation.
- While there were funding increases in 2004/05, primarily to address Service personnel pay, the maintenance of effective Air Force personnel levels, continuation of New Zealand's commitment to the Provincial Reconstruction Team in Afghanistan and other overseas operational commitments, and operating implications and pre-acquisition funding for the Long-Term Development Plan (LTDP), this was offset by reductions in funding required for operational commitments (withdrawal of the battalion group from Timor Leste and reduced commitments to Afghanistan and the Solomon Islands), a

planned reduction in Navy personnel and operating expenses, and a reduction in the rate of Capital Charge from 8.5% to 8%. Subsequently, a decision was made to transfer \$19 million from 2004/05 to 2005/06 to provide early traction for the Defence Sustainability Initiative, resulting in an overall net decrease of \$7 million between 2003/04 and 2004/05.

- The total increase of \$113 million between 2004/05 and 2005/06 is primarily made up from: increases from the first year (2005/06) DSI funding package allocation and Project Protector operating costs of some \$64 million; the transfer from 2004/05 to 2005/06 of \$19 million; and asset revaluation of \$37 million; and a decrease from the transfer of \$7 million to the MYA Operationally Deployed Forces.
- The total increase in annually appropriated expenses of \$146 million between 2005/06 and 2006/07 is shown in the following table:

DSI Funding Package (2006/07)	\$73 million
Project Protector funding	\$26 million
New Defence House funding	\$5 million
Expense Transfer from 2004/05 to 2005/06	(\$19 million)
Operation Enduring Freedom funding transfer to MYA	(\$11 million)
Capital Charge adjustments for 2006/07, including rate reduction to 7.5%	(\$3 million)
2006/07 Capital Charge savings (rate-related)	\$2 million
Depreciation Impact of 30 June 2006 Asset Revaluation	\$42 million
Gross Capital Charge Impact of 20 June 2006 Asset Revaluation	\$33 million
Absorb 0.001% Capital Charge savings ex Rate Change 2006 March Baseline Update	(\$4 million)
Reinstate prior transfers from MYA	\$10 million
Transfer Depreciation savings to 2007/08 Capital Injection	(\$10 million)
Tax on Allowances	\$2 million
Total	\$146 million

Other expenses

- The expense appropriation of \$23.414 million in 2002/03 was provided to write-off the debit balance in Revaluation Reserve arising from the revaluation of Specialist Military Equipment.

Comparison of Departmental Output Expenses: 2006/07 and 2007/08

Departmental outputs

As advised in this Vote since 2005/06, the funding for Output Expense *Operationally Deployed Forces* has been placed under a three-year, Multi-Year Appropriation (MYA) for the period 2005/06 - 2007/08. This approach provides flexibility of funding for an output expense for which demand varies from year-to-year. If Government requires the NZDF to undertake a major operational deployment and the cost of this deployment cannot be managed within the MYA, the NZDF may request an additional appropriation from Cabinet for the incremental costs of this deployment. Any such appropriation would be additional to the funding package provided under the DSI.

Appropriations for the purchase of NZDF outputs for the year ending 30 June 2008 include the following Cabinet-agreed departmental output funding changes that were considered as *New Initiatives* during the 2007 Budget process:

Annual appropriations:

- An increase of \$58.030 million in 2007/08, and outyears, being the third year funding package under the DSI. This increase in funding will go towards, primarily, sustainment of personnel growth, future personnel growth, operating costs, depreciation impacts associated with new equipment, and continuation of the maintenance upgrade of NZDF infrastructure.
- An increase of \$1.120 million in 2007/08 in response to the Joint Working Group Report on Concerns of Viet Nam Veterans. This funding, as part of the Cabinet-agreed funding package dealing with the concerns of Viet Nam Veterans, will contribute to the initiatives agreed in the MOU signed by the Crown with Ex-Vietnam Services Association and the Royal New Zealand Returned and Services Association can be delivered.
- An increase of \$1.900 million in 2006/07 only to reimburse personnel in receipt of overseas allowance income newly recognised as assessable for income tax purposes.
- An adjustment to provide for transfers between appropriated NZDF Output Expense values to reflect changes to the Defence Costing System model, without overall funding impact.

