Foreign Affairs, Defence and Trade Committee
August 1999, NZ House of Representatives

Inquiry into Defence Beyond 2000

Table of Contents

(Page numbers in this e-version vary from the original document published by the Select Committee)

EXECUTIVE SUMMARY 5

INTRODUCTION 10

BACKGROUND TO THE *DEFENCE BEYOND 2000* INQUIRY 12

- Inquiries into *New Zealand's Place in the World* and *New Zealand's Role in Asia-Pacific Security*
- Procedure for the *Defence Beyond 2000* inquiry

SECURITY REQUIREMENTS 15

- Security is more than defence
- New Zealand and its environs
  - Limited and localised threats from overseas
- Our South Pacific neighbourhood
  - Emergency evacuation of expatriate nationals
  - Surveillance of fishing zones
  - Disaster relief
  - Search and rescue
  - French forces in the South Pacific
- The Australian connection
  - Strategic situation
  - Alliance relationship
  - No direct military threat
- South East Asia and North East Asia
  - Defence relations with Singapore
- New Zealand's global perspective

THE CHANGING NATURE OF PEACEKEEPING 25

- A broader training regime
- Developing interoperability with peacekeeping partners
- Slow progress
- Advantages and limitations
- Popular support for peacekeeping
- Criteria for New Zealand participation in peacekeeping
  - Schedule of force elements on stand-by for peacekeeping

THE FORMULATION OF DEFENCE POLICY 32

- The present situation

Advice on defence policy and resource planning
A wider catchment of advice is necessary
Accessing contestable military opinion
Measuring NZDF performance
Responsibility for assessment and audit
Review of Defence Headquarters structure
Civil-military balance in Defence Headquarters
Top-heavy headquarters
Criteria for determining manpower required in uniform
Economies achievable by civilianisation
Rationalisation
Review of NZDF and MOD structures

MILITARY CAPABILITY REQUIREMENTS 43

The maritime threat
Visits by nuclear ships
Revolution in military affairs
Preparedness: readiness, deployability and sustainability
Approaching generic military capabilities
Breadth versus depth
Deliverable capability
Setting priorities
Emphasis on capability now
Is a new balance needed between missions and tasks?
Current policy is outdated
Current capabilities short on modern operational concepts
Force structure imperatives have changed
"Fitted for but not with" is a dated concept
Big financial changes since the Defence Assessment was published
Block obsolescence likely without a new procurement approach
Force structures and military doctrines are dated
Credibility is judged on what we can do now, not some time later on
Government's basic assumptions preclude future flexibility
Risks
A broadened concept of security operations
Civil defence
Aid to the civil power
Antarctic support

THE JOINT FORCE APPROACH 60

The joint force rationale
Joint headquarters
Elimination of duplication and waste
Procurement of major capital items
Display or utility?
Stepped development of joint force capability
Force structure priorities
Affordability
Personnel matters
Personnel shortages in critical trades
Training of young people
Impact on personnel of unrealistic performance targets

NAVY CONTRIBUTION TO NZDF CAPABILITIES 76

Naval combat force
Logistic support ship

ARMY CONTRIBUTION TO NZDF CAPABILITIES 79

Joint force ready reaction capability
A reconnaissance company in each battalion
Territorial force

AIR FORCE CONTRIBUTION TO NZDF CAPABILITIES 83

Air combat force roles
Attack helicopters
Maritime patrol and strike
Other issues

OTHER MATTERS 90

Real estate
Under-utilised assets
Cost
What does defence cost?
Projected growth of defence expenditure
Cost-effectiveness

RECOMMENDATIONS 97

GOVERNMENT MEMBERS' (MINORITY) REPORT 101

Introduction
Security Requirements
Force Structure and Balance
A “Niche Defence Force"
Bad Examples
Peace-support and Civil Defence
Defence Policy Formulation
Military Capabilities
Joint Force Approach and Review of Headquarters
Naval Forces
Land Forces
Air Combat Force
The Cost of Defence
Summary
Recommendations: Agreement.
Recommendations: Disagreement.

ALLIANCE (MINORITY) REPORT 117

APPENDICES 118

1 Abbreviations
2 Recommendations from the *Interim Report* and a Summary of the Government's Response
3 Section 5 of the Defence Act 1990

4 List of References
5 Badges of Commissioned Rank in the New Zealand Armed Forces
Badges of Non-Commissioned Rank in the New Zealand Armed Forces
6 Map Showing Defence Force Locations
7 Criteria for Assessment of Proposed Contributions of New Zealand Personnel to Peacekeeping, Peacemaking and Peace Enforcement Operations Pursuant to Security Council Mandates.
8 Stand-by Arrangements for United Nations Peacekeeping Operations
9 Military and Paramilitary Forces in the South Pacific
10 Committee Personnel, Terms of Reference, List of Submissions
11 Time-Line for Inquiry
12 Keyword Index

Foreign Affairs, Defence and Trade Committee
(Hon Derek Quigley, Chairperson)
NZ HOUSE OF REPRESENTATIVES
August 1999

Inquiry into Defence Beyond 2000

(Page numbers in this e-version vary from the original document published by the Select Committee)

EXECUTIVE SUMMARY

The political context in which the NZDF operates

In the absence of a Government White Paper on foreign policy, we conducted two inquiries into:

- New Zealand's place in the world; and
- New Zealand's role in Asia-Pacific security.

These formed the basis for our inquiry into New Zealand's defence and security requirements beyond 2000.

Because there is no clearly defined threat to New Zealand's territorial integrity, wider international concerns and domestic political considerations have assumed greater importance than they would in a situation of heightened tension.

