



BRIEFING FOR THE INCOMING MINISTER OF DEFENCE

October 2014

New Zealand Government



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- Section 6(a), as the making available of that information would be likely to prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand; and
- Section 9(2)(f)(iv), to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials;

Introduction

This briefing is an introduction for you as incoming Minister to the Defence portfolio.

It provides advice on:

- the roles and responsibilities of the two Defence agencies, the Ministry of Defence and the New Zealand Defence Force (which together are referred to as 'Defence');
- the current issues in the portfolio;
- the programmes of reform that are underway within Defence; and
- priority decisions and engagements for you as Minister.

Executive Summary

The Defence portfolio is made up of two agencies: the Ministry of Defence and the New Zealand Defence Force (NZDF), the arrangements for which are set out in the Defence Act 1990. The agencies are constituted separately, but work closely together, drawing on their respective civilian and military perspectives. Defence operates in the context of a broader external and security sector with links to other priorities that include border control, resource protection, foreign relations, trade and economic interests.

You have formal input through Cabinet, on setting policy, deploying forces overseas, appointing senior military staff, and selecting options for the procurement of defence capability. As Minister, you will lead New Zealand's international defence engagement programme, and will meet and interact with your overseas counterparts.

The Government's defence policy and the overall direction of the Defence agencies are set out in a Defence White Paper that has a 25 year time horizon, the latest of which was published in 2010. The White Paper set out a direction for Defence that responded to an environment of strategic uncertainty and fiscal constraint. It reinforced that being prepared for, and conducting, military operations is the primary purpose of the NZDF, and set out a much-improved basis for managing defence capability (which makes up around one-third of total government capital spend).

Withheld under s 9(2)(f)(iv)

NZDF deployments are currently at their lowest level since the 1990s, after a decade of a very high operational tempo. New Zealand can expect to continue to receive requests and identify opportunities to contribute to international peace support operations.

While the operational tempo has decreased, the NZDF is currently focused on improving its core military capabilities, leading to an increased level of activity of exercises and training. The international defence engagement programme is currently characterised by an

increased intensity in key defence relationships, especially with the United States, China and the Asia regional security architecture.

The 2010 White Paper signalled a requirement for new money for Defence over time, but left open the question of how this would be funded. A Savings and Redistribution Programme reduced the size of the investment required, and in 2013 the multi-agency Defence Mid-point Rebalancing Review (DMRR) costed this investment, providing advice to Government on how to achieve a balance between policy objectives, capability and cost.

As a result of the DMRR, Government allocated an additional \$535 million in operating expenditure to Defence out to FY2017/2018. A Capital Plan with indicative provisions of around \$16 billion out to 2030 was also agreed. Defence is focused on implementing the funding path agreed in the Review, and demonstrating each year that it is managing its portfolio within the DMRR funding envelope.

The Defence Capability Plan, published in June 2014, sets out the detailed capability implications of the DMRR, and signals the Government's capability intentions including major reviews of airlift, air surveillance, and naval surface combat (frigate replacement). Two significant capability initiatives, the Littoral Operations Support Capability (LOSC), and the first tranche of the Network Enabled Army (NEA) programme - *withheld under s 9(2)(f)(iv)*

A number of New Zealand businesses are suppliers to Defence, and these account for the majority (84%) of defence operating expenditure but a much smaller proportion (30%) of defence capital expenditure. The Ministry and NZDF are advancing proposals to enhance the participation of local industry in defence. These include steps to better signal the Government's purchasing intention; making it easier for local suppliers to partner with larger prime contractors; and improvements in the way supplier relationships are managed.

NZDF and the Ministry are both managing significant programmes of organisation reform. These include:

- improvements in both agencies to identify early and better manage trade-offs in capability, schedule and cost in major military procurement projects;
- a programme of reform in NZDF led by the Chief of Defence Force which will focus in the first instance on NZDF's governance and the way it supports its military and civilian people; and
- implementation by the Ministry of significant change in response to its 2012 Performance Improvement Framework (PIF) Review, *withheld under s 9(2)(f)(iv)*.

Scheduling for Cabinet Papers will be at your discretion, and coordinated between Defence and your office. A Cabinet forward programme is detailed at Annex A. *Withheld under s 9(2)(f)(iv)*.

The Defence Portfolio

The arrangements for Defence are set out in the Defence Act 1990. The Act states that the Commander in Chief of New Zealand's Defence Forces is the Governor-General, and you as Minister of Defence have power of control over the Defence Force on behalf of the Government. You exercise this power through the Chief of Defence Force (as per section 7 of the Act).

