

HON ANDREW LITTLE, MINISTER OF DEFENCE

Defence Force: Bushmaster Communications

November 2023

This publication provides details on Cabinet's August 2023 decisions regarding Bushmaster Communications appropriations.

The pack comprises the following documents:

- Defence Force: Bushmaster Communications minute of decision [GOV-23-MIN-0038]
- Defence Force: Bushmaster Communications Cabinet paper [GOV-23-SUB-0038]

This pack has been released on the Ministry of Defence website, available at: www.defence.govt.nz/publications.

It has been necessary to withhold certain information in accordance with the following provisions of the Official Information Act 1982. Where information is withheld, the relevant sections of the Act are indicated in the body of the document. Where information has been withheld in accordance with section 9(2) of the Act, no public interest has been identified that would outweigh the reasons for withholding it.

Information is withheld where making it available would be likely to prejudice:

- the security or defence of New Zealand or the international relations of the Government of New Zealand [section 6(a)]

Information is also withheld in order to:

- maintain the constitutional conventions for the timing being which protect the confidentiality of advice tendered by Ministers of the Crown and officials [section 9(2)(f)(iv)]
- maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty [section 9(2)(g)(i)]
- enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, negotiations [section 9(2)(j)].



Cabinet Government Administration and Expenditure Review Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released including under the Official Information Act 1982, by persons with the appropriate authority.

Defence Force: Bushmaster Communications

Portfolio **Defence**

On 17 August 2023, the Cabinet Government Administration and Expenditure Review Committee:

- 1 **noted** that in June 2020, the Cabinet Government Administration and Expenditure Review approved \$101.3 million for the procurement of 43 Bushmaster vehicles from Thales Australia [GOV-20-MIN-0020];
- 2 **noted** that the Bushmaster vehicles have begun to arrive in New Zealand;
- 3 **noted** that the Bushmaster Communications project will deliver critical communications which are necessary to deploy the Bushmaster vehicles on operations and to maintain interoperability with our partners and ally;
- 4 **endorsed** “Option 3: Network Enabled Communications” as the preferred option for the Bushmaster Communications Project, as set out in the Project Implementation Business Case (PIBC) attached to the paper under GOV-23-SUB-0038;

5 [Redacted: s6(a), s9(2)(f)(iv)]

- 6 **noted** that the preferred Option 3 seeks initial capital injection of \$58.000 million [Redacted: s9(2)(j)] and annual operating baseline uplift from 2024/25 onwards for through-life operating expenditure, depreciation and capital charge, as shown in the table below;

| (All figures in \$m) | Total over forecast period | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|----------------------------|--------------|---------|---------|---------|
| Total Initial Capital Expenditure | 58.000 | s9(2)(f)(iv) | | | |
| Through-Life Operating Expenditure | s9(2)(f)(iv) | | | | |
| Depreciation | | | | | |
| Capital Charge @ 5% | | | | | |
| Total Operating Expenditure | | | | | |

7 **noted** that in Budget 2023, Cabinet approved tagged operating and capital contingency - for Bushmaster Communication – Network Enabled Army Tranche 3 [Initiative No: 15254 of CAB-23-MIN-0139] and authorised the Minister of Finance and the Minister of Defence (joint Ministers) to decide work needed to approve the drawdown:

| Initiative No: 15254 \$m – increase/(decrease) | 2023/24 | 2024/25 | 2025/26 | 2026/27 & Out years |
|---|------------------------|---------|---------|------------------------|
| Tagged Operating Contingency | - | 6.040 | 10.990 | 15.030 |
| Tagged Capital Contingency | s9(2)(f)(iv), s9(2)(j) | | | |

8 **noted** that joint Ministers agreed the above tagged operating and capital contingencies may be drawn down by the Minister of Defence and the Minister of Finance jointly (establishing any new appropriations as necessary), subject to Cabinet approval of a Detailed Business Case and joint approval of an Implementation Business Case by the joint Ministers;

9 **noted** that the approach in paragraph 8 above would result in a delay of up to one year in the project. s6(a)

10 **agreed** to change the appropriation approach for the above approved tagged contingency s9(2)(f)(iv), s9(2)(j) required now to purchase long lead time items (including initial technical work and initial project management costs);