The need for a broader basis for defence policy formulation

External advice and a forum for expression of the views of military personnel outside the command environment are necessary to ensure a broadly based and widely acceptable defence policy.

The need to set priorities

In the prevailing fiscal climate, New Zealand cannot maintain a credible, relevant defence force at appropriate readiness without prioritising our strategic interests and defence tasks, and then logically deriving the most appropriate force capabilities.

Security is more than defence

Defence policy is a subset of a broader security policy that gives due weight to economic, social and environmental interests. Our geographical situation points to the following strategic interests:

- A secure New Zealand, including the resources of our exclusive economic zone.
- A political environment in the South Pacific in which communities continue to evolve in a climate of good governance and internationally agreed standards of compliance with human rights.
- A strong relationship with Australia in pursuit of common interests.
- An expanding role in South East and North East Asia in regional dialogue, with due regard to the disparities in military terms.
- A global approach to security which reflects the diversification of New Zealand's trade, the advantages of multilateralism, and the benefits of a collective response to security crises.

Setting priorities for defence tasks

On the basis of the need to retain military competency and the most likely contingencies that the NZDF will be called on to address, the priorities are, in descending order:

- Protection of New Zealand's interests, including the EEZ and responsibilities in the South Pacific.
- Contribution of forces for peace support purposes, particularly in coalitions of like-minded countries operating under a mandate from the United Nations.
- Provision of services to local communities in New Zealand.
- Assistance to the Police to maintain law and order, particularly through the provision of specialised skills and resources.
- Contribution of forces under collective security arrangements, noting that this is less likely than in the past, as more durable cooperation arrangements emerge in those areas that have traditionally been of most strategic and economic concern to New Zealand.
- Defence of New Zealand, noting that we are not likely, in the short to medium term at least, to face the direct use of armed force against us.

Developing wider interoperability with overseas forces

Trends towards globalisation underline the need for the NZDF to pursue interoperability, to maximise the options available to the Government when considering a response to a threat to New Zealand's interests. There should be:

- Less dependence on a very narrow range of alliance relationships.
- Closer defence relations with Malaysia, Singapore, Fiji, and the French forces in the Pacific.
- Development of contacts with United States Coast Guard ships operating around American Samoa, and further development of contacts with other United States forces in the United Nations context.
- Training and exercising for peacekeeping operations with a wider range of partners.

Review of headquarters structures

A review of Defence headquarters structures is necessary.

- The three single Service headquarters in Wellington should be dissolved, with their work rationalised and consolidated under the Secretary of Defence and the CDF.
- The three Chiefs of Staff should be located at camps/bases and, as heads of their three Services, be responsible for providing trained personnel and infrastructural support. They should not command operational forces.
- The CDF should command operational forces through a Joint Operational Commander (JOC), senior to the Chiefs of Staff. The JOC should command the
- naval, land force and air assets required for all operations and joint exercises.
- The Maritime, Land Force and Air Commands should be merged into the Joint Operational Headquarters commanded by the JOC.

Assessment of military performance

Audit and assessment of all aspects of NZDF preparedness and performance must be conducted by agencies outside the NZDF command chain. Primary responsibility should be returned to the Secretary of Defence, as set out in the Defence Act.

Personnel

More economical and effective personnel policies are needed. These should include:

- Reducing the number of senior officers by making liability for operational service overseas the prime criterion for retaining personnel in uniform, with the additional criterion, at Defence Headquarters, of higher command.
- Focusing on retaining sufficient highly trained specialists to sustain prolonged operations, and avoiding the risk of operational fatigue.
- Ensuring that pay and conditions of service for all uniformed personnel are aligned more closely with those of other State servants.
- Introducing broadly based tri-Service recruit training, including training in non-combat skills related to peacekeeping and civil defence (including ambulance work and fire-fighting), and then streaming recruits into the single Services after aptitude testing.

Military capability considerations

A zero-based approach to our armed forces is not feasible, because of the long lead-times for:

- the purchase of capital equipment; and
- training of personnel.

Our present military capabilities are the most realistic base for developing and adjusting force structures.

More emphasis on a joint force approach

Countries most similar to New Zealand are placing more emphasis on joint force solutions to deal with likely contingencies. This joint approach would allow the NZDF to maintain independent control over a limited area of operations, and give the Government more flexibility.

Emphasis on preparedness now

New Zealand's credibility as a country willing to carry its share of the international burden of maintaining peace and security depends on its ability to provide combat-ready forces quickly, and to sustain them.

In the prevailing world situation, utility of forces in the short to medium term is a more important criterion than potential value in five to ten years.

Ships and aircraft fitted "for but not with" up-to-date weapon systems have potential but not maximum value in a crisis. It would be risky to commit them to mid-level combat without substantial additional investment in equipment and training.

Procurement

Spreading resources too thinly to fully equip the current range of forces has led to a run-down of New Zealand's military capabilities. Smaller but sharper forces are the answer.

To overcome the financial problems caused by block obsolescence, an incremental or stepped approach to procurement of equipment is necessary. This can also allow the NZDF to keep up with technological change.

Joint forces

The Army should maintain in each battalion a reconnaissance company, with one of them combat ready at 28 days notice for peace support operations. This, with air transport and appropriate helicopter and other combat support forces would be the spearhead of New Zealand's rapid response capability.

One battalion, with combat service support, should continue to be maintained at 60 days notice for UN peacekeeping. These land force elements should:

- Incorporate helicopter and long-range air transport support.
- As soon as possible, have a logistic support vessel at their disposal.

The Army's second battalion should be the back-up force.

Navy

The policy of maintaining one combat ship deployed overseas for up to 12 months needs review.

The composition of the Navy's fleet should be reassessed on the basis of:

- A review of combat ship deployment policy.
- The requirement for military sealift and logistic support capacity more suited to a South Pacific and Antarctic role than HMNZS *Charles Upham* would be.