The heads of the two agencies (which together are referred to as 'Defence') are:

- the Secretary of Defence, the principal civilian adviser to the Minister of Defence and other Ministers (as per section 24);
- the Chief of Defence Force, the principal military adviser to the Minister of Defence and other Ministers (as per section 25) and the most senior Defence Force officer in the Defence Force who is responsible for command of the New Zealand Defence Force (NZDF) (as per section 8).

The Act defines the primary roles and responsibilities of the Secretary of Defence as to be the principal civilian adviser to the Minister of Defence and other Ministers; to formulate defence policy in consultation with the Chief of Defence Force; to prepare Defence Assessments; procure, replace or repair major defence equipment and to arrange for audits and assessments of Defence as agreed with the Minister.

The Act defines the primary roles and responsibilities of the Chief of Defence Force as to be the principal military adviser to the Minister of Defence and other Ministers; be responsible to the Minister for the functions, conduct and management of the Defence Force and be responsible to appropriate Ministers for carrying out defence responsibilities as directed by the Government and relevant to their portfolio.

In addition, NZDF includes Veterans Affairs New Zealand (VANZ) which traditionally is a separate portfolio with its own responsible Minister.



The Ministry of Defence

The Ministry of Defence is a small civilian agency made up of 76 people from a variety of backgrounds, including former diplomats, service men and women, and some who have worked in challenging overseas environments. The Ministry:

- looks out to the strategic environment and ahead to what New Zealand will need from its military;
- defines, with the NZDF, what defence capability is needed, acquires that capability, and assesses its effectiveness;
- helps shape the international environment in the interests of New Zealand's security, through its part in the management of New Zealand's international defence engagements and decisions on international operational deployments; and
- delivers a work programme agreed with you, of evaluations, assessments and audits of Defence performance.

The New Zealand Defence Force

The NZDF is New Zealand's military. It is a large organisation (14,000 people, including Reserves) made up of three Services (Navy, Army and Air Force). The core task of the NZDF is to conduct military operations. The NZDF is the only agency of state that maintains disciplined forces available at short notice and that operates large-scale and integrated fleets of vehicles, ships, and aircraft.

As set out in the Defence White Paper 2010, the Government expects the NZDF to be able to:

- defend New Zealand's sovereignty;
- discharge our obligations as an ally of Australia;
- contribute to and, where necessary, lead peace and security operations in the South Pacific;
- make a credible contribution in support of peace and security in the Asia-Pacific region;
- protect New Zealand's wider interests by contributing to international peace and security, and the international rule of law;
- contribute to whole-of-government efforts at home and abroad in resource protection, disaster relief, and humanitarian assistance;
- participate in whole-of-government efforts to monitor the international strategic environment; and
- be prepared to respond to sudden shifts and other disjunctions in the strategic environment.

NZDF military personnel are not employees under the State Sector Act – they serve under the Defence Act and are therefore not subject to New Zealand employment legislation. This creates special obligations on the NZDF and the Government to consider the interests of military personnel, as uniformed NZDF personnel may have to perform their duties in dangerous or life-threatening situations. NZDF civilian personnel and Ministry of Defence staff are however employed under the same conditions as other public servants.

In New Zealand, Defence plays an important role supporting the activities of other government agencies domestically. The NZDF contributes to all-of-government efforts to secure New Zealand's sovereign and economic borders; helping to detect, report and respond to unlawful activities in the offshore maritime zones in accordance with the Government's direction. This support includes operations related to fisheries protection; illegal immigration; terrorism; smuggling; quarantine evasion; protection of offshore territories; security of offshore installations; protection of resource exploration activities, and other border security tasks.

The NZDF assists other agencies, such as the New Zealand Police, by taking part in search and rescue and recovery operations, and responses to maritime incidents. The NZDF also

maintains a specialised group (drawn from the NZSAS), with tactical airlift and helicopter support, to assist the New Zealand Police in counter-terrorist operations and related asymmetric threats; and provides the national response for complex chemical, biological, radiological events and the disposal of explosive ordnance and improvised explosive devices.