11 **noted** that in addition to the estimated capital cost of \$58.000 million, an additional foreign exchange contingency s9(2)(j) is required to allow for any adverse movement in exchange rates between writing the Cabinet paper attached under GOV-23-SUB-0038, to the time the contracts are entered into, and the NZD cost is fixed, making the total initial capital investment s9(2)(j)

12 **noted** that the foreign exchange contingency of s9(2)(j) will be funded from New Zealand Defence Force’s (NZDF) accumulated depreciation reserves if required;

13 s9(2)(g)(ii), s9(2)(j)

14 **approved** the following changes to appropriations to provide for the decision in paragraph 13 above:

| | NZ \$M – increase/(decrease) | | | |
|--|------------------------------|---------|---------|---------|
| Vote Defence Minister of Defence | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Multi-Category Appropriation Defence Capabilities MCA Capital Expenditure | s9(2)(j) | - | - | - |
| Defence Capability Delivery | | | | |

15 **noted** that the expenditure in paragraph 14 above is offset by a capital receipt from the NZDF;

16

s9(2)(j)



17 **noted** the following changes to the appropriations in accordance with the Defence Force – capital Expenditure PLA authorised by section 24(1) of the Public Finance Act 1989, reflecting the forecast costs of long lead time items, initial technical work and project management, with a corresponding effect on net core Crown debt:

| | NZD \$ M – increase/(decrease) | | | |
|--|--------------------------------|---------|---------|---------|
| Vote Defence Force Minister of Defence | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Departmental Capital Expenditure: | s9(2)(j) | | | |
| New Zealand Defence Force Capital PLA | | - | - | - |

18 **agreed** that the above changes to appropriations for 2023/24 will be reported and disclosed in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met by imprest supply;

19

s9(2)(j)



20 **noted** that, following the adjustment detailed in paragraph 16 above, the remaining balances and indicative phasing of contingencies described in paragraph 7 above will be:

| Initiative No: 15254 \$m – increase/(decrease) | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 & Out years |
|---|----------|---------|---------|---------|---------------------|
| Tagged Operating Contingency | - | 6.040 | 10.990 | 15.030 | 15.030 |
| Tagged Capital Contingency | s9(2)(j) | | | | |

21 **noted** that joint Ministers agreed that the expiry date for the above tagged operating and capital contingencies be 30 June 2025;

- 22 **authorised** the Minister of Finance and the Minister of Defence to jointly draw down the balance of the tagged contingencies described in paragraph 20 above once final project costs are confirmed for the remaining equipment as well as the design and integration of the capability, and submitted as part of an updated PIBC;
- 23 **directed** the Ministry of Defence and NZDF, when seeking future investment decisions on Bushmaster Infrastructure, to present options to fund the infrastructure requirements from within baselines.

Vivien Meek
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Andrew Little
Hon Ginny Andersen
Hon Dr Duncan Webb
Hon Dr Deborah Russell

Officials present from:

Office of the Prime Minister
Officials Committee for GOV

Released by the Minister of Defence

Office of the Minister of Defence

Chair, Cabinet Government Administration and Expenditure Committee

DEFENCE FORCE: BUSHMASTER COMMUNICATIONS

Proposal

1 I seek approval of the Bushmaster Communications Project Implementation Business Case, which lays out the need to integrate advanced communications and digital systems into the Bushmaster Protected Vehicles.

2 A tagged contingency was established for this purpose as part of Budget 2023. This consists of \$58.000 million in capital expenditure and \$32.060 million in 4-year operating uplift.

3

s9(2)(j)

4

s9(2)(f)(iv)

Relation to government priorities

5 This paper aligns with the Defence priorities approved by Cabinet in October 2021 (CAB-21-MIN-0439). The communication and situational awareness provided by real-time digital maps and radios will ensure that *people* are safer operating in and around the vehicles. They also provide a modern protected transportation capability that can be effectively used in a range of operations to improve resilience in the *Pacific* against security challenges.

Executive Summary

6 I recommend the Committee agree to proceed with the Bushmaster Communications Project. This will fund the installation of advanced communications and digital systems that are needed for the vehicles to carry out New Zealand Defence Force (NZDF) operations.

7 Bushmasters are protected vehicles. They are armoured to provide protection for troops while being transported around the operational space. The vehicles are especially designed to protect those inside from Improvised Explosive Devices (IED's).

8 Equipping the Bushmaster vehicles with an advanced communications capability is an important part of ensuring that New Zealand retains a credible,

combat-capable Defence Force, which is interoperable with our partners and ally Australia, and capable of being deployed across the full spectrum of operations.

