## GOVERNMENT DEFENCE STATEMENT

# A MODERN, SUSTAINABLE DEFENCE FORCE MATCHED TO NEW ZEALAND'S NEEDS

8 May 2001

## Executive Summary

The government is building a modern, professional and well-equipped Defence Force with the necessary military capabilities across all three services to meet New Zealand's objectives. The government has set clear goals and priorities and made a careful and thorough assessment of New Zealand's defence and security needs.

The New Zealand Defence Force is being reconfigured so that it is sustainable and affordable over the long-term. It will be able both to meet New Zealand's own defence and security needs, and to make a useful contribution when it is deployed.

The key components of the NZDF will be:

- a **joint approach** to structure and operational orientation
- a **modernised Army**
- a **practical Navy fleet** matched to New Zealand's wider security needs
- a **refocused and updated Air Force**
- a **funding commitment** to provide financial certainty.

### Joint Approach

- On 1 July this year, the Joint Force Operational Headquarters begins operation at Trentham. The ability of the headquarters to operate effectively will be enhanced by moves now underway to acquire a modern joint command and control system.
- The headquarters of the Defence Force and the three single services are being reorganised and rationalised to reflect a better joint approach to planning and to managing the NZDF.
- A new Maritime Co-ordination Centre will be established and co-located with the Joint Force Operational Headquarters at Trentham. It will be responsible for integrating the work of all agencies to ensure that there is a comprehensive national strategy for managing maritime risks.

### A Modernised Army

- The current structure of the Army continues, based on two light infantry battalions within a brigade framework. These two battalions provide a capacity to sustain a 600-900 person commitment for a year and a 900-1,200 size battalion for six months. These levels can be enhanced by the deployment of Territorials when and where necessary.
- Service in the Territorial Army needs to be more attractive to both territorials and their employers. The government is looking at ways to address these issues.
- Acquisition of new armoured vehicles, tactical communications, and light operational vehicles to replace the Landrovers will address the major immediate equipment deficiencies.
- Other investment requirements include: close-in fire support; vehicles and sensors to equip the reconnaissance companies; command and control equipment; and combat service support equipment.
- Other capability issues to be addressed are engineer support, artillery, air defence and electronic warfare.

**A practical Navy fleet**

- The two ANZAC frigates will continue in service.
- Work will proceed on identifying a suitable multi-role vessel, with long distance and Southern Ocean capabilities, to be phased in as the HMNZS Canterbury is retired.
- HMNZS Charles Upham will be sold after it completes its current charter in July of this year.
- The requirement for an appropriate sealift capability will be considered as part of a review of the composition of our maritime surface fleet.
- The above review will also examine how best to meet civilian requirements for coastal and mid-range offshore capabilities.
- Consideration will be given to whether any further combat and detection equipment should be provided for the Seasprite naval helicopters.

**A refocused and updated Air Force**

- The Orion fleet will be retained, and provided with a limited upgrade using good quality commercial systems wherever possible.
- A study will be undertaken to determine the best options for short and medium range air patrol.
- The air combat force will be disbanded.
- There will be an investigation of the feasibility of equipping the Orions with a missile capability.
- The C-130 Hercules fleet will be upgraded or replaced.
- The Iroquois helicopter fleet will be upgraded or replaced.
- A study will be completed as soon as possible to identify the options for replacing the B727 transport planes, including ownership, or the possibility of leasing or chartering.

**A funding commitment to provide financial certainty**

- There will be modest increases in the net operating funding for defence and total capital investment of more than two billion dollars over the next ten years.

**Background**

When the government took office in 1999 it inherited a Defence Force suffering from neglect, underfunding, and confused government decision making. Much of its equipment dated from the Vietnam War era. Operational and personnel spending had been cut by almost eighteen per cent in real terms between 1991 and 1997. The previous government's 1997 Defence White Paper was neither funded nor followed through.