The current naval combat capability policy study should be terminated and its terms of reference subsumed into the terms of reference for the next Defence White Paper.

Air Force

Review is required of:

- The decision to purchase 28 F-16 aircraft to replace the 19 Skyhawks.
- The role of an air combat force.
- The role of attack helicopters in the joint force approach to likely contingencies.

Other matters

Commitment of forces to warlike operations overseas should be subject to parliamentary approval.

There should be no change in the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act.

There should be public discussion of proposals to dispose of defence real estate before final decisions are made.

The scope of the terms of reference of the External Relations Ministerial Team announced on 21 June 1999 should be widened to include development aid and defence.

Not all the recommendations in this report are unanimous.

INTRODUCTION

The *Strategic Defence Review* conducted by the United Kingdom Government and published in July 1998 states:

> *Future operations will place greater emphasis on projecting military force rapidly over long distances. In this new strategic environment, our armed forces require a powerful and deployable cutting edge based on improved interoperability between the services.*

That, in a few words, sums up the approach that New Zealand needs to take if it is to develop a defence force relevant to the post Cold War era. Our objective as we move into the new millennium must be to shape policy that:

> sees the combat capability of the New Zealand Defence Force (NZDF) restored;
>
> makes us better able to contribute well-trained, well-equipped military forces to advance our national security interests; and,
>
> enables the NZDF to contribute to collective security operations in trouble spots world-wide with a credible combat capability.

Making due allowance for scale, the United Kingdom approach as set out in the *Strategic Defence Review* should be our approach.

At present the NZDF not only has grave deficiencies in equipment to overcome, but more importantly, it is desperately in need of new, innovative thinking to make it relevant to the new world order that has replaced the era of superpower confrontation.

The independent defence analyst Dr James Rolfe summed up the NZDF problem very succinctly in his book *The Armed Forces of New Zealand*, published at the beginning of 1999:

> *The picture shown in this book is of three individual armed forces searching for a role. There is little requirement for the forces in the 'traditional' national defence and security role and there is little public understanding of their capacity to contribute to wider foreign policy outcomes. When the forces are considered for use in an operational role, they are now often not able to be used because their equipment is largely obsolescent and they do not have sufficient personnel to sustain an overseas deployment by more than the smallest groupings.*

Lest it be thought that we are denigrating our armed services personnel, the Foreign Affairs, Defence and Trade Committee of Parliament places on record its high regard for the job they are doing in difficult conditions with limited resources. They deserve the respect of all New Zealanders for the contributions they are making to our foreign policy and security interests and in carrying the New Zealand flag so proudly into international peacekeeping operations, so often far from home.
Before going further we need to address a number of questions:

> Does New Zealand ask too much from the NZDF without prioritising our real needs?
>
> Would the NZDF do better if it concentrated on doing a limited range of tasks well rather than trying to maintain its current broad range of capabilities?
>
> Is the New Zealand taxpayer getting value from the one and a half billion dollars spent every year on defence?

Who should set defence priorities - the Government, the NZDF or both?

To answer these questions, we set out to:

determine what New Zealand's real security priorities are;
examine the strategic setting and the inherent threats to New Zealand and New Zealand interests;
consider the military implications;
reach agreement on defence objectives;
set priorities for those objectives on the basis of their relevance to New Zealand both internationally and domestically; and then
identify the military capabilities necessary to deliver those objectives.

Our armed forces' combat capability is just one way of securing an external environment in which New Zealand flourishes. Others include diplomatic initiatives such as preventive diplomacy, negotiation, conciliation, arbitration and judicial settlement, conflict and disputes resolution, participating in international peace support activities, using the armed forces for landmine-clearing training and to deliver humanitarian relief in dangerous or emergency situations, addressing global environmental concerns, cooperating with other countries in combating international crime and drug trafficking, disarmament and arms control, human rights and good governance. We pay particular attention to the South Pacific, where our diplomatic initiatives over the last ten years have contributed to the strengthening of democracy in Fiji, the restoration of peace in Bougainville, and improved relations with France; more generally, we contribute to the security of our neighbourhood through development aid, fisheries surveillance and emergency relief after natural disasters.

The corollary is that defence policy must be developed to address credible threats to New Zealand and New Zealand's interests rather than aiming to deal with the widest possible range of purely military contingencies. We cannot predict every eventuality but equally we must be ready to cope with changes in the level of threat. Regular threat assessment - as required of the Secretary of Defence by the Defence Act - will reveal whether the level of risk is escalating. We must maintain systems which give us sufficient advance warning to adjust our strategic thinking and capabilities to meet changes in the level of threat.

The traditional approach of trying to prepare for the widest possible range of military contingencies - remote though they might be both in time and place - is not, in our view, a good use of our limited resources. We run the risk of doing nothing adequately in an attempt to be ready for anything. This approach has all too often been used as a cover for shifting the blame for failings in the defence system on to spending cuts imposed by others.

In reality, the failings arise because the capabilities necessary to deliver broad defence objectives have not been spelt out in an order of priority that is clearly related to threats to New Zealand's interests and the tasks which the NZDF can most usefully undertake to advance our national interests.

Without this clarity, force structure has been reshaped and adjusted, sometimes adequately, and sometimes inadequately, by incremental changes rather than in response to changed strategic circumstances. Faced with a declining defence budget, the result has been a dramatic run-down in capabilities, exacerbated by all the disadvantages inherent in the replacement syndrome as the NZDF has struggled to upgrade whatever equipment and facilities it can afford to retain.

We can and we need to do better.

