

DEFENCE SUSTAINABILITY INITIATIVE (DSI)

Q & A

What is the new initiative?

The Defence Sustainability Initiative is a new approach to developing the resources of the New Zealand Defence Force (NZDF) and the Ministry of Defence (MOD) through the provision of new funding that will enable: increased personnel numbers; increased reserve stocks of ammunition, fuel, and spares; development of infrastructure at camps and bases and improved corporate management capability.

What led Government to introduce the new initiative?

The new Defence Sustainability Initiative emerged from government decisions following the *Defence Capability and Resourcing Review* commissioned by the Ministers of Defence, Finance and State Services Commission. The terms of reference for the review were to identify the resources needed to meet the government's defence policy and identify the cost of those resources, including the number of people the needed to undertake missions and run the NZDF organisation.

It is the latest step in the government's programme to modernise the NZDF and make it relevant to contemporary needs. The first step was the 2000 *Government's Defence Policy Framework*, which set out the government's defence policy, and broad force structure priorities. This was followed by the 2001 *Defence Statement*, which matched military capabilities to defence policy. In 2002, the government released the *Defence Long-Term Development Plan (LTDP)* - a 10-year plan for developing and procuring military equipment. (Considerable progress has been made on implementing the LTDP, with 24 major military equipment projects advanced since 1999.)

NZDF has engaged in a number of high tempo operations in recent years, including deployments to Timor Leste, Afghanistan, Iraq, Solomon Islands, Indonesia, and the Arabian Sea region. These operations have stretched the resources of the NZDF. Further demands on resources through the acquisition of major equipment have highlighted the need to build the capacity of the defence force in the areas of people, infrastructure and corporate systems.

The Ministry of Defence will also be funded to develop its policy and purchase advice functions.

The DSI is thus the fourth step in the government's drive for a defence force that is relevant, sustainable and of high utility in the long term.

What needs did the *Defence Capability and Resourcing Review* reveal?

The *Defence Capability and Resourcing Review* revealed needs in existing military and corporate capability. In particular, the *Defence Capability and Resourcing Review* pointed to the need to:

- Increase personnel numbers, enhance training and retention;
- Develop infrastructure at camps and bases;

- Increase reserve stocks of necessary equipment and spares;
- Strengthen administration and management systems.

How much new money will there be?

The Government has provided additional operating funding of \$4.4 billion, excluding GST, to be distributed over the 10 years of the new initiative. An additional \$209 million of capital funding has also been approved for the Long Term Development Plan.

Priorities for the new funding will focus on building personnel levels, bringing new and upgraded equipment into service and strengthening defence planning and management systems and ongoing sustainability.

How much will be allocated in each of the 10 years?

The implementation of the Initiative will commence in the next financial year (05/06). The estimated figures summarised below are shown in millions exclusive of GST and relate to NZDF.

Defence Sustainability Initiative (DSI) (GST Excl)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Totals
Budget 2014										0.0	0.0
Budget 2013									58.6	58.6	117.2
Budget 2012								14.2	14.2	14.2	42.6
Budget 2011							66.9	66.9	66.9	66.9	267.6
Budget 2010						108.1	108.1	108.1	108.1	108.1	540.7
Budget 2009					85.7	85.7	85.7	85.7	85.7	85.7	514.2
Budget 2008				69.1	69.1	69.1	69.1	69.1	69.1	69.1	483.7
Budget 2007			58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0	464.2
Budget 2006		72.8	72.8	72.8	72.8	72.8	72.8	72.8	72.8	72.8	654.8
Budget 2005	86.3	98.2	127.2	134.9	135.0	135.5	137.2	136.0	135.9	136.5	1262.6
Totals	86.3	170.9	258.0	334.8	420.6	529.2	597.8	610.8	669.3	669.9	4347.7

(NB: Following the Public Finance Amendment Act 2004 all figures for operating costs are quoted exclusive of GST. Figures for defence spending in previous years were inclusive of GST.)

An additional permanent baseline increase of \$0.844m for the Ministry of Defence will commence from 2005/06.

How will this initiative be monitored?

Defence funding and expenditure will be kept under continuous review to ensure that Government's policy objectives will be met.

A Five Year Review will examine the progress made by Defence in meeting the Defence Sustainability Initiative objectives, and consider whether any adjustments to priorities need to be made.

The first report to Joint Ministers on progress on implementing the DSI against the Government's priorities will be made in June 05. This will address the plans for implementing the initiatives. Reports on progress on implementing these plans will be made in November 05 and June 06.

How does the DSI impact on the Long Term Development Plan?