- 9 In June 2020, Cabinet approved the Protected Vehicle – Medium Project Implementation Business Case for the procurement of 43 Bushmaster vehicles, costing \$101.300 million in capital expenditure (CAB-20-MIN-0296 refers). This approval was for the vehicles, training systems, and support equipment. At the time of the decision, the new communications and digital systems still needed to be designed as part of the Network Enabled Army (NEA) Programme. The Bushmasters were selected including for their ability to incorporate new systems to better support NEA and other equipment.
- 10 The vehicles began to arrive in New Zealand in April 2023 and the final vehicle is due to arrive in September 2023. The NZDF has equipped ten of the initial batch of vehicles with radios to provide s6(a) [REDACTED] and enable driver training. Radios are required in ten vehicles so that the NZDF can undertake the necessary testing to accept the vehicles and close the contract with the vehicle supplier.
- 11 This project seeks to deliver the Bushmaster vehicles a modern, integrated communications system to ensure they can accurately perceive their area of operations, give and receive orders, report to commanders, and coordinate with other vehicles and individual soldiers. The delivery of this project is necessary to provide the New Zealand Army with the full Bushmaster capability.
- 12 The communications capability includes fitted radios inside the vehicle as well as military tablets which provide access to the Battle Management System (BMS). The BMS provides near-real-time digital maps which use GPS data to display friendly force locations and reported threats as well as a secure instant messaging service. Access to these features improves the speed and accuracy of command and reporting. It also enhances the situational awareness of soldiers, commanders, and headquarters, thereby improving the safety of deployed personnel and the civilian population.
- 13 s6(a), s9(2)(g)(i) [REDACTED] the Bushmasters will form a crucial part of the NZDF's operational land capability by providing transportation and protection to soldiers on operations. The protection provided by these vehicles makes them suitable for both low and high-threat operations.

- 14 s9(2)(g)(i) [REDACTED]

- 15 Defence will also undertake an open market tender for the integration of these radios and conduct initial technical work. s9(2)(f)(iv)

Background

The Defence Force's new Bushmaster vehicles have arrived

- 16 On 22 June 2020 Cabinet approved the Protected Vehicle – Medium Project Implementation Business Case (CAB-20-MIN-0296 refers) and gave approval for Defence to sign a contract for 43 Bushmaster Protected Vehicles for \$101.300 million in capital expenditure.
- 17 The Bushmaster Protected Vehicles began to arrive in New Zealand in April 2023. Bushmasters provide protection for troops inside the vehicle, especially from Improvised Explosive Devices (IEDs). They also provide a good balance between on and off-road mobility allowing them to move troops quickly over a range of terrain types.
- 18 The vehicles will form a crucial tool for use over the range of operations the NZDF is expected to undertake from Humanitarian Assistance and Disaster Relief (HADR), to supporting combat operations as part of a multinational coalition.



Figure 1: A New Zealand Bushmaster at Trentham Military Camp.

- 19 There are five different variants of the Bushmaster vehicle:
- 19.1 Troop Carrier. Used to carry up to 8 soldiers to and around the operational space.
- 19.2 Command and Control (of which one is allocated to an Electronic Warfare (EW)¹ role and another three will support Forward Information

s6(a)

Systems Teams (FIST))². These vehicles will act as a mobile command post, allowing commanders to plan, execute, and monitor operations through the network while remaining protected.

- 19.3 Ambulance. An armoured ambulance provides the protection necessary to retrieve and evacuate wounded soldiers in high threat situations.
- 19.4 Logistic Support. Used to carry equipment, rations, and other supplies for soldiers undertaking an operation.
- 19.5 Maintenance Support. Used to carry the necessary equipment to repair Bushmaster vehicles on the front lines, away from the deployed workshops.

Bushmasters provide transport and protection on the battlefield...

20 [REDACTED] s6(a) [REDACTED] In response to this, New Zealand seeks to take a more active role in shaping the strategic environment. Part of this role includes the ability to act by maintaining a “credible, combat-capable, deployable force able to operate across the spectrum of operations”.

21 The combination of transportation and protection provided by the Bushmaster vehicles will make them a central part of any land-based operation, from lower threat missions such as HADR up to full scale combat. As such they play a key role in maintaining the credible, combat-capable force called for in the *Defence Policy and Strategy Statement 2023*.