Multi-year appropriations

- An increase of \$741,000 in 2006/07 to recognise that, from 18 March 2007, the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force.

The annual departmental appropriations sought by Vote Defence Force for 2007/08 exceed those for 2006/07 by some \$128 million (\$163 million if the MYA for Output Expense *Operationally Deployed Forces* is taken into account). The differences in funding for NZDF departmental appropriations between 2006/07 (Supplementary Estimates) and 2007/08 (Main Estimates) are explained under *Reasons for Change* against each Output Expense in the tables at Part B1. A breakdown of the items and values that contribute to the changes, for each Output Expense, is shown in the following table:

Annual appropriations 2006/07 - 2007/08 comparison table

Output Expense (\$ Million)	Supp Estimates 2006/07	Capital Charge (1)	Project Protector (2)	Operating /Capital Swap (3)	Budget / Model Changes (4)	DSI Increment (5)	Main Estimates 2007/08
Fixed Wing Transport Forces	175	- 3	-	-	15	9	196
Land Combat Forces	300	5	-	2	37	2	346
Land Combat Service Support Forces	121	2	-	1	2	-	126
Land Combat Support Forces	198	-1	-	1	-18	3	183
Maritime Patrol Forces	161	4	-	-	-19	8	154
Military Hydrography	12	-	-	-	3	-	15

Output Expense (\$ Million)	Supp Estimates 2006/07	Capital Charge (1)	Project Protector (2)	Operating /Capital Swap (3)	Budget / Model Changes (4)	DSI Increment (5)	Main Estimates 2007/08
Military Policy Development	12	- 1	-	-	- 1	1	11
MCM & MCM Diving Forces	35	3	-	-	-	-	38
Miscellaneous Support Activities	13	-	-	-	1	-	14
Naval Combat Forces	413	11	-	3	- 49	16	394
Naval Helicopter Forces	86	- 1	-	1	- 2	1	85
Naval Patrol Forces	28	1	19	-	35	2	85
Naval Support Forces	72	4	10	1	6	3	96
Rotary Wing Transport Forces	108	4	-	1	- 11	12	114
Special Operations Forces	48	2	-	-	1	1	52
Totals:	1,782	30	29	10	0	58	1,910

Operating/capital swap

Appropriations for the year ending 30 June 2007 include approval for an operating to capital swap of \$10.190 million to 2007/08 - funded from depreciation savings from 2006/07.

Other expenses

An other expense in 2006/07 by way of a write-off, not expected to exceed \$2.700 million, has been agreed. This is a technical adjustment to provide for asset-related costs held on the NZDF balance sheet to be written off by 30 June 2007, in accordance with Audit New Zealand advice.

Capital injection

Funding for the year ending 30 June 2008 includes a cabinet-agreed capital injection of \$44 million that was considered as a new initiative during the 2007 Budget process. This capital funding will be applied to expenditure associated with the Defence Long-term Development Plan and NZDF infrastructure planning. Together with the 2006/07 depreciation savings of \$10.190 and a capital transfer from 2006/07 of \$73.395 million, this will provide for a total injection of \$127.585 million - (see Part E1).