BACKGROUND TO THE *DEFENCE BEYOND 2000* INQUIRY

Inquiries into New Zealand's Place in the World and New Zealand's Role in Asia-Pacific Security

Some observers took the Committee to task over our Interim Report on *Defence Beyond 2000* for what seemed to them too great a focus on defence in isolation from our total international relations and security policy.

For the record, we examined the broader picture in two successive inquiries we conducted in 1997: New *Zealand's Place in the World* and *New Zealand's Role in Asia-Pacific Security*. We felt both were necessary because the New Zealand Government has failed to produce an overarching foreign policy statement along the lines, for example, of Australia's *In the National Interest* (1997).

That document enables defence analysts' perceptions of threats to Australia's national security to be put into a wider perspective. In New Zealand, military planning is not integrated into broader security policy planning with the result that competing demands for resources are not fully contestable. They should be.

The Committee's "wider perspective" sees defence as

> promoting New Zealand's overall security and enhancing our reputation as a successful, open and secure trading nation, and
>
> actively promoting a constructive role in and with the international community.

In examining New Zealand's international interests, our two 1997 inquiries looked at New Zealand's wide-ranging trade and investment linkages, as well as the challenges of the open global economy. We are outward looking because we need to be. We are a country far from most others, but heavily reliant on overseas trading links. We noted the need for widely shared and environmentally sustainable economic growth; extended political relationships; and the concept of "building bridges".

Looking at New Zealand's situation in the Asia-Pacific region, we found that New Zealand does not face a stark choice between its regional and global international interests; and that a national security policy dominated by a defence force structured to counter direct military threats in our region would be at the expense of our wider international interests. We see regional interests as a subset of New Zealand's global interests. An illustration of this is the way that New Zealand's trade and investment links with Europe and North America cushioned the shock of the recent Asian economic crisis.

We saw that New Zealand's interests are well served by continuing to approach Asia-Pacific as a broad and inclusive region rather than a tight grouping of countries acting as a cohesive entity. This underlined the importance of a liberal, multilateralist approach. We considered the benefits that may arise from regional economic integration and the importance of Asia-Pacific Economic Cooperation (APEC). We also examined New Zealand's role in Asia-Pacific defence arrangements, with particular attention to our enduring interest in the security of Australia and the South Pacific.

No examination of defence and security issues could ignore the pre-eminence of the military power of the United States since the end of the Cold War. In our own region, that country's operational base in Hawaii has been important to New Zealand for nearly sixty years and has greatly influenced our respective approaches to common defence interests.

Evidence we received made it clear that New Zealand's defence performance is judged in United States terms by

> the nuclear propulsion issue;
>
> our participation alongside the United States in force projection to protect the collective interests of like-minded countries in areas of common concern; and
>
> our willingness to see the United States as a principal source of military equipment.

But security is more than defence. The issue for New Zealand here, in relation to the United States, is that there are times when we need a strong voice to promote our economic well-being in Washington. Decisions taken by major powers - more often than not in response to their *domestic* political pressures - may have wider implications internationally than was foreseen, sometimes impinging on third parties in unexpected ways.

For example: release by the United States of surplus grain stocks as food aid to poor countries has distorted markets in the past for Canadian and Australian wheat; deliberate adjustments in the relative value of the United States dollar and the Japanese yen had severe repercussions on the manufacturing sector of much of Asia; and the concerns of United States sheep farmers about competition from more efficient overseas producers has given rise to a call for quotas or higher tariffs on New Zealand and Australian lamb imports.

We are too small a nation to have much leverage on larger powers. Thus it is arguable that our credibility as a partner in areas of common concern (including questions of defence and security) becomes all the more important if we are to find a sympathetic ear on trade or other matters of vital interest to us.

Some submissions we received felt the world had become a more uncertain place over the last ten years. This meant that our military links with traditional allies, whether operative (as in the case of Australia and Britain) or not (as in the case of the United States), were of even greater importance than previously. From this perspective the real concern about the ANZUS rift in defence terms was the cost to New Zealand of becoming marginalised in the eyes of the United States and Australia. The logic of maintaining firm alliance relationships with countries with which we have a great deal in common is evident.

Other submissions made the point that alliance relationships carry with them obligations of the sort that have, in the past, divided New Zealand - as at the time of the Vietnam War. Although the past had been marked by the Cold War confrontation and the concepts of "allies" and "enemies", a more pragmatic basis for a New Zealand security framework beyond 2000 might well be in terms of "partners" and "friends". Reducing regulations governing world trade mean that trade flows are increasingly decided by the market, rather than by political relationships. China, the way it develops its relationship with the United States, and the evolution of Japan's relationships with both China and the United States, we heard, would be of even greater importance to New Zealand in the years beyond 2000. The proponents of this more multilateralist approach to foreign relations tended to argue that this gave New Zealand a greater degree of independence - more scope for manoeuvring to protect and advance our long-term national interests - than when we were locked into a rigid alliance relationship.

We saw elements of a broadly based regional security policy for New Zealand as including active participation in important regional fora such as APEC and the ASEAN Regional Forum; a constructive approach to regional human rights initiatives; and, where necessary and feasible, mediation and peacekeeping. We also recognised the importance of maintaining well equipped, well trained defence forces capable of engaging in the region at whatever level the Government might determine, for the advancement of New Zealand's interests. This demonstrated to other countries a national willingness to share the collective international burden of maintaining peace and security.

New Zealand's Place in the World and *New Zealand's Role in Asia-Pacific Security* led into the *Defence Beyond 2000* inquiry.