The Foreign Affairs, Defence and Trade Select Committee report, *Defence Beyond 2000,* concluded that New Zealand should "concentrate defence resources in a range of affordable and sustainable military capabilities that meet our requirements, our strategic interests and our obligations." The Committee met 51 times, attracted 68 submissions and had 25 hours of public hearings. Both the Labour and Alliance parties were strongly supportive of the direction set out in *Defence Beyond 2000.*

Over the past seventeen months, the government has taken a number of steps towards the goal of a sustainable and modern defence force that meets New Zealand's requirements, interests and obligations:

- Projects were accelerated to address critical deficiencies faced by the Army as it coped with the largest commitment of troops since the Korean War. The government has agreed to purchase:
    i. a new fleet of light armoured vehicles to equip both of the regular battalions fully
    ii. new tactical radios to replace outdated equipment from the Vietnam War era
    iii. a fleet of new vehicles to replace the aging Landrovers.
- The F-16s acquisition was cancelled after a thorough review.
- A proposal for a sophisticated upgrade of the Orions was estimated to cost close to six hundred million dollars. The government declined to proceed with that upgrade in the absence of any proper assessment of New Zealand's maritime patrol needs.
- Plans to modify HMNZS Charles Upham, a commercial ship which required expensive refurbishment to carry out its proposed military tasks, were postponed.

Dealing with these immediate and obvious issues was just the beginning. The government then directed the External Assessments Bureau to complete an updated assessment of New Zealand's strategic circumstances. The Ministry of Foreign Affairs and Trade also completed a paper on New Zealand's foreign and security policy challenges.

These two reviews underpinned the Defence Policy Framework, the formal statement of the government's defence policy, which was released in June 2000. Both reviews were released with the Framework.

New Zealand itself is unlikely to be directly threatened by any other country. Nevertheless, the government judges it to be in New Zealand's national interest to retain a modern, efficient and high quality defence force. Aside from local tasks

dealing with low level and small-scale events around New Zealand and the South Pacific, there are no easily foreseeable circumstances in which New Zealand would deploy forces on its own. As in the past, it is likely that any overseas deployment of elements of the NZDF will be part of an international contingent. Few countries are expected to be able to offer a full spectrum of capabilities to such a grouping. It is important that when New Zealand contributes to such a force, it should contribute well trained, adequately equipped, and well supported forces for the tasks it accepts. New Zealand's forces must be well equipped and trained for combat, even though these days their most likely roles will be in international peacekeeping of some kind.

New Zealand's needs will be best met by concentrating resources in those areas which make the maximum contribution to defence objectives. Having sufficient depth in high priority areas makes far more sense than attempting, as New Zealand long has, to keep a breadth of military capabilities which cannot be well maintained within available resources.

## The Defence Reviews: Process and Outcomes

The Defence Policy Framework released last year set out a process for reviewing capabilities to improve the structure of the Defence Force and to develop a coherent capital investment programme.

The review process has now progressed to the point where the government has been able to take key decisions which set the course for the future. These decisions are set out below.

The actions set in train by these decisions have as their objective a cohesive Defence Force which is trained to work together with structures and equipment which are matched to New Zealand's needs. The reconfiguration of the Defence Force makes it affordable and fiscally sustainable over the long-term.

The key components of New Zealand's Defence Force will be:

- a **joint approach** to structure and operational orientation
- a **modernised Army**
- a **practical Navy fleet** matched to New Zealand’s wider security needs
- a **refocused and updated Air Force**
- a **funding commitment** to provide financial certainty.

## A Joint Approach

New Zealand needs a Defence Force which is trained, equipped, and oriented towards operating jointly in meeting New Zealand’s security needs and interests. The first step towards this goal will be achieved on 1 July this year when the Joint Force Operational Headquarters begins operation at Trentham. The ability of the headquarters to operate effectively will be enhanced by a project now underway to acquire a modern joint command and control system.

The next stage will be to reorganise and rationalise the headquarters of the Defence Force and the three single services to reflect a joint approach to planning and to managing the NZDF.