...and they require a modern communications suite to fulfil this role...

22 Any military vehicle used on operations requires a sophisticated communications system. This is vital for dissemination of orders, reporting of threats, and coordination between vehicles, individual soldiers, and headquarters elements.

23 The Bushmasters were purchased without communications to ensure that the Network Enabled Army (NEA) Programme³ could complete the network design for the Army. This was done to make sure that equipment purchased for the Bushmasters did not impose a specific, unproven network design on the rest of the Army.

[REDACTED] s6(a) [REDACTED]

³ The NEA Programme is a transformational programme with a total of four planned tranches, two of which are in delivery. It will transform the Army from a voice communications, paper, and map based force into a modern, digital networked force. It provides the Army – from the individual soldier to Headquarters Joint Forces New Zealand – with modern communications technology and software.

24 The NZDF has currently installed radios into ten Bushmaster vehicles.

s6(a)

25

s6(a)

26 With an integrated communications solution, a fully operational Bushmaster capability will be available to Government. This will contribute to the wider transformation of the Army into an effective, network enabled force. The Bushmasters will be also able to seamlessly interoperate with partners, a priority laid out in the *Defence Policy and Strategy Statement 2023*.

...that will fit in to a new completed advanced network design

27 The NEA Programme has completed the design of a network architecture for the Army as a part of earlier tranches of that programme. The communications systems in the Bushmasters will form a part of this network so that the vehicles can work seamlessly within the Network Enabled Army. A key part of the network architecture is the Battle Management System, which provides soldiers with:

27.1 **Orders from headquarters** which are received instantly and in text form to reduce the risk of miscommunication;

27.2 **Digital maps** which can show the locations of friendly forces as well as reported threats in near-real-time;

27.3 **Instant messaging** in operational chat rooms or with commanders and subordinates to relay orders and reports; and

27.4

s6(a)

28 Access to the Battle Management System and the features within provides greater situational awareness to soldiers and headquarters through the near-real-time digital maps showing friendly forces and reported threats. It

s6(a)

s6(a)



Figure 2: A workstation within a Command and Control variant Bushmaster in use with the Australian Defence Force.

29

s6(a)

30

To install communications and digital systems into the Bushmasters, integrating them into the Network Enabled Army, Cabinet established a tagged contingency as part of Budget 2023. This tagged contingency consists of \$58.000 million of capital investment and a 4-year operating uplift of \$32.060 million (CAB-23-MIN-0139 refers). This may be drawn down by the Minister of Defence and the Minister of Finance, subject to Cabinet approval of a Detailed Business Case and joint approval of an Implementation Business Case by the Minister of Defence and the Minister of Finance.

31

s9(2)(g)(i), s9(2)(j)

Integration Options

Now the Bushmasters need to be integrated into this network.

32

The NEA Programme released a Request for Information in October 2022 for the communications integration of the Bushmaster fleet. The responses to this formed the basis for the options, costing, and schedule presented below.

33

Defence undertook an options analysis to determine the best value-for-money solution. Criteria from both the Protected Mobility Capability Project (the project delivering the Bushmaster vehicles), and the NEA Programme were

used in evaluating the options to ensure that the chosen option delivered a complete Bushmaster capability and contributed to the transformation of the Army into a modern, networked force.

34 The criteria used for assessing the options can be found in Table 1 below.

Table 1: The criteria used to evaluate the options for Bushmaster Communications.

| |
|--|
| Investment Objectives |
| <i>Protected Mobility Capability Project</i> |
| The Defence Force's Protected Mobility Capability enables interoperability with partner nations |
| Risks posed by the age and technical obsolescence in the existing Protected Mobility Capability are mitigated. |
| NEA |
| Step change in the Army |
| Reduction of risk of adverse consequences by providing Land Forces and Special Operations Forces with a greater understanding of the operating environment |
| Interoperability and ability of Land Forces and Special Operations Forces to exploit Joint and Coalition capabilities |
| Critical Success Factors⁵ |
| Strategic fit and organisational needs |
| Potential value for money |
| Provider capacity and capability |
| Potential affordability |
| Potential achievability |

35 Integration options considered were:

35.1 **Option 1 – Do Nothing:** With this option, the NZDF would be able to use ten Bushmasters for [redacted] s6(a) [redacted] and driver and commander training. The NZDF will therefore be unable to use the Bushmaster vehicles for the full purpose for which they were purchased.