Procedure for the Defence Beyond 2000 inquiry

The *Defence Beyond 2000* inquiry began in September 1997. We invited public submissions and 61 were received during the first part of our inquiry. We also heard evidence from a wide range of expert witnesses. These included on several occasions the Minister of Defence the Hon. Max Bradford, the Secretary of Defence Gerald Hensley, the then Chief of Defence Force Lieutenant-General Tony Birks, the Chief of Naval Staff, the Chief of General Staff, and the Chief of Air Staff. At NZDF bases and camps at Whenuapai, Hobsonville, Devonport, Waiouru, Ohakea and Linton, we were briefed and discussed defence matters with serving personnel at many levels, from senior officers to first-year trainees. With the permission of the successive Treasurers, we were advised by Treasury officials on a range of financial questions. Retired senior military officers, including retired chiefs of staff, gave evidence as did witnesses with high-level diplomatic and other international affairs experience.

Because we wanted a wide cross-section of public opinion and a greater degree of cross-party accord on defence policy, we gave considerable time to hearing the views of non-governmental witnesses, including witnesses from the business sector, the universities, voluntary agencies, and many others, some of whom did not support all aspects of the Government's defence policy.

We were greatly assisted in our work by the generous invitation of the then Australian Minister of Defence, the Hon. Ian M^{c}Lachlan, to visit Australia from 22 to 26 June 1998. In Canberra, we had discussions with the Minister, Members of Parliament, senior Department of Defence officers, and academic defence analysts. Then we visited, received detailed briefings, and discussed defence issues with a wide range of service personnel at Australian Defence Force (ADF) camps and bases in New South Wales, the Northern Territory and Queensland.

Our report on the *Defence Beyond 2000* inquiry was prepared in two stages. An interim report (the *Interim Report*) was presented to Parliament on 24 November 1998. We decided to present this discussion document because it was important to put forward the views we had reached at a time when the Government was approaching major decisions on procurement (whether to acquire another ANZAC frigate and/or the F-16 aircraft). There were, in addition, a number of issues we wanted the Government to respond to, and others we wished to test further through public discussion. The Interim Report contained 19 recommendations which are set out in Appendix 2 of this report. The Government was required by the Standing Orders of Parliament to reply within 90 days. After the *Government Response to the Interim Report* (the *Government Response*) was presented to Parliament on 22 February 1999, we re-opened our inquiry and received 22 further submissions.

Cabinet papers released under the provisions of the Official Information Act after the Government announced its November 1998 decisions on procurement, and the full text of the *Final Report of the Air Combat Capability Policy Study* made public a substantial new body of information of relevance to our inquiry. In April 1999, a round-table discussion of the issues opened up by our inquiry, attended by some 70 experts in the field of defence and foreign policy, was held under the auspices of the Centre for Strategic Studies at the Victoria University of Wellington. Several members of the Committee attended the seminar. In May 1999, we had the opportunity to observe an NZDF civic aid project in the Solomon Islands. In addition, we received during the first half of 1999 further oral evidence from the Minister of Defence, the newly appointed Chief of Defence Force Air Marshal Carey Adamson and the three Chiefs of Staff.

A time-line for the inquiry is set out at Appendix 11.

SECURITY REQUIREMENTS

Security is more than defence

Our basic position is essentially the same as that expressed by the Minister of Foreign Affairs and Trade, the Rt. Hon. Don M^{c}Kinnon, to a visiting group from the Royal College of Defence Studies in September 1997, that defence and security policies are not just something to fall back on when foreign policy has failed, and that the two are so intertwined that it makes little sense to examine them in isolation. New Zealand's foreign policy is one of engagement, of internationalism, of recourse to collective action.

We accept the approach set out in the following statement by the Hon. Max Bradford, published in the *Rotorua Post* on 30 December 1998:

> *The facts of how we equip our defence forces are only part of the much bigger issue of our broader security needs and aspirations, and it concerns me that these are not being adequately discussed.....*
>
> *Why do we have a defence force?*
>
> *The obvious reason is..... to protect New Zealand's land mass, and our wider economic interests.*
>
> *At one level this means maintaining armed forces that are adequately equipped to give pause for thought by any prospective, but so far unidentifiable attacker. This is the classical argument for a defence force.....*
>
> *Today, however, in a world which is increasingly interconnected both economically and politically, defence means very much more than this.*
>
> *Our security as a nation depends on:*
>
> *the continued functioning of the global trading system,*
> *the United Nations as an arbiter of disputes and a peacekeeping coordinator, and*
> *the international agreements aimed at increasing country-to-country and regional security and cooperation.....*

We see New Zealand's security in terms of the following national security outcomes:

A secure **New Zealand** including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure;

A political environment in the **South Pacific** in which national economies, societies and identities continue to evolve in a climate of good governance;

A strong relationship with **Australia** that supports a secure and peaceful New Zealand and Australian area of interest;

An expanding role in **South East and North East Asia** in regional dialogue and (where appropriate) security;

A **global approach** that supports New Zealand's place in an international community committed to the maintenance of human rights and the collective security responsibilities enshrined in the United Nations Charter, and which strengthens New Zealand's international economic linkages.

New Zealand and its environs

Risk assessment gives little weight to the need to defend New Zealand's sovereign territory against any significant military threat. This need has been no more than a remote possibility for over fifty years. New Zealand has no claims on the sovereign territory of any other country, nor are there claims on our territory. New Zealand's interests in relation to the Ross Dependency, off-shore resources, and the outermost reaches of the continental shelf are taken into account in the Antarctic Treaty and various international conventions.

While there is no discernible threat to New Zealand's physical security, it is not possible to forecast the changes in the international security environment that would affect New Zealand. As complexity and uncertainty are persistent characteristics of the international framework, the possibility of a serious threat to our physical security and vital interests emerging at some time in the future cannot be dismissed. Should this occur, there are three things analysts say we can count on:

A considerable period of deterioration in the international security situation would precede the emergence of a threat serious enough to endanger New Zealand's physical security by large scale military attack. This would provide a warning period when the Government could step up its defence effort. The Government's 1997 Defence Assessment (DA) assumes a five-year warning time.