A review of Defence Force outputs will be undertaken to ensure that its activities reflect a joint approach.

**A Modernised Army**

The review of land forces confirmed the recommendations contained in *Defence Beyond 2000:* that to meet the full spectrum of potential requirements the Army should have the ability to deploy and sustain a motorised light infantry battalion group consisting of:

- three rifle companies
- a reconnaissance company
- a support company to provide close-in direct and indirect fire support, and communications
- task tailored support units to provide longer range indirect fire support, and engineer elements to deploy, manoeuvre and sustain the force
- command, control and administrative elements.

The actual size of the battalion group to be deployed depends on the type of operation, the support being provided by other countries, and any support available from the host nation.

The current structure of the Army is based on two light infantry battalions within a brigade framework. These two battalions provide a capacity to sustain a 600-900 person commitment for a year and a 900-1,200 size battalion for six months. These levels can be enhanced by the deployment of territorials when and where necessary.

Where extra personnel are needed, as in East Timor, enhancing New Zealand's ability to utilise territorials and cross employ regular force specialists provides a cost effective solution. New Zealand's territorials have performed with distinction in East Timor alongside regular troops.

For this solution to be fully effective, however, service in the Territorial Army needs to be more attractive to both territorials and their employers. The government is looking at ways to address these issues. There may also be a need to increase the size of the Territorial Army.

The acquisition of new armoured vehicles, tactical communications and light operational vehicles to replace the Landrovers will address the major immediate equipment deficiencies. Other new investment requirements include:

- Close-in fire support, including for protection against armoured vehicles
- Vehicles and sensors to equip the reconnaissance companies
- Command and control
- Combat service support.

In the medium term, other capability issues to be addressed are engineer support, artillery, air defence, and electronic warfare. There will also be a need to examine the implications of new technology, particularly in the areas of command and control, battlefield surveillance, target acquisition, and relatively new concepts such as non-lethal weapons.

All of these requirements are part of a continuous improvement programme to achieve and maintain a modern army. The Ministry of Defence and the New Zealand Defence Force will be undertaking a number of studies to develop and to programme capital acquisition proposals in these areas.

**Sealift**

There are two aspects of sealift, strategic and tactical. Strategic sealift involves moving heavy and large equipment from New Zealand to an assembly area, normally a fixed port, where the equipment is married up with personnel deployed by air. Tactical sealift requires a capability to deliver both personnel and equipment directly into the operational area without requiring access to a port facility.

Both requirements were demonstrated in the East Timor deployment. Strategic sealift was provided by a chartered commercial ship from New Zealand to the assembly area in Darwin. From Darwin, the equipment was deployed into the Suai operational area by a French military tactical sealift ship which had the ability to off-load the armoured carriers and heavy trucks over the beach.

Requirement for sealift is sporadic – the deployments to Bosnia and East Timor were the only occasions where strategic sealift was required, while a tactical sealift ship could have been used for the operations in Bougainville and Solomon Islands. For the majority of time the ship would not be needed for sealift duties. Generally, the slow speed and poor manoeuvrability of sealift ships limit their usefulness for other maritime tasks. Their hull design usually means such ships are unsuitable for safe employment in the Southern Ocean or Ross Sea.

Given the infrequent need for sealift, the ability to charter commercial ships when required, and the lack of versatility for other tasks, the acquisition of a dedicated sealift ship is not considered a wise investment. A better investment would be a multi-role ship which can undertake a number of roles in our region, including a limited tactical sealift capacity for such operations as disaster relief in the South Pacific.

Whether or not HMNZS Charles Upham would be a suitable strategic sealift ship after further modifications, the Navy would be investing about a further $35 million in a ship with limited utility which would not be capable of meeting the requirements for a better surface maritime patrol capability. Most of the time the ship would be tied up alongside at Devonport. The government has therefore decided that:

- Any future requirement for strategic sealift will be met by charter arrangements, as was the case for the deployments to Bosnia and East Timor.
- HMNZS Charles Upham will be taken out of service and sold when it completes its current charter in July of this year.

