



2016/17 Estimates for Vote Defence and Vote Defence Force

Report of the Foreign Affairs, Defence
and Trade Committee

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Vote Defence and Vote Defence Force

Recommendation

The Foreign Affairs, Defence and Trade Committee recommends that the appropriations for the year ending 30 June 2017 for Vote Defence and Vote Defence Force, as set out in Parliamentary Paper B.5 Vol. 4, be accepted.

Introduction

The Minister of Defence is responsible for all of the appropriations in Vote Defence and most of the appropriations in Vote Defence Force. The Minister of Veterans' Affairs is responsible for slightly less than \$137 million of the total vote.

The appropriations sought for Vote Defence in 2016/17 increase by 19 percent to \$278.9 million, from estimated actual spending of \$233.99 million in 2015/16. The rise is mainly because of an increase in non-departmental expenditure on capital equipment, which the ministry purchases for, and on behalf of, the New Zealand Defence Force.

The total appropriations sought for Vote Defence Force increase by 19 percent to \$3.417 billion in 2016/17, from estimated actual spending of \$2.882 billion in 2015/16. This rise is mainly for building Defence Force capability.

Frigate systems upgrade

We asked about the ongoing frigate systems upgrade, noting that the Treasury's latest Major Projects Performance Report identified cost pressures and an eight-month slippage on the project's timetable.¹ Some of us expressed concern about the forecast cost increase of about \$100 million. The Minister highlighted the Government's commitment to increasing the capabilities of the New Zealand Defence Force.

We heard that the first part of the project has gone extremely well and that the capability of the frigates has been lifted. The Minister conceded that the delay would mean that one ship would be out of operation for longer than anticipated. The systems upgrade will increase the capability of the frigates for the planned final 10 years of their life. Further, we were assured of the project's value for money. Although the Treasury raised the risk of the systems upgrade to high, the cost of this project is about one-third of the cost of a new frigate.

Cyber-security

We asked the Minister about the Defence Force's capacity-building for cyber-security and whether it has integrated cyber-security measures with other ministries. We heard that the threat of cyber-attacks is growing and that the Defence Force is committed to working with New Zealand intelligence agencies to protect cyber-systems throughout the country.

Some of us noted the looseness of the term "cyber-security" and expressed some concern about how appropriated funds will be used toward this end. The Minister explained that it

¹ The Treasury (2016), [Major Projects Performance Report](#) – November 2015 to February 2016, p. 20.

is a catch-all title to describe preventing a range of activities in which cyber tools can be used to the detriment of New Zealand's military or civil society.

Defence Estate

The Defence Estate includes about 81,000 hectares of land and 5,000 buildings, with an estimated value of \$2.8 billion.² We have some concern about the current state of the Defence Estate. Deferred maintenance has led to potential problems with efficiency, and health and safety.

We heard that the Defence Force intends to bring the facilities of the estate up to a standard it considers acceptable. The Defence Force advised us that it will soon complete a programme addressing health and safety concerns, including earthquake safety. The Minister understands that a work programme for the estate will be reported on later in 2016.

Special operations battle training facility

We visited the new battle training facility at Ardmore in May 2016. We were impressed at the high quality of the new facility, built at a cost of \$45 million. We asked whether agencies other than the Defence Force are likely to use the facility, as we understood from our visit.

The Defence Force indicated that, because the facility is multi-purpose, it will be offered to agencies such as the New Zealand Customs Service and the New Zealand Police to use. This is consistent with the Defence Force's stated intent to extend use of the Defence Estate to other organisations.

Peacekeeping

Some of us suggested an increased contribution to United Nations peacekeeping missions alongside traditional allies such as Australia and Canada. We heard that, although the Defence Force functions with a high level of inter-operability with New Zealand's allies, no formal arrangements have been made for peacekeeping missions. The Minister told us that the value of Defence Force officers currently serving in UN missions should not be underestimated.

Support for external agencies

We asked whether, in light of the recent seizure of almost \$500 million of methamphetamine in Northland, the Defence Force requires any new capabilities to combat such large-scale criminal activity. We heard that, because New Zealand has no coastguard, a multi-agency response alongside the Police and Customs is necessary to respond to such cases. The Defence Force provides high-end capabilities that other agencies do not have.

Some of us were concerned to learn that the Defence Force has not been able to provide assets to the Police and Customs when requested. The Defence Force informed us that it does not have the capacity to fulfil all requests for assets from external agencies. It told us that it achieved its goal of meeting 85 percent of requests from all agencies this year.

² Defence White Paper 2016, p. 71.

Personnel risks

We are concerned by the Controller and Auditor-General's assessment that a limited availability of personnel poses a significant risk to Defence projects.³ The Minister informed us that investments are being made to increase the number of project directors, managers, and project support staff in the ministry to reduce the dependence on Defence Force personnel to fill project roles. This will ensure the use of Defence Force personnel as military subject-matter experts, rather than project managers and directors.

Deployment to Iraq

We asked how the Defence Force deployment to Iraq helps protect New Zealand's wider strategic interests. The Minister emphasised that the terrorist organisation known as Daesh, or ISIL, has perpetrated acts of violence all around the world. New Zealand is not completely isolated from such actions and so must play a part in helping to ensure that Iraq has a security force capable of dealing with Daesh.

Some of us expressed concern, based on a United States Department of Defense report, about poor living conditions for Iraqi recruits at the Taji camp.⁴ Some of us believe that these conditions may affect the training and morale of the new recruits.

The Minister said that he did not observe any lack of nutrition, water, or facilities during his two visits to Taji. However, he acknowledged that some investment has been put into the camp after the report in question. We look forward to hearing how conditions have improved since the report was released.

After our hearing, the Prime Minister announced that New Zealand's deployment to Iraq would be extended for a further 18 months.

South China Sea

The International Court of Arbitration will soon report on conflicting claims between the Philippines and China in the South China Sea. We asked about New Zealand's position on the matter.

The Minister emphasised New Zealand's commitment to international law, under which freedom of navigation must be maintained in the area. Given the increasing size of the Chinese Navy, New Zealand will continue to encourage dialogue between all parties involved.

³ Ministry of Defence and New Zealand Defence Force, Major Projects Report 2015: Vol. 1, p. 17.

⁴ Inspector General US Department of Defense, "Assessment of DoD/USCENTCOM and Coalition Plans/Efforts to Train, Advise, and Assist the Iraqi Army to Defeat the Islamic State of Iraq and the Levant", pp. 17-18.

Appendix

Committee procedure

We met on 16 June and 5 July 2016 to consider Vote Defence and Vote Defence Force. We heard evidence from the Minister of Defence, Hon Gerry Brownlee; the Ministry of Defence; and the New Zealand Defence Force. We received advice from the Office of the Auditor-General.

Committee members

Mark Mitchell (Chairperson)

David Bennett

Dr Kennedy Graham

Todd Muller

Dr Shane Reti

Jami-Lee Ross

David Shearer

Fletcher Tabuteau

Lindsay Tisch

Dr Megan Woods

Hon Phil Goff replaced Dr Megan Woods for these items of business

Evidence and advice received

In addition to the standard Estimates documents, we considered the following evidence and advice during this examination:

Estimates briefing paper for Vote Defence and Vote Defence Force, prepared by committee staff, dated 14 June 2016.

Office of the Auditor-General, Briefing on Vote Defence and Vote Defence Force, received 14 June 2016.

Minister of Defence, Response to standard Estimates questionnaire, received 27 May 2016,

Minister of Defence, Responses to additional questions, received 14 and 15 June and 4 July 2016.