New initiatives by appropriation

The following table shows the *New Initiatives* by Appropriation.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Defence Funding Package - Year 3. (Implementation of the third year of operating funding provided under the Defence Sustainability Initiative Funding Package).	Departmental Output Expense - Fixed Wing Transport Forces	-	9,000	9,000	9,000	9,000
	Departmental Output Expense - Land Combat Forces	-	2,000	2,000	2,000	2,000
	Departmental Output Expense - Land Combat Support Forces	-	3,000	3,000	3,000	3,000
	Departmental Output Expense - Maritime Patrol Forces	-	8,000	8,000	8,000	8,000
	Departmental Output Expense - Military Policy Development, Coordination and Advice	-	1,000	1,000	1,000	1,000
	Departmental Output Expense - Naval Combat Forces	-	16,030	16,030	16,030	16,030
	Departmental Output Expense - Naval Helicopter Forces	-	1,000	1,000	1,000	1,000
	Departmental Output Expense - Naval Patrol Forces	-	2,000	2,000	2,000	2,000
	Departmental Output Expense - Naval Support Forces	-	3,000	3,000	3,000	3,000
	Departmental Output Expense - Rotary Wing Transport Forces	-	12,000	12,000	12,000	12,000
	Departmental Output Expense - Special Operations Forces	-	1,000	1,000	1,000	1,000
	Sub Total		-	58,030	58,030	58,030
Defence Long-Term Development Plan and NZDF Infrastructure Planning	Capital Injection with impact on Net Asset Schedule (see Part E1)	-	44,000	-	-	-
Sub Total		-	44,000	-	-	-
Response to Joint Working Group Report on <i>Concerns of Viet Nam Veterans</i>	Departmental Output Expense - Fixed Wing Transport Forces	-	190	-	-	-
	Departmental Output Expense - Land Combat Forces	-	224	-	-	-
	Departmental Output Expense - Land Combat Support Forces	-	112	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	-	146	-	-	-
	Departmental Output Expense - Naval Combat Forces	-	448	-	-	-
Sub Total		-	1,120	-	-	-

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Operating to Capital Swap	Departmental Output Expense - Fixed Wing Transport Forces	725	-	-	-	-
	Departmental Output Expense - Land Combat Forces	(2,153)	-	-	-	-
	Departmental Output Expense - Land Combat Service Support Forces	(843)	-	-	-	-
	Departmental Output Expense - Land Combat Support Forces	(1,308)	-	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	(487)	-	-	-	-
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	(21)	-	-	-	-
	Departmental Output Expense - Military Policy Development, Coordination and Advice	256	-	-	-	-
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	(269)	-	-	-	-
	Departmental Output Expense - Miscellaneous Support Activities	(375)	-	-	-	-
	Departmental Output Expense - Naval Combat Forces	(2,783)	-	-	-	-
	Departmental Output Expense - Naval Helicopter Forces	(665)	-	-	-	-
	Departmental Output Expense - Naval Patrol Forces	(300)	-	-	-	-
	Departmental Output Expense - Naval Support Forces	(636)	-	-	-	-
	Departmental Output Expense - Rotary Wing Transport Forces	(962)	-	-	-	-
	Departmental Output Expense - Special Operations Forces	(369)	-	-	-	-
Sub Total		(10,190)	-	-	-	-
Defence Costing System Change	Departmental Output Expense - Fixed Wing Transport Forces	14,584	14,584	14,584	14,584	14,584
	Departmental Output Expense - Land Combat Forces	37,009	37,009	37,009	37,009	37,009
	Departmental Output Expense - Land Combat Service Support Forces	2,099	2,099	2,099	2,099	2,099
	Departmental Output Expense - Land Combat Support Forces	(18,205)	(18,205)	(18,205)	(18,205)	(18,205)
	Departmental Output Expense - Maritime Patrol Forces	(18,693)	(18,693)	(18,693)	(18,693)	(18,693)