- The requirement for a limited tactical sealift will be considered as part of a review of the composition of our maritime surface fleet.

**Maritime Patrol**

Last August the government was confronted with a decision on upgrading the Orions because of a looming contract deadline. Agreeing to the plan developed by the previous government would have committed close to six hundred million dollars before there had been a proper assessment of the need for the sophisticated anti-submarine warfare capability proposed. The government declined to proceed with the project, and instead undertook a review to examine the wide range of non-military requirements for maritime patrol surveillance and how they could be met, and whether or not a military patrol capability should be maintained.

This review took a "zero-based" approach, involving for the first time a comprehensive "whole-of-government" view of maritime patrol. The review showed that little information was available on New Zealand's needs or experience in collated form. There were nine or ten separate agencies monitoring ocean areas for their own purposes, but little understanding of how well maritime patrol was being done from a national perspective.

This is surprising given the importance of New Zealand's maritime environment to the nation's economy and quality of life. New Zealand's EEZ, encompassing over four million square kilometres, fifteen times the size of its land area, is the fourth largest in the world. Each year over 2,400 ship visits carry about $20 billion worth of trade through these waters. There are some 2,560 coastal commercial vessels, 1,630 fishing vessels and over 250,000 recreational vessels. Fishing alone has an annual harvest value in the region of $1.5 billion. The fishing industry contributes $4.5 billion to the economy, employs over 10,000 people directly and over 16,000 indirectly. Customs and border control is an important consideration which covers the interests of 20 government agencies and 44 government outcomes. Maritime safety is also important. There are approximately 160 oil spills reported each year in New Zealand waters, and there are approximately 540 maritime search and rescues operations annually.

The review concluded that better co-ordination and tasking arrangements were needed to match maritime patrol arrangements to all of New Zealand's needs; and that a significantly higher level of surveillance was required from both airborne and sea surface platforms.

A number of reasons were identified in the review why it would be prudent to retain a military maritime aerial surveillance capability. These included the enforcement of sovereignty within the EEZ, assistance to our Pacific Island neighbours, and working with Australia in pursuit of shared interests.

The review recommended that a capacity for long-range maritime air patrol be maintained for both civilian purposes and military requirements. As New Zealand has in recent years invested around one hundred million dollars in upgrading the Orion fleet, it made little sense to look for another aircraft for long range patrol.

Also identified was a need for short and medium range air patrol. While that could be provided by civilian contractors, there is also potential for the RNZAF to meet it with additional aircraft similar to the King Air aircraft currently used for multi-engine training. A separate study is required to identify the most cost effective solution.

The review also identified a need for increased coastal and mid-range offshore surface surveillance. The last of the older Leander class frigates will soon reach the end of its useful life. This provides an opportunity to review the composition of the Navy's surface fleet to ensure that the civilian needs for surface patrol and surveillance identified in the review are also met.

The two ANZAC frigates together with the support ship, HMNZS Endeavour, are adequate for more distant military requirements. They will be significantly enhanced by the delivery of the new Seasprite maritime helicopters later this year. These vessels, however, are over-equipped for the maritime patrol tasks identified in the review, while the current fleet of inshore patrol craft is not capable of undertaking this role. Work will proceed on identifying a suitable multi-role vessel with long distance and Southern Ocean capabilities to be phased in as the HMNZS Canterbury is retired.

At the same time, there are some subsidiary issues associated with the current structure of the Navy which need to be examined. These include the need for and priority to be accorded the Naval Control of Shipping role performed by the RNZN Volunteer Reserve; and the need for the range of medical services maintained at Devonport.