Ministerial Input

You shape the Defence portfolio and have formal input into the business of Defence at key decision points, including:

- setting the policy direction of Defence, principally through the White Paper;
- setting Government priorities for the Defence agencies;
- through Cabinet, making senior NZDF appointments including for the Chief of Defence Force and the Service Chiefs;
- leading New Zealand's international defence engagement programme;
- through Cabinet, the approval of mandates to deploy the NZDF overseas;
- through Cabinet, the selection of capability options, and the granting of approval to sign major contracts for the procurement of capability; and
- agreeing the Evaluation programme for the Ministry of Defence, and, directing specific evaluations, assessments or audits of Defence performance to be undertaken where required.

Briefings and discussions on a range of defence matters are scheduled with the Chief Executives and senior Defence staff, or through a weekly meeting on Defence matters. Defence prepares for you a weekly report, tailored to your expectations, which provides an update on current issues and key projects, NZDF events and visits, forthcoming Cabinet papers and submissions, and official overseas travel.

How the Defence agencies work together

Defence is based on constitutional arrangements that mean that the portfolio does not reflect a traditional policy / operational split.

Under New Zealand's arrangements the two Defence agencies are constituted separately but are expected to work closely together. This arrangement works well, with the military and civilian perspectives strongly supported by the agencies' different cultures, but with a commitment to the same outcome - a New Zealand that meets its defence roles and responsibilities effectively.

Defence operates in the context of a broader external and security sector that links Defence to other priorities that include border control, resource protection, foreign relations, trade and

economic interests. New Zealand's partners often view the Defence relationship as something that goes hand-in-hand with a close economic relationship.

How the Government sets the long-term direction for Defence

Changes in the direction and capability of Defence require investment in people and equipment over the long term. The Government's defence policy and the overall direction of the Defence agencies are set out in a Defence White Paper that has a 25 year time horizon. If the Government wishes to consider making significant changes to the policy direction for Defence, having regard to shifts in the strategic environment, then a White Paper process provides the opportunity to fully investigate these, and ensure changes are reflected in the total arrangements for Defence. White Papers may involve a public consultation process.

A classified Defence Assessment precedes each White Paper, and the next Assessment will be provided to you in November. It will provide an up to date assessment of the strategic environment *withheld under s 6(a)*.

This assessment is being carried out by a joint Ministry / NZDF team, drawing on expertise from across the government. It is examining how the international strategic environment has changed since the last White Paper in 2010, how it is expected to change out to 2040, and what this may mean for our defence policy, military roles and tasks and future capability options.

Following each White Paper, a Capability Plan and a Capital Plan set out how these intentions will be translated into defence effects and materiel.

Once the Defence Assessment has been provided to you in November, Cabinet will need to decide whether a Defence White Paper should be developed and published. *Withheld under s 9(2)(f)(iv)*.

The Defence White Paper 2010: Policy, Capability and Funding



The most recent Defence White Paper in 2010 set out a direction for Defence that responded to an environment of strategic uncertainty and fiscal constraint. It signalled that the principal tasks for the NZDF would remain much as they had been previously, but

potentially with intensified demands. It anticipated that the NZDF would make a contribution across its domestic roles (patrol of the Exclusive Economic Zone, counter terrorism, explosive ordnance disposal including improvised explosive device disposal, search and rescue, and support to Police, Customs and the Ministry of Primary Industries) and also its international roles.

As a consequence the NZDF developed *Future 35*, its vision for a fully interoperable defence force that can work flexibly in a range of environments – but particularly in the challenging maritime environment of the Pacific. NZDF is part-way through implementing this integrated approach.

The White Paper also set out a much-improved basis for managing defence capability (which makes up around one-third of total government capital spend) and clarified the roles of the two Defence agencies.

The Secretary of Defence and the Chief of Defence Force are jointly accountable for the purchase of defence capability. The Ministry has primary accountability for defining what capability is needed to meet the government’s objectives and purchasing, replacing or upgrading major defence equipment. The NZDF is primarily responsible for introducing capability into service, managing it while in service, and disposing of it when it is no longer needed. This joint accountability is exercised through the Capability Management Board, which includes two external advisors, and since 2010 has moved to a strategic portfolio approach for the management of defence capability.



A portfolio approach means decisions about major defence expenditure, including the impact of trade-offs and the dependencies between projects, are clear and explicit; and that these

are provided within a set of priorities that are based on the Government's policy objectives for Defence.

The Current State of Defence

The defence environment is currently characterised by:

- a historically low level of NZDF deployments, after a decade of a very high operational tempo;
- continued uncertainty in the strategic environment and a fast changing Asia-Pacific which is likely to be of increased strategic significance in the future; and
- increased intensity in defence engagements, especially the relationships with the United States and China.