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Defence Costing System Change - cont'd	Departmental Output Expense - Fixed Wing Transport Forces	14,584	14,584	14,584	14,584	14,584
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	2,626	2,626	2,626	2,626	2,626
	Departmental Output Expense - Military Policy Development, Coordination and Advice	(523)	(523)	(523)	(523)	(523)
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	354	354	354	354	354
	Departmental Output Expense - Miscellaneous Support Activities	377	377	377	377	377
	Departmental Output Expense - Naval Combat Forces	(49,028)	(49,028)	(49,028)	(49,028)	(49,028)
	Departmental Output Expense - Naval Helicopter Forces	(2,489)	(2,489)	(2,489)	(2,489)	(2,489)
	Departmental Output Expense - Naval Patrol Forces	34,659	34,659	34,659	34,659	34,659
	Departmental Output Expense - Naval Support Forces	6,626	6,626	6,626	6,626	6,626
	Departmental Output Expense - Rotary Wing Transport Forces	(10,561)	(10,561)	(10,561)	(10,561)	(10,561)
	Departmental Output Expense - Special Operations Forces	1,165	1,165	1,165	1,165	1,165
Sub Total		0	0	0	0	0
Implications of Revised Taxation Treatment for Overseas Allowances	Departmental Output Expense - Fixed Wing Transport Forces	106	-	-	-	-
	Departmental Output Expense - Land Combat Forces	332	-	-	-	-
	Departmental Output Expense - Land Combat Service Support Forces	129	-	-	-	-
	Departmental Output Expense - Land Combat Support Forces	209	-	-	-	-
	Departmental Output Expense - Maritime Patrol Forces	119	-	-	-	-
	Departmental Output Expense - Military Hydrography, and Hydrographic Data Collection and Processing for LINZ	15	-	-	-	-
	Departmental Output Expense - Military Policy Development, Coordination and Advice	190	-	-	-	-
	Departmental Output Expense - Mine Countermeasures (MCM) and MCM Diving Forces	34	-	-	-	-
	Departmental Output Expense - Naval Combat Forces	391	-	-	-	-

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
	Departmental Output Expense - Naval Helicopter Forces	91	-	-	-	-
	Departmental Output Expense - Naval Patrol Forces	58	-	-	-	-
	Departmental Output Expense - Naval Support Forces	117	-	-	-	-
	Departmental Output Expense - Rotary Wing Transport Forces	49	-	-	-	-
	Departmental Output Expense - Special Operations Forces	60	-	-	-	-
Sub Total		1,900	-	-	-	-
Defence Force Allowance Transfer	A Technical Adjustment to the MYA to recognise that from 18 March 2007 the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force following a revokement of the Defence Force Allowance Programme (DFAP).	741	-	-	-	-
Sub Total		741	-	-	-	-
Disposal Costs	A Technical Adjustment, Other Expense, that provides, should it be necessary, for the expensing, by 30 June 2007, in accordance with Audit New Zealand advice, of items included in the New Zealand Defence Force Statement of Financial Position.	2,700	-	-	-	-
Sub Total		2,700	-	-	-	-
Total Initiatives		(4,849)	103,150	58,030	58,030	58,030

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used				2008/09	2009/10	2010/11	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	1,426,895	1,529,740	1,522,510	1,635,293	1,781,633	1,781,633	1,909,712	-	-	-	1,909,712	1,968,761	1,969,435	1,970,573
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	23,414	-	-	-	2,700	2,700	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	1,450,309	1,529,740	1,522,510	1,635,293	1,784,333	1,784,333	1,909,712	-	-	-	1,909,712	1,968,761	1,969,435	1,970,573
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Fixed Wing Transport Forces (M22)	174,367	-	174,367	-	196,380		- 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. Reason for Change: The increase (\$22 million) reflects changes to the output attribution model for increased personnel and operating costs for the C-130 Hercules and Boeing 757 aircraft.
Land Combat Forces (M22)	299,699	-	299,699	-	345,512		- 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. Reason for Change: The increase (\$46 million) mainly reflects the shift of personnel, operating, depreciation and capital charge for Queen Alexandra's Mounted Rifles (QAMR) - previously attributed to Output Expense Land Combat Support Forces - and the full operational costs of the Light Armoured Vehicles (LAVs), together with their share of overhead costs.
Land Combat Service Support Forces (M22)	121,052	-	121,052	-	126,257		- 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. Reason for Change: The increase (\$5 million) mainly reflects the higher depreciation costs arising from equipment attributed to this Output Expense.
Land Combat Support Forces (M22)	198,231	-	198,231	-	183,200		- 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. Reason for Change: The decrease (\$15 million) mainly reflects the shift of personnel, operating, depreciation and capital charge for QAMR to Output Expense Land Combat Forces.