35.2 This option comes with no associated cost.

35.3 **Option 2 – Operational Secure Communications:** This option would equip all 43 Bushmaster vehicles with the required radios for each⁶ [redacted] s6(a) [redacted] ⁷ This option would greatly improve the situational awareness for those in the

⁵ Critical Success Factors are attributes essential for the successful delivery of the project, an option must meet these factors to be considered.

s6(a) [redacted]

⁷ The military tablet would provide access to the Battle Management System.

vehicle as well as for the whole Army

s6(a)

35.4 The capital cost of this option is estimated at \$49 300 million

s9(2)(f)(iv), s9(2)(j)

35.5 **Option 3 – Network Enabled Communications:** This option fully equips all variants of the Bushmaster with the necessary radios, military tablets, and specialist equipment for the EW and FIST variants. With all variant types fully equipped the vehicles can support two motorised infantry companies. This in turn allows the NZDF to meet the full range of government outputs as they relate to the Bushmaster capability.

35.6 The capital cost of this option is \$58.000 million

s9(2)(j)

36 **Option 3 was chosen as the preferred option** by Defence. The option fully equips all variants and this allows the vehicles to support two motorised infantry companies, including headquarters and supporting elements.⁸ This option also provides the Bushmasters with the full range of Battle Management System features, greatly increasing the effectiveness of the Bushmaster vehicles, and the Army as a whole

s6(a)

37 The table showing the analysis of the options and the criteria against which the options were measured is shown in Appendix A.

38 Defence proposes that the chosen integrator for this project undertake an initial phase to install basic secure voice communications into around 20 vehicles on the way to delivering Option 3.

s6(a)

This approach will depend on the outcome of contract

s6(a)

negotiations and is intended as a method of allowing the Bushmaster vehicles to undertake a wider range of operations as early as possible.

Risks

- 39 [Redacted] s6(a)
- 40 [Redacted] s9(2)(g)(i)
- [Redacted] A Request for Information released in October 2022 provided cost and schedule information for this Project Implementation Business Case. [Redacted] s9(2)(g)(i), s9(2)(j)
- [Redacted]

Dependencies

- 41 This project has identified interdependencies within the NEA programme, with projects under the Protected Mobility Capability Project, and other defence projects.
- 42 The main dependency to note is the *Protected Mobility Capability Project - Bushmaster Infrastructure* which will deliver the infrastructure to house the vehicles. [Redacted] s6(a)
- [Redacted]
- 43 [Redacted] s6(a)
- [Redacted]
- 44 The dependencies will be managed within the Ministry of Defence's Capability Management Framework. This includes portfolio and system assurance mechanisms where risks and issues are reported to Project and Governance Boards.

Implementation

- 45 The governance milestones for the Bushmaster Communications project are set out in the table below.

| Governance Milestones | Baseline |
|---|---------------------------|
| Place order for long lead items | s9(2)(f)(iv), s9(2)(g)(i) |
| Government approval to commit, remaining tagged contingency drawn down. | |
| Long lead items arrive | |
| Interim Operational Release of the Bushmaster communications capability | |

46 s6(a), s9(2)(g)(i)

Financial Implications

47 Over a 12-year period from 2023/24 to 2034/35, the estimated un-discounted whole of life cost of the preferred option is s9(2)(f)(iv), s9(2)(j) comprising of the initial capital expenditure of \$58.000 million and total estimated through-life operating expenditure s9(2)(f)(iv), s9(2)(j) excluding depreciation and capital charge, as shown in the table below.

| (All figures in \$m) | Total | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 to 2034/35 |
|---|----------|----------|---------|---------|---------|--------------------|
| Capital Expenditure (escalated) | s9(2)(j) | | | | | |
| Equipment and ancillaries | s9(2)(j) | | | | | |
| Integration costs ⁹ | s9(2)(j) | | | | | |
| Project Contingency | s9(2)(j) | | | | | |
| Project Management | s9(2)(j) | | | | | |
| Total Initial Capital Expenditure (including project contingency but excludes foreign exchange contingency) | 58.000 | s9(2)(j) | | | | |
| Operating Expenditure (unescalated) | s9(2)(j) | | | | | |
| Equipment and ancillaries | s9(2)(j) | | | | | |
| Integration costs | s9(2)(j) | | | | | |
| Contingency | s9(2)(j) | | | | | |
| Project Management | s9(2)(j) | | | | | |
| Through-Life Operating Expenditure | s9(2)(j) | | | | | |
| Whole of Life Cost Total | s9(2)(j) | | | | | |