Our small population and limited resources makes it most unlikely we could stand alone if more serious threat emerged, even with a protracted strategic warning period which allowed a sustained defence build-up.

A serious threat to New Zealand's physical security would be regarded by our friends and allies as a threat to their interests. This indicates the value of firm collective security arrangements, but it also implies commitments from New Zealand's side.

Limited and localised threats from overseas

The more likely security challenges are low-level in military terms. They would probably be isolated incidents. The more obvious are: terrorist activities; isolated acts of sabotage such as bombs or possibly sea mines; trade in illegal goods (drugs, protected species); illegal exploitation of natural resources, including those of our exclusive economic zone (EEZ) and other areas within New Zealand's jurisdiction; and illegal entry. The objective is to prevent these events from occurring and to deal swiftly and effectively with any that do in a way that minimises the risk to people, property, and the quality of life.
To meet these requirements, the Government's strategy should continue to include:

Dealing with incursions in our EEZ through economical and effective routine surveillance, backed up by a responsive capability that can gather information, act as a deterrent, and provide the means to deal with any offences that may occur.

Countering the threat posed by terrorists and acts of sabotage. This requires the capacity to rescue hostages and apprehend the offenders, and the ability to investigate and dispose of explosive devices. There is also a requirement to protect vital installations and people, and to be able to detect and clear sea mines.

Our South Pacific neighbourhood

New Zealand's foreign policy must have its roots in our own country and in our own region. New Zealand's development aid, directed largely to the South Pacific, by stimulating economic growth, increasing people's incomes, and promoting good governance, contributes significantly to South Pacific security. With Australia, we can expect to continue to be called upon to provide assistance to our fellow members of the South Pacific Forum. Failure to respond might be an invitation to those states to place more reliance on other countries for their security.

Papua New Guinea, Fiji and Tonga all have regular military forces, while Vanuatu and Solomon Islands maintain paramilitary forces. Details are at Appendix 9.

Fiji is the South Pacific country with which New Zealand has had the most military contact over the years. The RNZAF maintained a flying boat base at Lauthala Bay until 1967, and the New Zealand Army provided a senior officer to head the Fiji Military Forces until 1981. New Zealand and Fiji soldiers fought alongside each other during the Emergency in Malaya. A regular bilateral training and exercise regime was established in 1967, and by 1985, an average of 190 Fiji servicemen were trained in New Zealand each year. The two countries have been associated since 1982 in the Multinational Force and Observers in the Sinai. Although the traditionally close military contacts were interrupted following the coup led by Sitiveni Rabuka, subsequent constitutional reform has removed any impediment to the restoration of closer defence relations. Currently, New Zealand and Fiji forces are working together in the Peace Monitoring Group in Bougainville.

The collective response of South Pacific Forum member countries during the 1990s to peace support operations in Bougainville has been a significant contribution to regional peace and security. Fiji, Tonga and Vanuatu personnel all participated in the short-lived South Pacific Peacekeeping Force deployed, with support from New Zealand and Australia, to Bougainville in October 1994. Fiji, Vanuatu and New Zealand personnel are also participating in the Australian-led Peace Monitoring Group which has been operating in Bougainville since early in 1998.

As a Committee with responsibilities for foreign affairs, defence and trade, we do not look at defence in isolation from other forms of international involvement. The wider question of the balance between spending on development aid and spending on defence is discussed later in this report under the sub-heading Cost-Effectiveness (page 107).

The NZDF's mutual assistance programme (MAP) is the vehicle through which defence assistance is provided, alongside parallel assistance under the Australian defence cooperation programme. Some 176 personnel from South Pacific countries were trained in New Zealand under the MAP in the 1997-98 financial year, and 208 in 1998-99. The MAP combines military cooperation with economic and social development objectives in a most constructive way. An example of this was the civic aid exercise Tropic Twilight conducted in the Solomon Islands between April and June 1999. The training value to the NZDF of such exercises is evident.

New Zealand has defence responsibilities for the Cook Islands, Niue and Tokelau. Militarily, the more likely security challenges would be low-level and localised, ranging from terrorist incidents and isolated sabotage to civil disturbances leading to the breakdown of law and order. The most likely non-military events that might call for an NZDF response are poaching, illegal entry and natural disasters.

Emergency evacuation of expatriate nationals

The Government has obligations for the safety of the many New Zealanders in the South Pacific, extended where possible to nationals of countries that provide similar cover for New Zealanders in

emergencies in more distant parts of the world. Protection of expatriate nationals in a civil emergency in a South Pacific country is a contingency which the NZDF is prepared to address at any time. The possession of a well equipped logistic support ship, capable of being used as a command centre, would substantially improve the ability of the NZDF to address such a contingency.

Surveillance of fishing zones

The RNZAF's long-range maritime patrol force, which consists of six P3 Orion aircraft, conducts surveillance, in response to requests from the governments concerned, over the exclusive economic zones of most South Pacific and some Central Pacific states. The patrols take five to seven days on average, covering three or four countries. The Navy also conducts surveillance patrols in the South Pacific. Arrests and windfall incomes from vessel seizures have followed infringements. New Zealand surveillance operations indirectly generate significant income for our South Pacific neighbours from licence registrations.

Disaster relief

NZDF assistance is provided after natural disasters in the South Pacific to countries as distant as Papua New Guinea, Fiji, Samoa and Tuvalu. Some 14 relief missions have been mounted since 1990 in response to hurricanes, earthquakes, tsunami, floods, and drought. Assistance may include reconnaissance patrol, photographic coverage to assist relief planning, transport of relief supplies, emergency medical help, and engineering assistance.