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General) - cont'd							
Maritime Patrol Forces (M22)	160,375	-	160,375	-	154,156		- 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. Reason for Change: The decrease (\$7 million) mainly reflects changes to the output attribution model with all costs related to RNZAF Ohakea now directed to the Rotary Wing Transport Forces.
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (M22)	12,382	-	12,382	-	15,136		- 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.
Military Policy Development, Coordination and Advice (M22)	12,304	-	12,304	-	11,390		- 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. Reason for Change: The decrease (\$1 million) reflects the budget reduction for the one-off operating costs of the new Defence House during 2006/07.
Mine Countermeasures (MCM) and MCM Diving Forces (M22)	35,146	-	35,146	-	37,687		- 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 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. Reason for Change: The increase (\$3 million) reflects capital charge changes.

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Miscellaneous Support Activities (M22)	13,353	-	13,353	-	13,689	-	Provision of the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications.
Naval Combat Forces (M22)	413,096	-	413,096	-	394,454	-	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. Reason for Change: The decrease (\$19 million) mainly reflects a redistribution of personnel costs with the manning of the new Project Protector vessels.
Naval Helicopter Forces (M22)	85,956	-	85,956	-	84,670	-	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.
Naval Patrol Forces (M22)	27,367	-	27,367	-	85,221	-	Provision of the capabilities of the Offshore and Inshore Patrol Vessels (OPVs, IPVVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ, 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. Reason for Change: The increase (\$58 million) reflects the increased personnel, maintenance and running costs, depreciation and capital charge as the new Offshore and Inshore Patrol Vessels gradually become operational in FY 2007/08, and some cost model changes.
Naval Support Forces (M22)	71,848	-	71,848	-	95,502	-	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. Reason for Change: The increase (\$24 million) mainly reflects the increased running costs and depreciation as the new Multi-Role Vessel becomes fully operational.

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General) - cont'd							
Rotary Wing Transport Forces (M22)	108,109	-	108,109	-	114,472	-	- 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. Reason for Change: The increase (\$6 million) reflects changes to the output attribution model with all costs related to RNZAF Ohakea now directed to this Output Expense.
Special Operations Forces (M22)	48,348	-	48,348	-	51,986	-	- 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. Reason for Change: The increase (\$4 million) reflects a combination of capital charge, and cost model and DSI increases associated with personnel, operating and depreciation changes.
Total Departmental Output Expenses (General)	1,781,633	-	1,781,633	-	1,909,712	-	
Other Expenses to be incurred by the Department							
Asset Write-Offs (M22)	2,700	-	2,700	-	-	-	
Total Other Expenses to be incurred by the Department	2,700	-	2,700	-	-	-	
Total Appropriations	1,784,333	-	1,784,333	-	1,909,712	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Departmental Output Expenses (General)		
Operationally Deployed Forces (M22)		
Original Appropriation	66,999	The provision of force elements for routine operational deployments in support of the United Nations and other relevant multinational agencies as approved by the Government, in accordance with NZDF Output Plan specifications.
Commences	1 July 2005	
Expires	30 June 2008	Reason for Change: Adjustments include agreed increases of \$30.200 million in 2006/07 and \$41.776 million in 2007/08 to provide for future Defence Force Allowances and to fund deployments, and an addition of \$741,000 representing residual Defence Force Allowances ex Ministry of Social Development; an overall total adjustment of \$72.717 million.
Adjustments 2006/07	72,717	
Appropriation	138,178	
Estimated Actual to 2006/07 Year End	62,860	Note:
Estimated Actual to 2007/08 Year End	138,178	Experience since the introduction of this MYA has highlighted the difficulty in forecasting operational tempo over a three-year period. In consequence, after 30 June 2008, Output Expense Operationally Deployed Forces will be appropriated on an annual basis rather than via a MYA.