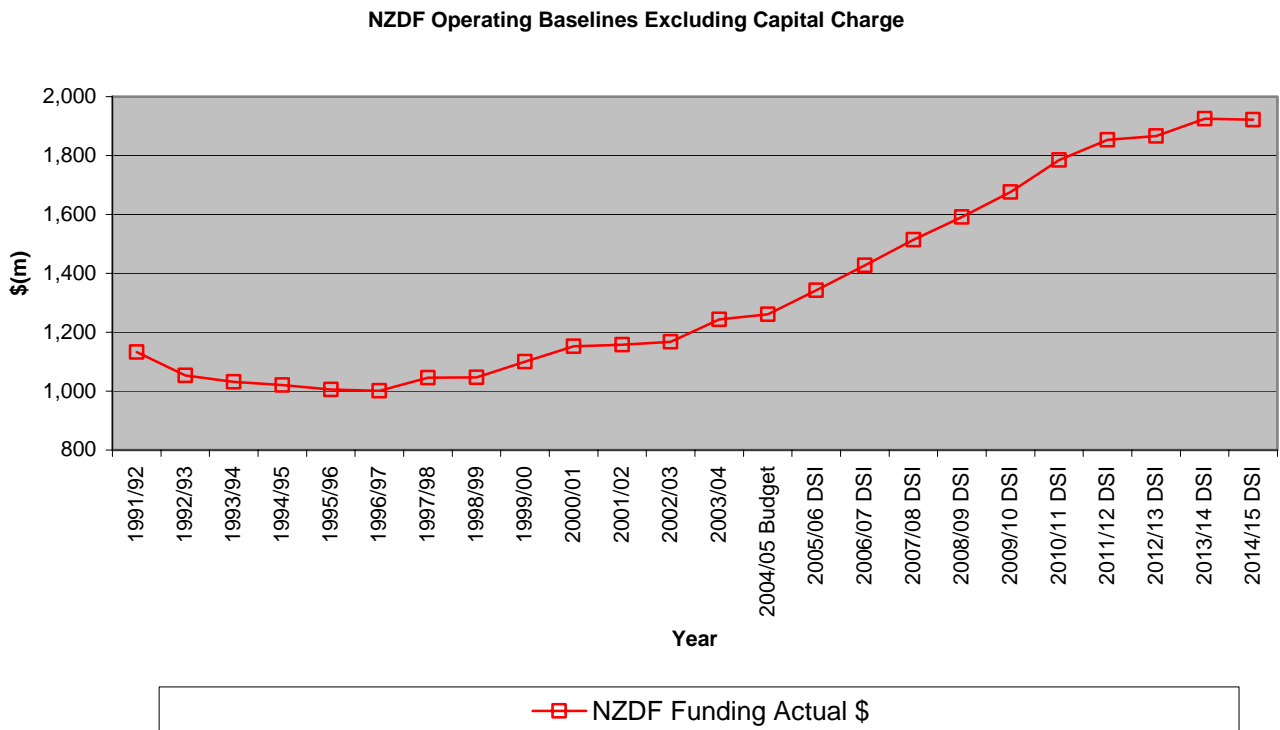
Priorities for major defence equipment purchases are outlined in the Long Term Development Plan. Priorities for acquisition are under constant review through a capability management system that takes into account the current and future needs of the Defence Force.

Spending on the new initiative will ensure support for new equipment through its life, ensure there are sufficient personnel to operate the new equipment, provide the necessary camp and base infrastructure to support that equipment and improve defence management.

There is an additional \$209 million excluding GST in the DSI for capital acquisitions. This is in addition to the \$1 billion already allocated to the Long Term Development Plan approved in 2002, and will be used after the initial \$1 billion has been spent.

How will this funding compare to past funding?

The graph below shows NZDF operational funding since the change to accrual accounting in 1990 and projects the impact of the DSI on NZDF operating baselines.



By the end of the 10-year-funding package this government will have increased New Zealand Defence Force operational baseline funding by 51 per cent since taking office in 1999.

What work is required to implement the new initiatives?

NZDF and the MOD will implement changes to organisational systems and processes required to improve defence planning. This will enable the gradual rebuilding of personnel numbers across the NZDF, the replenishment of reserve stocks, infrastructure upgrades, and planning for the introduction of new LTDP projects to be effectively managed and monitored. The MOD will further develop its policy and purchase advice area.

Will it be possible to recruit and retain the necessary additional defence staff?

Defence is confident the required increases in recruitment levels will be achievable over the 10 year life of the new initiative.

An early priority is to commence additional recruitment and improved retention of personnel. This includes further enhancing conditions of service initiatives such as accommodation assistance, pay and allowances, and building for the introduction of new and upgraded equipment.

What are the actual force numbers now (regular and TF)?

Navy: 1905 RF, and 318 TF

Army: 4500 RF, and 1840 TF

Air Force: 2263 RF, and 146 TF

How many people will NZDF aim to recruit?

The aim is to rebuild the NZDF gradually over time. The recruiting targets will fluctuate as personnel recruiting and loss rates vary. Over the 10 year period, the NZDF could grow by up to 1500 to 2000.

Who conducted the *Defence Capability and Resourcing Review*?

The *Defence Capability and Resourcing Review* was conducted by the Ministry of Defence, The Treasury, the State Services Commission, and the NZ Defence Force between December 2003 and February 2005.

Will the *Defence Capability and Resourcing Review* be publicly released?

A public version of the *Defence Capability and Resourcing Review* report will be posted on the following websites today:

www.defence.govt.nz

www.nzdf.mil.nz

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