The government has decided to:

- Establish a Maritime Co-ordination Centre responsible for integrating the work of all agencies to ensure that there is a comprehensive national strategy for managing maritime risks. The Centre is to be co-located with the NZDF Joint Force Operational Headquarters at Trentham and it will be responsible for tasking maritime patrol assets to meet civilian needs.
- Retain the Orion fleet, and provide a limited upgrade for it, using good quality commercial systems wherever possible.
- Undertake a study to determine the best options for short and medium range air patrol.
- Implement a study to identify the optimum composition of the future RNZN surface fleet, taking into account the civilian requirement for coastal and mid-range offshore capabilities and the roles to be performed in conjunction with New Zealand's responsibilities and obligations in respect to the Southern Ocean and Ross Dependency. The review will also examine the need for tactical sealift relating to disaster relief and other tasks in the South Pacific, and the need for and priority to be accorded to the roles assigned to the RNZN Volunteer Reserve.
- Identify a suitable multi-role vessel with long distance and Southern Ocean capabilities to be phased in as the HMNZS Canterbury is retired.
- Complete a review of the need to retain the clinical service business unit of the Naval Hospital, and to determine the best location for the Hyperbaric Medicine Unit if the clinical service unit is closed.

**Air Combat Force**

The recently completed review of the options for an air combat capability confirmed the finding of the 1998 Air Combat Review chaired by Sir Wilson Whineray that the air combat force equipped with the A-4 Skyhawk in its current state would be a marginal asset to any multinational coalition, and its operational utility will continue to decline. Retaining a force that has never been, and is unlikely ever to be, used would require in excess of one billion dollars in capital expenditure and increases in the NZDF's operating baseline over the next 10 years in the region of $1.2 billion. That is unsustainable.

While it is acknowledged that the air combat force may have played a useful role in confidence building in the Asia-Pacific region, that in itself is not considered a sufficient reason to justify the outlays required to maintain the capability. It is unlikely that a New Zealand government would use the air combat force to respond to low level security challenges around New Zealand or the South Pacific. The Skyhawks have not been deployed in response to a security challenge in the region to date. The outlook in the latest strategic assessment (*Strategic Assessment 2001*) makes it extremely difficult to foresee where a government might deploy the Skyhawks or any replacements.

In addition to the avoidance of the substantial capital investment costs and operating increases outlined above, disbanding the force would produce baseline savings of around $870 million over the next 10 years. These savings would greatly assist rebuilding the remainder of the NZDF – and make the overall force structure more affordable and fiscally sustainable in the long-term.

- The government has, therefore, decided to disband the air combat force at the end of this year. This decision in no way diminishes the proud record and service to the nation of the current and past members of 75 Squadron, 2 Squadron and 14 Squadron. The Aermacchi fleet will be disposed of.

The future of the serving military and civilian members of the air combat force is a primary concern of the government. Managing the impact on the military and civilian members of the RNZAF affected by this decision is a priority task for the Minister of Defence, Chief of Defence Force and Chief of Air Staff.

- New Zealand will continue providing training support to the Australian Navy under the Enhanced Nowra Agreement until towards the end of this year. The NZDF will ensure that appropriate arrangements are made for air combat training support needs of the Army and Navy.

The loss of the air-to-ground and air interdiction roles is not a major concern. New Zealand's air combat force has never been employed operationally in support of the New Zealand Army.

Consideration will be given to arming existing platforms with effective anti-ship missiles. P-3 Orions can be equipped with a variety of missiles. The United States and Australia, for example, equip their Orions with the Harpoon long-range missile.

The new Seasprite maritime helicopter comes equipped with a version of the Maverick anti-ship missile. Australia intends to equip its Seasprites with the Norwegian Penguin missile and New Zealand will consider whether that option is desirable and/or affordable.

**Air Transport**

Previous reviews have concluded that New Zealand's strategic and tactical fixed wing air transport needs are best met by a mixed fleet of five C-130 Hercules and commercial pattern jets with a passenger and cargo carrying capability. A review done in 1992 expressed the view that the C-130s were essential for tactical airlift and that the B-727s were the most cost efficient aircraft for strategic airlift where suitable airfields are available.