In terms of the business of Defence, the key issues are:

- implementing a sustainable funding path for Defence, as agreed in the Defence Midpoint Rebalancing Review;
- delivering on the Defence Capability Plan, which signals the Government's capability intentions including major reviews of airlift, air surveillance, and naval surface combat (frigate replacement). Two significant capability initiatives, Littoral Operations Support Capability (LOSC) and the first tranche of the Network Enabled Army (NEA) programme, *withheld under s 9(2)(f)(iv)*;
- improvements in the way Defence deals with industry, including ensuring that opportunities are flagged far enough in advance for New Zealand industry to participate; and
- implementing the NZDF *Future 35* Strategy, which aims to: develop the Joint Task Force capability by 2015, with individual force elements proficient in working with other nations' amphibious elements; by 2020 to have an Enhanced Combat Capability, with improved combat and combat support capabilities in the maritime, land, air and joint warfare environments; and by 2035 to have an integrated force able to pre-empt or react to both contemporary and emerging threats.

International Deployments

Over the last two years the NZDF finished major deployments to Timor Leste, Solomon Islands and Afghanistan. New Zealand now has the lowest number of personnel deployed overseas in more than 20 years.

New Zealand continues to play a role in international peacekeeping and other security activities. In 2013 the Government refreshed policy guidelines for assessing contributions to international peace support operations. Readiness to respond to security situations in the

South Pacific remains New Zealand's priority. *Withheld under s 6(a).*

In a volatile world, New Zealand can expect to continue to receive requests and identify opportunities to contribute to international peace support operations. *Withheld under s 6(a).*

Withheld under s 9(2)(f)(iv).

NZDF service men and women have a very good reputation internationally. They are highly regarded as a professional, well trained, and principled force that can engage positively wherever they are deployed.



As at 23 September, the NZDF has 113 personnel currently deployed overseas, on the following nine operations:

- Eight personnel are deployed to Afghanistan on *withheld under s 6(a)*, which provides support to the Afghan National Army Officer Academy.
- One RNZAF pilot is deployed to Afghanistan on *withheld under s 6(a)*, as part of a United Kingdom deployment of a flight of CH-47 Chinook helicopters.
- Seven personnel are deployed to the United Nations Truce Supervision Organisation in Israel and Lebanon on *withheld under s 6(a)*.
- 24 personnel are deployed to Multinational Force and Observers, Sinai Peninsula, Egypt on *withheld under s 6(a)*.
- Four personnel are deployed to the United Arab Emirates on *withheld under s 6(a)*, providing logistics support at Al Minhad Airbase for NZDF operations in the Middle East.
- 50 personnel are deployed to Bahrain and UAE on *withheld under s 6(a)*, crewing and supporting P-3K2 Orion operations as part of Combined Maritime Force counter piracy operations in the Gulf of Aden.
- 13 personnel are deployed to Bahrain on *withheld under s 6(a)*, in a command and planning role, at the headquarters for Combined Task Force 151, in support of counter piracy operations off the Somali coast and in the Gulf of Aden.
- Three personnel are deployed as UN observers and as a Senior National Officer to the United Nations Mission in South Sudan, *withheld under s 6(a)*.
- Three personnel are deployed to United Nations Command, Military Armistice Commission, South Korea, on *withheld under s 6(a)*.

In the summer months, Operation Antarctica, historically involving up to 170 personnel, including those based in Christchurch, will provide air transport and logistical support to the New Zealand Antarctic Programme, managed and coordinated as a close partnership through Antarctica New Zealand.

In addition, there are a number of NZDF personnel on exchange with the militaries of partner nations, including the United States, United Kingdom, Canada and Australia. On occasion, the exchange will include a deployment to a third country. Your approval will be sought ahead of any new third country deployments.

Defence maintains a network of Defence Advisers and Attachés (DA) around the world. There are 13 DA resident posts, with cross accreditation to a further 22 countries. DAs are the face of New Zealand's bilateral military and defence relationships overseas. They coordinate, advocate for, and assist with, implementation of the defence relationship and can help with providing military views on significant geostrategic events for post reporting.