The Navy told us that amongst all its ships, only the tanker HMNZS *Endeavour* can provide any meaningful lift capability for equipment, which can be spread out over any clear deck space on board; but it is restricted by having to rely on crane equipment for unloading. Troops could be carried on any naval vessel for short deployments by using stretchers in passageways and other clear areas, but it would be unreasonable to contemplate this for more than a few days. The *Endeavour* could transport two helicopters, but they would also have to be craned off, as the flight deck is too small for the Air Force's UH1H Iroquois helicopters. These factors underline the necessity of having available an operationally ready, multi-purpose logistic support ship with versatile delivery options.

Other nations larger than New Zealand and Australia also have responsibilities in the South Pacific. There is tripartite coordination of planning for disaster relief operations with French forces located in New Caledonia and French Polynesia, particularly in dealing with emergencies. There is also scope for cooperation between the NZDF and United States Coast Guard ships operating out of American Samoa.

Search and rescue

New Zealand has international obligations for air and sea safety, and for search and rescue, in the oceans surrounding New Zealand, the Cook Islands, Niue and Tokelau. Medical evacuation from the South Pacific may be provided by the Air Force in the absence of civil aircraft to carry out the task.

French forces in the South Pacific

French military forces in the South Pacific comprise 1600 Navy, 500 Air Force, 3700 Army and 1700 *Gendarmerie* personnel. There are some 4000 personnel in New Caledonia, while the 3500 personnel in French Polynesia constitute the most significant military presence in the vicinity of the Cook Islands. A comparison of French Pacific and New Zealand forces is provided in Appendix 9. Fewer in number than New Zealand's 9,400 regular force personnel, the 7500-strong French forces in the Pacific[1] are nonetheless comparably equipped.

---

1 Source: French Embassy, Wellington

Brief reference was accorded to this significant element of New Zealand's strategic environment in the 1997 White Paper:

> *France remains an influential power in the South Pacific with military forces in both New Caledonia (New Zealand's closest neighbour) and French Polynesia. Although there is no formal military arrangement between New Zealand and France, the ending of the French nuclear weapon testing programme in our region has permitted the restoration of defence links in areas such as maritime surveillance and disaster relief*

New Zealand and France cooperate on search and rescue. A recent example was the successful outcome of a search for a vessel lost between Australia and New Caledonia involving an RNZAF Orion and the Jacques Cartier in February 1999.

France was invited to participate for the first time, in December 1998, at a meeting held in Wellington of the trilateral (New Zealand, Australia and the United States) working group which coordinates the MAP, the Australian defence cooperation programme, and the comparable United States programme.

Staff officers with appropriate linguistic qualifications are on exchange between French and New Zealand staff colleges. French and New Zealand naval and air force elements now participate from time to time in combined maritime exercises, and Army platoon exchanges have been established on a regular basis.

These military contacts take place under the umbrella of biennial political and strategic consultations between New Zealand and France at foreign ministry level.

Contacts with the French forces in the Pacific have a significance that is not confined to matters of South Pacific regional security. Interoperability with coalition partners in any emergency is the key to the usefulness of the NZDF as a credible contributor. As discussed later, in the section headed: The Changing Nature of Peacekeeping, New Zealand's ability to carry its fair share of the burden of maintaining a climate of international security depends on its capacity to respond quickly and effectively as a coalition partner. Developing closer defence relations with France, a major NATO power alongside Britain, Canada and the United States, increases the range of contexts in which the NZDF may be able to contribute to multinational coalitions for collective security purposes, when the Government decides that is in our national interest to do so.

We recommend that New Zealand develop closer defence relations with Fiji and the French forces in the Pacific (Recommendation 1).

The Australian connection

The relationship with Australia is our closest and most complex. We heard, while we were there, how the way we play our part as an ally assures the Australians of the strength of our commitment to the wider relationship and increases their willingness to respond to requests in non-defence areas. It is evident that agreement on closer economic relations (CER) between the two countries fosters both cooperation and competition in the world of commerce, and it is arguable that both are, in the long run, beneficial. Perhaps the most important spin-off from CER for individual New Zealanders and Australians is the unrestricted right to travel and settle on the other side of the Tasman. The popularity of this freedom of movement reflects similar economic and social attitudes and aspirations at the personal level.

Strategic situation

In the South Pacific and to a lesser extent in South East Asia, New Zealand is seen to have a distinctly separate identity from Australia; but to the rest of the world, we appear very similar, and are regarded as a geographical entity. Australians, however, have a national identity, economic interests, strategic priorities, social perspectives and political aspirations that differ in some respects from ours. In our view there are good reasons for not regarding the geographical entity as also constituting a ***strategic entity***[2].

As the *Government Response* argued this point differently, it is necessary to emphasise that a nation's strategic situation depends on much more than merely its geographical location. Singapore, partly because of its racial composition and economic power, does not see itself as constituting a strategic entity together with either Malaysia or Indonesia (or both), notwithstanding the traditional New Zealand and Australian disposition to regard South East Asia as a strategic entity. Kuwait, whose oil reserves give that political entity considerable strategic significance, and whose borders are in large part no more than lines in the sand, is not regarded outside Iraq as constituting a single strategic entity with that country. Ireland is undoubtedly a part of the geographic entity known as the British Isles. But Ireland did not, partly because of historic religious and linguistic differences, regard the German bombing of England as *casus belli*, notwithstanding the large Irish population living there and the substantial number of Irish serving in the British armed forces. Neither did Ireland consider it necessary to join NATO. A nation's strategic situation depends on many things in addition to location, including (as illustrated above) population density, education levels, race, natural resources, religion and language: ultimately political, not geographical factors are paramount.