While the C-130s can be kept flying safely for some time yet, the NZDF needs to undertake preliminary work on future options. There is an option to purchase the newer C-130 "J" model as part of the Australian buy. This option expires on 1 January 2003. The estimated cost of replacing the current Hercules fleet is in the region of $850 million. There have been significant development problems with the J model and the government is cautious about making such an investment at this early stage in the development of this aircraft.

The alternative is to upgrade the current aircraft. The feasibility and scope of a life extension can only be established through a detailed technical study undertaken by a commercial contractor. The Ministry of Defence has commenced the process of selecting a contractor to undertake this work.

The two B727s are reaching the end of their useful life and an upgrading would not be cost effective. Their roles can be covered by used commercial aircraft, which are readily available through either purchase, leasing, or chartering. Work is now underway to examine these options.

- The C-130 Hercules fleet will be upgraded or replaced.
- A study will be completed as soon as possible to identify the options for replacing the B727 transport planes, including ownership, or the possibility of leasing or chartering.

**Utility Helicopters**

The current fleet of fourteen Iroquois utility helicopters dates back to the Vietnam War era. They no longer fully meet the Defence Force's requirements and a major upgrade is required if they are to be kept in service. Another option is to purchase newer and more capable helicopters matched to the Defence Force's contemporary needs and the wide range of civilian tasks performed by the Iroquois. Defence officials have commenced a study to identify the options and develop a capital investment proposal for Cabinet consideration.

- The Iroquois fleet will be upgraded or replaced.

## Hydrographic Survey

In 1995 the government allocated the management of hydrography and its funding to Land Information New Zealand (LINZ), with the Navy continuing to provide hydrographic survey services for an initial period of five years. This was extended to 2005 when HMNZS Resolution was purchased. Since then, LINZ has been moving towards making the provision of hydrographic services contestable on the open market, with the net effect that the NZDF is now under-funded for meeting the cost of maintaining its hydrographic capability.

There are no defence policy reasons which require the NZDF to have a hydrographic capability, provided there is an alternate source of hydrographic information. Given the current defence funding situation, it does not make sense for the NZDF to subsidise hydrography, which is not a core military activity, at the expense of other pressing needs.

There is a question, however, of whether or not moving to a fully contestable commercial arrangement is workable and appropriate. The government will therefore commission an independent review to provide advice on the need for the government to retain ownership of a hydrographic survey capability and, if so, whether the Navy is the most appropriate provider. The review will also look at the efficacy of the current funding-provider arrangement between the NZDF and LINZ.

## Defence Funding – A Commitment to Provide Financial Certainty

The government will not be reducing its defence spending. Future investments will be targeted at those capabilities which have the highest utility and deliver the best value for money.

While the NZDF is typically portrayed as a capital intensive investment area, it is the operating cost of the existing force structure and the operating costs of any new capital acquisitions which place the greatest pressures on spending.

Decisions incorporated in the 2001 Budget increase the net operating funding available for the NZDF by over $300 million over the next five years and around $700 million over the next ten years. The table below itemises these significant increases. A more detailed explanation is provided in a separate paper.

| | *New baseline funding – excluding East Timor funding* **($million, GST inclusive)** | | | | | |
|---|---|---|---|---|---|---|
| | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Annually in outyears |
| Service personnel remuneration | 18.45 | 18.45 | 18.45 | 18.45 | 18.45 | 18.45 |
| Sustainable capability baseline | 25 | 37 | 24 | 16 | 16 | 16 |
| Light Armoured Vehicles | 0 | 3 | 31 | 39 | 39 | 39 |
| **Total** | **43.45** | **58.45** | **73.45** | **73.45** | **73.45** | **73.45** |

In addition to the above new funding, the government's decision to disband the air combat force frees up around $400 million over the next five years and $870 million over the next ten which has been retained within NZDF and applied to upgrading the quality of the other defence capabilities. It must be emphasised that these savings are being retained within the New Zealand Defence Force.