48 The estimated capital expenditure includes a project contingency s9(2)(j)

s9(2)(j)

49

s9(2)(f)(iv), s9(2)(j)

50 The preferred option seeks capital injection of \$58.000 million and uplift in operating baselines from 2024/25 onwards for through-life operating expenditure, depreciation, and capital charge

s9(2)(f)(iv), s9(2)(g)(i)

as shown in the table below.

| (All figures in \$m) | Total | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 to 2034/35 |
|--|---------------|----------|---------|---------|---------|--------------------|
| Total Initial Capital Expenditure | 58.000 | s9(2)(j) | | | | |
| Through-Life Operating Expenditure | s9(2)(f)(iv) | | | | | |
| Depreciation | s9(2)(f)(iv) | | | | | |
| Capital Charge @ 5% | s9(2)(f)(iv) | | | | | |
| Total Operating Expenditure | s9(2)(f)(iv) | | | | | |

51 In addition to the estimated capital cost of \$58 000 million, an additional foreign exchange contingency s9(2)(j) is required to allow for any adverse movement in exchange rates between writing the Cabinet paper to the time the contracts are entered into, and the NZD cost is fixed. This contingency will be funded from NZDF's accumulated depreciation reserves, and if not required, will be returned to the Defence portfolio.

52 On 11 April 2023, Cabinet agreed to establish a tagged contingency for inclusion in the Budget 2023 package for: Bushmaster Communication – Network Enabled Army Tranche 3 [Initiative No: 15254 of CAB-23-MIN-0139 refers]. This initiative “[enables] delivery of the minimum viable communications capability for the Bushmaster vehicles to support their operational deployment and interoperability with partners”.

53 The above-mentioned tagged contingency consists of \$58.000 million of capital investment and a 4-year operating uplift of \$32.060 million over the forecast period, as shown in the table below. This tagged contingency is enough to cover the cost estimates laid out as shown in the table above.

| Initiative No: 15254 \$m – increase/(decrease) | 2023/24 | 2024/25 | 2025/26 | 2026/27 & Out years |
|---|------------------------|---------|---------|---------------------|
| Tagged Operating Contingency | - | 6.040 | 10.990 | 15.030 |
| Tagged Capital Contingency | s9(2)(f)(iv), s9(2)(j) | | | |

54 Before the tagged contingency expires on 30 June 2025, Cabinet agreed that it may be drawn down by the Minister of Defence and the Minister of Finance, subject to Cabinet approval of a Detailed Business Case and joint approval of an Implementation Business Case by the Minister of Defence and the Minister of Finance (CAB-23-MIN-0139 refers).

55

s9(2)(f)(iv), s9(2)(j)

56

s9(2)(g)(i)

Other implications

57 There are no legislative, privacy, human rights, cost-of-living, or other implications for the funding request contained in this paper.

Use of external resources

58 No external resources were engaged in the development of the policy advice contained in this paper. No further resources will be required to further develop, implement, or deliver the advice contained in this paper.

Consultation

59 This paper has been consulted with Treasury, Department of Prime Minister and Cabinet, the Public Service Commission, Ministry of Foreign Affairs and Trade, Department of Internal Affairs, and the Government Communications Security Bureau.

Next Steps

60 If approved, Defence will place an order for long lead time radios and release a Request for Tender for the integration of the communications and digital systems.

s9(2)(f)(iv)

Proactive Release

61 As this initiative is in the final stage, this paper will be proactively released.

Recommendations

The Minister of Defence recommends that the Cabinet Committee:

1 **note** that in June 2020 Cabinet approved \$101.3 million for the procurement of 43 Bushmaster vehicles from Thales Australia (CAB-20-MIN-0296 refers);

2 **note** that the Bushmaster vehicles have begun to arrive in New Zealand;

3 **note** that the Bushmaster Communications project will deliver critical communications which are necessary to deploy the Bushmaster vehicles on operations and to maintain interoperability with our partners and ally;

4 **endorse** “Option 3: Network Enabled Communications” as the preferred option for the Bushmaster Communications Project, as set out in the PIBC;