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Military Policy Development, Coordination and Advice

Under this output expense the Minister of Defence purchases military advice on NZDF contributions to New Zealand's foreign policy and military responses to contingencies. Also included is the provision of military intelligence, responses on behalf of the Minister to ministerial correspondence, select committee and parliamentary questions, Official Information Act inquiries and Ombudsmen correspondence.

Naval Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Combat Forces (*HMNZ Ships Te Mana and Te Kaha*) prepared to conduct maritime operations. This output expense also includes contributions by the Naval Combat Forces to a range of services to the Government and the community.

Naval Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Support Forces (the Fleet Replenishment Ship *HMNZS Endeavour* and the new Multi-Role Vessel *HMNZS Canterbury*) prepared to conduct maritime logistic support and amphibious sealift operations for deployed military forces. This output expense also includes contributions by Naval Support Forces to a range of services to the Government and the community.

HMNZS Canterbury is expected to be delivered in May 2007.

Mine Counter Measure (MCM) and MCM Diving Forces

Under this output expense the Minister of Defence purchases the capabilities of the MCM and MCM Diving Forces. The MCM Force (*HMNZS Manawanui* with *HMNZS Kahu* as backup) is prepared to conduct Q route surveys and conditioning of selected New Zealand ports. The MCM Diving Force (the Operational Diving Team), is prepared to support MCM Forces operations and to conduct independent diving tasks. This output expense includes the provision of some support services to the community, when appropriate.

The use of *HMNZS Resolution* and Survey Motor Boat *Adventure* to deliver the MCM output will continue to be explored, commensurate with primary output expense (Hydrography) tasking.

Naval Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Offshore and Inshore Patrol Vessels (OPVs and IPVs) prepared for the conduct of maritime operations in support of Multi-Agency Operations and Tasks (MAO&T), and for the security and protection of New Zealand's economic border and EEZ. 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.

As the IPVs are introduced into service, the existing Inshore Patrol Craft (IPCs) will be phased out and disposed of.

The expected delivery dates of the two OPVs are:

- *HMNZS Otago* - November 2007
- *HMNZS Wellington* - May/June 2008.

The expected delivery dates of the four IPV are:

- *HMNZS Rotoiti* - September 2007
- *HMNZS Hawea* - December 2007
- *HMNZS Pukaki* - March 2008
- *HMNZS Taupo* - June 2008.

Military Hydrography, and Hydrographic Data Collection and Processing for LINZ

Under this output expense the Minister of Defence purchases the capabilities of the hydrographic and oceanographic survey vessel (*HMNZS Resolution*), specialist personnel and support infrastructure to conduct military hydrography, and hydrographic data collection and processing which meets contractual commitments to LINZ. This output expense is supported by the Hydrographic Business Unit as part of the Joint Geospatial Support Facility.

The use of *HMNZS Resolution* and Survey Motor Boat *Adventure* to deliver the MCM output will continue to be explored, commensurate with primary output expense (Hydrography) tasking.

Land Combat Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Forces, consisting of command, control and intelligence elements and manoeuvre force elements (infantry and reconnaissance) prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Support Forces, consisting of artillery, engineer, communications and military police force elements, prepared to conduct land operations. This output expense also includes contributions to a range of services to the Government and the community.

Land Combat Service Support Forces

Under this output expense the Minister of Defence purchases the capabilities of the Land Combat Service Support Forces, consisting of transport, medical, supply, repair and movements force elements, prepared to support land operations. This output expense also includes contributions to a range of services to the Government and the community.

Special Operations Forces

Under this output expense the Minister of Defence purchases the capabilities of the Special Operations Forces prepared to conduct special operations in support of land operations and counter-terrorist

operations. Also purchased are the capabilities of the NZDF CBRE IEDD/EOD organisation prepared to dispose of chemical, biological, radiological, explosive, improvised explosive devices that threaten public safety or national interests. These forces will not usually be available for other community support tasks.

Naval Helicopter Forces

Under this output expense the Minister of Defence purchases the capabilities of the Naval Helicopter Forces (Seasprite SH-2G) prepared to conduct maritime operations in support of the *Naval Combat Forces*, *Naval Support Forces* and *Naval Patrol Forces*, and to conduct limited independent operations. This output expense may also include the provision of naval helicopter forces for a range of support to the Government and the community, when required.