New Zealand's strategic environment: The 2014 Defence Assessment

Withheld under s 6(a)

Defence Relationships

New Zealand's security is enhanced by strong defence relationships with our neighbours, in our region and beyond. Effective defence diplomacy also supports New Zealand's broader foreign and economic policy objectives. Defence relationships ensure we can work together in an international environment with trusted partners in responding to security challenges. They can also provide access to equipment, information and training opportunities. Regular, and reciprocal, Ministerial and senior official visits are important to maintaining these influential relationships. The greatest expectations are likely to come from our closest partners.

It is important therefore that New Zealand be active in our engagement with partners, and contributes to international security efforts, including undertaking operational deployments. As Minister, you lead New Zealand's international defence engagement programme, including through dialogue with your overseas counterparts. Forging and maintaining positive working relationships at the Ministerial level is of high importance to the success of our international defence engagement programme. In addition to a bilateral visits programme, there are a number of events where you will engage at this level, such as the Shangri-La Dialogue; the ADMM-Plus; the South Pacific Defence Ministers Meeting, and potentially a NATO partners meeting. A proposed immediate travel programme is detailed at Annex B.

Supporting our defence ally Australia and preparing to respond to security developments in the South Pacific are the priority focus for New Zealand international defence efforts.

Defence ties with the US have increased dramatically since the signing of the Washington Declaration in 2012 and the subsequent easing of US restrictions on bilateral defence contact. *Withheld under s 6(a).*

Withheld under s 6(a).

The third area of notably increased activity in recent years is participation in the Asia regional security architecture. For Defence the primary forum is the ASEAN Defence Ministers Meeting Plus (ADMM-Plus), which is focused on undertaking practical military to military cooperation activities. The next biennial Defence Ministers meeting is likely to take place in August 2015. New Zealand currently co-chairs with Brunei, at senior officials level, the ADMM-Plus Experts Working Group on Maritime Security

The Five Power Defence Arrangements (FPDA) was signed in 1971 between New Zealand, Australia, Malaysia, Singapore and the United Kingdom. Currently the key role of the FPDA is to enhance the interoperability and proficiency of maritime, air and land forces by exercising FPDA forces on a defence of Malaysia and Singapore scenario. New Zealand's history of involvement in Asia security through the FPDA provides the credentials for our involvement in the contemporary architecture.

New Zealand maintains a Mutual Assistance Programme (MAP), an NZDF and New Zealand Police programme that provides training, technical assistance and capacity building support to South Pacific and Southeast Asian defence and police forces.

Over the next four years, the NZDF will participate in a large number of major WWI centenary commemoration activities overseas, principally in Europe. These events provide the opportunity to advance our bilateral defence relationships, especially emphasising the ANZAC spirit. You will attend some of these events in your capacity as Minister. The next major commemoration event will take place in Albany, Western Australia, on 31 October to 1 November 2014.

The implications for Defence should New Zealand be successful in obtaining a non-permanent seat on the UN Security Council for the period 2014-2015 will depend on the major global security challenges that emerge and how New Zealand chooses to respond.

Withheld under s 6(a) and s 9(2)(f)(iv).

Defence Capability: The 2013 Defence Mid-point Rebalancing Review

The White Paper 2010 signalled a requirement for new money over time, but left open the question of how this would be funded. This led in the first instance to a Value for Money Review of the NZDF in 2010 to identify opportunities to make the NZDF more efficient. As a consequence, a target of \$350 million of operating savings was set, of which just over \$200 million was achieved by late 2013 through the NZDF Savings and Redistribution Programme.

Withheld under s 9(2)(f)(iv).

While the Savings and Redistribution Programme reduced the size of the investment required to fund New Zealand's long-term defence needs, it did not remove the need for new money over time. The Defence Mid-point Rebalancing Review (DMRR), an extensive exercise carried out over 2013, looked across the entire NZDF organisation, and led to long-term funding decisions which have provided incentives for the NZDF to look at its business as a whole, including across operating and capital, and carry out reforms on that basis.

The White Paper 2010 identified defence capability requirements through to 2030. The DMRR costed these requirements, and provided advice to Government on how to achieve a balance between policy objectives, capability and cost. It took the savings targets that had already been set as a given, and offered transparent options for what configurations of Defence Force could meet the Government's policy objectives and at what cost. This collaborative process involved the Ministry, NZDF, Treasury, Department of the Prime Minister and Cabinet, and State Services Commission.