5 s6(a), s9(2)(f)(iv)

6 **note** that the preferred option seeks initial capital injection of \$58.000 million

s9(2)(j)

| (All figures in \$m) | Total over forecast period | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|----------------------------|----------|---------|---------|---------|
| Total Initial Capital Expenditure | 58.000 | s9(2)(j) | | | |
| Through-Life Operating Expenditure | s9(2)(j) | | | | |
| Depreciation | | | | | |
| Capital Charge @ 5% | | | | | |
| Total Operating Expenditure | s9(2)(j) | | | | |

7 **note** that on 11 April 2023 Cabinet met and agreed to a tagged operating and capital contingency for Bushmaster Communication – Network Enabled Army Tranche 3 as part of the initiatives for inclusion in the Budget 2023 package [Initiative No: 15254 of CAB-23-MIN-0139 refers].

| Initiative No: 15254 \$m – increase/(decrease) | 2023/24 | 2024/25 | 2025/26 | 2026/27 & Out years |
|---|------------------------|---------|---------|---------------------|
| Tagged Operating Contingency | - | 6.040 | 10.990 | 15.030 |
| Tagged Capital Contingency | s9(2)(f)(iv), s9(2)(j) | | | |

8 **note** that the Cabinet agreed that the above tagged operating and capital contingencies may be drawn down by the Minister of Defence and the Minister of Finance jointly (establishing any new appropriations as necessary), subject to Cabinet approval of a Detailed Business Case and joint approval of an Implementation Business Case by the Minister of Defence and the Minister of Finance;

9 **note** that the approach in recommendation 8 would result in a delay of up to one year in the project, s6(a)

10 **agree** to change the appropriation approach for the Budget 2023 tagged contingency s9(2)(f)(iv) due to s9(2)(f)(iv), s9(2)(j) being required now to purchase long lead time items (including initial technical work and initial project management costs).

11 **note** that in addition to the estimated capital cost of \$58.000 million, an s9(2)(j)

12

13 s9(2)(g)(ii), s9(2)(j)

14 **approve** the following changes to appropriations to provide for the decision in recommendation 13 above:

| | NZ \$M – increase/(decrease) | | | |
|---|------------------------------|---------|---------|---------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Vote Defence Minister of Defence | | | | |
| Multi-Category Appropriation | s9(2)(j) | | | |
| Defence Capabilities MCA | | | | |
| Capital Expenditure | | | - | - |
| Defence Capability Delivery | | | | |

15 **note** that the expenditure in recommendation 14 above is offset by a capital receipt from the New Zealand Defence Force;

16 s9(2)(j)

s9(2)(j)

- 17 **note** the following changes to the appropriations in accordance with the New Zealand Defence Force – capital Expenditure PLA authorised by section 24(1) of the Public Finance Act 1989, reflecting the forecast costs of long lead time items, initial technical work and project management, with a corresponding impact on net core Crown debt:

| Vote Defence Force Minister of Defence | NZD \$ M – increase/(decrease) | | | |
|---|--------------------------------|---------|---------|---------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Departmental Capital Expenditure: | s9(2)(j) | | | |
| New Zealand Defence Force Capital PLA | | - | - | - |

- 18 **agree** that the above changes to appropriations for 2023/24 will be reported and disclosed in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met by imprest supply;

19

s9(2)(j)

- 20 **note** that, following the adjustment detailed in recommendation 16 above, the remaining balances and indicative phasing of capital and operating contingencies described in recommendation 7 above will be:

| Initiative No: 15254 \$m – increase/(decrease) | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 & Out years |
|---|---------|------------------------|---------|---------|------------------------|
| Tagged Operating Contingency | - | 6.040 | 10.990 | 15.030 | 15.030 |
| Tagged Capital Contingency | | s9(2)(f)(iv), s9(2)(j) | | | |

- 21 **note** that the Cabinet agreed that the expiry date for the above tagged operating and capital contingencies be 30 June 2025;
- 22 **authorise** the Minister of Defence and the Minister of Finance to jointly draw down the balance of the tagged contingencies described in recommendation 20 above once final project costs are confirmed for the remaining equipment as well as the design and integration of the capability, and submitted as part of an updated Project Implementation Business Case.

Authorised for lodgement

Hon Andrew Little

Minister for Defence

Released by the Minister of Defence

Released by the Minister of Defence