Maritime Patrol Forces

Under this output expense the Minister of Defence purchases the capabilities of the Maritime Patrol Forces (P-3K Orion aircraft) prepared to conduct maritime surveillance of New Zealand's EEZ, the Pacific region and the Southern Ocean, search and rescue missions, and maritime air operations. This output expense also includes the provision of Orion aircraft for a range of support services to the Government and the community.

Fixed Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Fixed Wing Transport Forces (B757-200 and C-130 Hercules aircraft) prepared to conduct strategic and tactical air transport operations, including aeromedical evacuation (AE). This output expense also includes the provision of air transport aircraft for a range of support services to the Government and the community.

Rotary Wing Transport Forces

Under this output expense the Minister of Defence purchases the capabilities of the Rotary Wing Transport Forces (Iroquois helicopters) prepared to conduct tactical air transport operations, including AE, and counter-terrorist operations. This output expense also includes the provision of helicopters for a range of support services to the Government and the community, land search and rescue in particular.

Miscellaneous Support Activities

Under this output expense the Minister of Defence purchases the NZDF infrastructure and planned support to regional defence forces and the New Zealand community provided by identified elements of the NZDF. It includes support provided under the auspices of the Mutual Assistance Programme, support to the New Zealand Cadet Forces, training of Limited Service Volunteers and the provision of Service Museums, in accordance with NZDF Output Plan specifications.

Operationally Deployed Forces

Under this output expense the Minister of Defence purchases the capabilities of deployed NZDF force elements on 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 relevant multinational agencies. This includes the provision of individuals, observers, advisors, instructors, headquarters staff, and complete force elements and contingents, when necessary, to operational missions. Also included is the conduct of any additional training required to bring force elements to the operational level of capability (OLOC) and to meet any special conditions associated with threat levels anticipated when deployed.

This Output Expense is subject to a three-year (2005/06 - 2007/8) MYA; see Part B2. When the MYA expires (30 June 2008), it is intended that *Operationally Deployed Forces* be appropriated on an annual basis rather than via a MYA.

Additional Funding for Unplanned Major Operations

The NZDF Output Expenses contain appropriations for known activity levels. Until 2005/06, no provision was made for unknown events - such as new requests for NZDF support to peace support operations. Under the Government-approved Defence Sustainability (DSI) funding package the NZDF is required to fund new operational missions up to the level of normal operational tempo and funding. Should the Government decide to activate a larger contribution to an operation, such as a battalion group (as was deployed to Timor Leste), the additional costs associated with generating the OLOC required, the deployment, and the sustainment of the force for the duration of the task, will need to be considered separately. In such circumstances funding will be provided by a reprioritisation of existing expenditure and by further appropriation, as necessary. Funding proposals for major unplanned initiatives, including trade-offs against existing activities, will be considered on a case-by-case basis within agreed Cabinet procedures.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for New Zealand Defence Force	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	4,498,432	4,974,132	
Capital Injections	479,812	127,585	A new \$44 million capital injection has been agreed for 2007/08. The balance (\$83.585 million) is made up from an agreed capital transfer of \$73.395 million from 2006/07 and an agreed Operating to Capital Swap of \$10.190 million from 2006/07. Investing activity undertaken by the NZDF during 2007/08 is expected to exceed \$589 million. The capital injection described is the funding required to meet the NZDF's capital asset purchase programme. Capital funding will be applied to expenditure associated with the Defence Long-Term Development Plan and NZDF infrastructure planning.
Capital Withdrawals	-	-	-
Surplus to be Retained (Deficit Incurred)	(2,700)	-	-
Other Movements	(1,412)	2,700	The 2006/07 movement represents an asset revaluation reserve reduction. The 2007/08 figure represents a non-cash movement to cover the 2006/07 forecast output deficit.
Closing Balance	4,974,132	5,104,417	