During 2013, a total of 220 possible capability choices were costed and scored against five policy-based criteria, weighted relative to each other. The process covered all aspects of the NZDF's business out to 2030 – from front-line military capabilities to support elements within NZDF. Ministers used this information to identify options to deliver on the expected needs, and committed an additional \$535 million in operating expenditure over the next four years. A Capital Plan with indicative provisions of around \$16 billion out to 2030 was also agreed.

The DMRR decisions have built in a fiscal tension in the NZDF budget, which will require the NZDF to make ongoing savings to deliver the outcomes expected of it. NZDF must also demonstrate each year that it is managing its portfolio within the DMRR funding envelope, and can deliver against the DMRR objectives and requirements. NZDF is working closely with the Ministry and Central Agencies on this. *Withheld under s 9(2)(f)(iv)*

Withheld under s 9(2)(f)(iv).

The decisions from the DMRR are reflected in two key planning documents:

- A *Defence Capability Plan*, published in June, which sets out the detailed capability implications of the DMRR and the key choices for government over the planning horizon;
- A *Defence Capital Plan*, which details the capital funding needed to implement the Defence Capability Plan, within the funding track and agreed capability sets agreed in the DMRR. The Plan will be revised annually, and the latest version will be *withheld under s 9(2)(f)(iv)*.

2014 Defence Capability Plan

The focus of the previous Defence Capability Plan, released in 2011 following the publication of the White Paper, was on developing a Joint Amphibious Taskforce by 2015 that was capable of working independently in the South Pacific or as part of a larger coalition further afield. While the joint approach remains a priority, the emphasis in the 2014 Plan is on enhancing New Zealand Defence Force's proficiency at joint operations, while growing its combat, combat support and combat service support capabilities.

Over the last three years, contracts have been signed for over \$1 billion of new defence capabilities, including naval helicopters, army vehicles, a modern Battle Training Facility for our Special Forces, a pilot training package, and an upgrade of the weapons and sensor systems of the ANZAC frigates.

In 2014, Cabinet selected preferred options for an upgrade to the underwater intelligence, surveillance and reconnaissance systems on the P-3K2 Orion fleet; for a Maritime Sustainment Capability to replace the fleet tanker HMNZS *Endeavour*; and for replacing the current Steyr rifle with a more modern individual weapon. Tenders for these projects have either been, or will be, released to industry, after which Implementation Business Cases will be presented to Cabinet seeking approval to commit to contract with a preferred supplier.

Capability decisions over the next 15 years will cover around \$16 billion of defence capital expenditure. *Withheld under s 9(2)(f)(iv)* percent of the forecast capital provisioned in the Capital Plan is associated with three major platforms reaching the end of their life that will need to be replaced: the C-130 Hercules aircraft (*withheld under s 9(2)(f)(iv)*); the P-3K2 Orion fleet (*withheld under s 9(2)(f)(iv)*); and the ANZAC-class Frigates HMNZS *Te Kaha* and HMNZS *Te Mana* (*withheld under s 9(2)(f)(iv)*). Due to their significance, these decisions will be informed by separate reviews:

- *Withheld under s 9(2)(f)(iv)*;

- *Withheld under s 9(2)(f)(iv);*
- *Withheld under s 9(2)(f)(iv).*

Increasingly, defence capability projects are also ICT projects. Examples of these include the Defence Command and Control System and the Secret Information Environment projects, and the Network Enabled Army programme.

Withheld under s 9(2)(f)(iv).

Network Enabled Army Programme

Withheld under s 9(2)(f)(iv).

Littoral Operations Support Capability Project

In April 2018, HMNZS *Manawanui*, the primary littoral support vessel, is scheduled to be decommissioned. She will be well beyond her expected service life and faces increasing obsolescence issues. *Withheld under s 9(2)(f)(iv).*

Withheld under s 9(2)(f)(iv).

The Defence Estate

As part of the DMRR, the NZDF quantified the cost of addressing the backlog of deferred maintenance and the on-going cost of asset maintenance and recapitalisation at camps and bases, training areas and local support facilities. This backlog had caused the Defence Estate to be increasingly unfit for purpose and in many cases dilapidated. *Withheld under s 9(2)(f)(iv).*

Defence Industry

Defence is currently working through changes to the way it deals with Defence Industry. The changes under consideration will ensure that New Zealand industry involvement is more visible in defence procurements and that industry is better able to identify and prepare for future opportunities. Currently, 84 percent of defence operating expenditure goes to New Zealand Defence Industry, but just 30 percent of the capital spend. Defence sees opportunities for domestic suppliers in respect of getting a greater share of the capital spend by partnering with prime contractors, particularly in the area of through-life support where there is the greatest potential for strategic partnerships.