There will also be additional funding in the next financial year for the on-going commitment to East Timor.

Significant capital investment in equipment projects will be required for capability development. A number of these developments are the subject of further studies making it impossible to provide a precise estimate of what these capital costs will be in total. The investment is likely to be over two billion dollars over the next ten years. It is anticipated that around half of this investment could come from accumulated depreciation within the NZDF balance sheet with the balance of around one billion dollars being provided by capital injections. The actual amount of capital required will also depend on the specification and timing of indicated projects, the contracted prices, and the prevailing exchange rate at the time of purchase.

**Efficiency Measures**

The baselines set in the Budget will provide a sustainable funding base. The government expects the NZDF to manage funding pressures from within its allocated operating baselines. This will require ongoing efforts to maximise efficiency, including the adoption of an optimal personnel structure and rationalisation of real estate and other infrastructure.

**Regional Development Opportunities**

*Air Bases*
There will be spare capacity at RNZAF bases when the air combat force is disbanded. The government intends to commission a study to examine whether both Ohakea and Whenuapai should be operating as joint military/civilian facilities. There has already been some local interest expressed in developing Ohakea along these lines.

This study is designed to lead to a process for local authorities, business leaders, the Air Force and the government to work together to fully realise the potential of the two Air Bases.

Ohakea is the major military air base on the North Island, and, in recognition of this, the NZDF will be proceeding with the planned upgrade of the runway.

*Shipbuilding Industry*
The capital acquisition projects required to implement the government's plan will provide many significant opportunities for New Zealand industry. The rebuilding of the Navy's surface fleet could lead to local input as happened with the ANZAC ship project. The ANZAC ship project brought over half a billion dollars worth of business to New Zealand industry, including the setting up of a major shipbuilding facility at Whangarei.

*Aviation Industry*
There will also be opportunities for the aviation industry. Safe Air in Blenheim and the engineering arm of Air New Zealand located in Auckland and Christchurch are already large players in the maintenance of military aircraft, both New Zealand's and from other countries. Plans to replace or upgrade the C130, B727 and Iroquois fleets could present new and significant opportunities.

*Palmerston North, Waiouru and Burnham*
The modernisation of the Army will open up new possibilities for the transfer of technology to New Zealand industry. There will be downstream benefits for communities located near the major Army bases. These include Palmerston North, the location of Linton Army Camp; Upper Hutt, the location of the Trentham Army Camp; Waiouru; and Burnham in the South Island. These benefits will be in the area of commercial support for on-going maintenance and other support functions.

The government will be looking at all these opportunities as a means of fostering its objectives in the areas of regional economic development, growing a knowledge economy and providing meaningful employment opportunities.

**People Issues – The Human Face of Defence**

The government announced last month that over eighty per cent of uniformed personnel will receive a pay increase effective at the beginning of May. That recognises that the Defence Force's personnel are its greatest assets. The average

increase is five per cent, and the individual increases range from one per cent to nineteen per cent. The most junior ranks received increases of between six per cent and thirteen per cent. Annual budget increases of $18.4 million have been included in the NZDF new baselines to cover these pay increases.

These increases bring remuneration levels for the military closer to those in other sectors. Officials will be developing a mechanism to enable pay levels to keep pace with changes in wages generally. That is expected to have a positive effect on all personnel.

As indicated earlier, one of the priority issues for the Minister of Defence, Chief of Defence Force, and Chief of Air Staff will be managing the impact on those Air Force civilian and military personnel affected by the decision to disband the air combat force.

## Conclusion

The future force structure flowing from these decisions will give New Zealand a modern, sustainable Defence Force that will meet the government's defence policy objectives. The decisions are consistent with the government's stated intention of building on the approach set out in *Defence Beyond 2000*. The government has set a course which concentrates defence resources in a range of affordable and sustainable military capabilities which meet our requirements, our strategic interests and our obligations.