Withheld under s 9(2)(f)(iv).

The Current State of Defence Reform

NZDF and the Ministry are both managing significant programmes of organisation reform. These include:

- improvements in both agencies to identify early and better manage trade-offs in capability, schedule and cost in major military procurement projects;
- a programme of reform in NZDF led by the Chief of Defence Force which will focus in the first instance on NZDF's governance and the way it supports its military and civilian people; and

- implementation by the Ministry of significant change in response to its 2012 PIF Review and subsequent further external reviews, and work on an investment case.

Improvements to the Capability Management System

Withheld under s 9(2)(f)(iv).

Organisational Reform of the New Zealand Defence Force

The NZDF has made significant organisation improvements over the past five years. It is a more efficient organisation, morale has trended upwards since 2012 with 89 percent of personnel now rating their morale as satisfactory or better, and attrition of 11 percent is well below the long term average of 14.62 percent. The NZDF has managed its cost pressures, and under the 2014 NZDF \$20 million remuneration package, 96 percent of regular force, reservists and civilians (up to but not including Colonel level or equivalent) received pay rises at an average rise of 1.8 percent.

The Chief of Defence Force has set five broad priorities that align with the Government's priorities for the Defence Force:

- a single Plan for the Defence Force: Implementing the DMRR – investing in smart capability, focused on excellence;
- focusing on the delivery of NZDF's core military skills towards the tasks expected by Government and the people of New Zealand;
- growing the people NZDF needs and better supporting military families;
- greater partnering with other agencies and other militaries; and
- stronger leadership; better governance; and improved management.

NZDF is focused on building its capacity to develop and implement strategy over the medium term (four-year horizon). In this context the Chief of Defence Force is reviewing the NZDF's organisational machinery and governance frameworks.

A critical deliverable for NZDF is a people strategy that offers a more modern, flexible career path for NZDF people. Changes from past practice may include enabling uniformed people to leave Defence to gain experience that they can bring back, making it more attractive for non-uniformed talent to join the organisation. A goal for NZDF is that future CDFs and Service Chiefs have a modern and diverse career background and are just as likely to be women as men.

NZDF will be looking for advice from, and will test its plans through its first Performance Improvement Framework Review (PIF), which has commenced, with the external review to be completed in March 2015.

Ministry of Defence Organisation Reform

During 2013 and 2014 a major focus for the Ministry of Defence has been implementing the findings of its September 2012 PIF Review. This review found that the Ministry needed to make substantial change if it was to meet the challenges ahead of it. The PIF Review found that the Ministry lacked a clear purpose, strategy and operating model.

Since then, the Ministry has made major changes including moving to shared services arrangements with both the NZDF and the Intelligence Community Shared Services, completing an 'investment ready' Four Year Plan, and introducing improved support for people and talent. The planned achievement over the next four years for the Ministry is expressed through five strategic directions:

- Defence decisions keep pace with the dynamic security environment; and New Zealand contributes to and benefits from successful defence relationships;
- capability advice balances policy, capability and cost, and establishes the true risk and cost of projects early;
- major military equipment is acquired on time and delivers against the Government's intentions;

- the defence agencies successfully manage a period of change and reform; and
- the Ministry becomes sustainable and resilient.

Withheld under s 9(2)(f)(iv).

Annex A – Cabinet Forward Programme

Withheld under s 9(2)(f)(iv).

Annex B – Proposed Immediate Travel Programme

This includes meetings where Ministerial attendance has been customary in recent years, or where as Minister you are the appropriate representative of the New Zealand Government. The travel programme will be determined at your discretion, and finalised between Defence and your office.

A briefing on International Defence Engagements, with a proposed travel schedule out to late 2015 will be provided to you separately.

Proposed Travel Arrangements	Proposed Date
<p>Perth, Australia</p> <p>Given New Zealand's close security partnership with Australia, a visit to Australia to call on your Australian counterpart, Minister David Johnston, should be the top priority.</p> <p>New Zealand and Australia hold an annual Defence Ministers Meeting. Australia has suggested that you meet with Minister Johnston on 31 October in Perth. This would be immediately before travelling to Albany for the 100th anniversary of the departure of the convoy carrying the Australian and New Zealand troops to WWI, which the Prime Minister will also likely be attending.</p>	31 October 2014
Withheld under s 6(a)	
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