Australia's recently reformulated defence strategy gives increased priority to defeating threats in Australia's maritime approaches, while they are still at arm's length. This strategy is facilitated by a military relationship with the United States that is no longer mirrored by a similar relationship between the United States and New Zealand.

Different approaches by New Zealand and Australia to the question of port visits by nuclear-propelled and nuclear-armed vessels have strategic significance. Australia is pursuing, as a matter of high priority, and to an extent that New Zealand may well find unaffordable, a broad spectrum of military knowledge-edge objectives with the United States. The reason is to maintain a technological advantage over its neighbours to the north. Australians are more concerned with the proximity of Asia and the Indian Ocean than we are, and they do not have the same close relationship with the peoples of Polynesia that we have. Australia regards its military strength in comparison with its neighbours' as underpinning its position as a regional power. New Zealand cannot do that.

Alliance relationship

Nonetheless, New Zealand and Australia continue to have a common interest in maintaining their long-standing alliance relationship. It would be of grave concern to either country if hostile forces were to occupy the other, or control the Tasman Sea. As the 1997 White Paper *Australia's Strategic Policy* puts it:

> *Australia's and New Zealand's basic strategic interests converge strongly.....both people more or less take it for granted that an attack on one would bring an automatic response from the other.....Clearly, we share with New Zealand a defence relationship of great breadth.*

We can recognise that the Australian Government may see the defence relationship as the keystone of the bilateral relationship, particularly in view of Australia's more salient strategic situation and significance. It is Government policy to shape Australia's strategic environment: this translates into a sustained interest in influencing the defence policies of those neighbouring countries with which it has traditionally had close defence links - New Zealand in particular. From that point of view, the alliance

---

[2] This is the term used in paragraph 3.13 of the 1997 *Defence Assessment*

can be seen in terms of shared strategic policies, complementary military equipment acquisition programmes, and augmentation of each other's defence efforts.

The New Zealand Government's policy of developing closer defence relations (CDR) with Australia has more modest goals, but reflects nonetheless the importance of the defence relationship. Australia offers NZDF personnel and units excellent training and exercising opportunities and provides credible benchmarks for personal and unit military skills and capabilities.

No direct military threat

New Zealand's position in relation to possible military threats is similar to that of Australia as stated in *In the National Interest*:

> *For the foreseeable future Australia is not likely to face the direct use of armed force against it.*

The same also applies to our South Pacific neighbours. The Australian assessment is highly relevant because Australia is New Zealand's most important defence partner and the nation best placed to contribute information and analysis of relevance to our own strategic assessments.

Given the remoteness of direct military threat, we are of the view that there is no need for CDR with Australia to assume a role as ***the*** driver of New Zealand's wider defence and security policy. In particular, the augmentation implied by the NZDF's "Employment Context 5 - Contributions to the defence of northern Australia" is in our view only of marginal relevance to advancing New Zealand's more immediate national interests.

Interoperability between the NZDF and the ADF is however axiomatic for us, and that implies interoperability with the United States, Britain, Canada and other NATO countries. Our value as a defence partner with Australia - and in coalitions alongside these other countries - will be enhanced if the NZDF concentrates on developing its military capabilities with a view to enhancing interoperability.

South East and North East Asia

New Zealand's early post World War II prosperity and security were seen as being inextricably linked to the prosperity and security of the West. Direct attack was considered unlikely, but anything that threatened the West threatened New Zealand. We welcomed the protective global umbrella of the United States. By the 1950s, we saw that any contribution by New Zealand was likely to be limited to South East Asia, and the underlying concept was "forward defence", *ie.* contributing with our allies towards stopping any threat well before it reached New Zealand.

This approach persists. The heading "South East and North East Asia" given to this section is taken from the corresponding section of the DA. There it is noted that

> *South East Asia encompasses the only land bridge by which Australia and ultimately New Zealand might be threatened but also straddles the vital trade routes between the large Asian economies, the Middle East and Europe.*

New Zealand's relations with most nations in the region are extensive and growing. New Zealand participates in the Five Power Defence Arrangements (FPDA) with Malaysia, Singapore, Australia and Britain; is a founding member of the Asia Pacific Economic Cooperation grouping; was one of the first dialogue partners with the Association of South East Asian Nations (ASEAN); and is very active in the ASEAN Regional Forum. Our links with the region contribute to New Zealand's continued prosperity and well-being.

The DA notes that the most serious potential trouble spots in the Asia-Pacific region are in North East Asia, including the Korean peninsula, the Taiwan straits, and to a lesser extent the territorial disputes between Japan and Russia and between Japan and China. New Zealand, the DA continues, has significant trade interests in the area. The region is also described as the source of many tourists that are vital to New Zealand's tourist industry. Fluctuations in the economic impact of various North East Asian countries on the overall New Zealand economy since the Asian economic downturn (which occurred after the 1997 DA was completed) do not reduce the underlying long-term importance of North East Asia to New Zealand.

The fact that New Zealand's interests would be affected by significant internal unrest in certain parts of Asia or insurgency that could spill over borders and/or pose a risk to New Zealanders does not, however, readily translate into a requirement for a ***military*** - as opposed to a peacemaking or peacekeeping - response from New Zealand. Neither would the escalation of disputes over islands, maritime or land boundaries, or disputes over resources such as those that now exist in the South China Sea, because it would be difficult for New Zealand to determine which of its Asian trading partners to align itself with.

Moreover, the protection of the important sea lanes between the large Asian economies, the Middle East and Europe referred to in the DA cannot possibly be more than a marginal New Zealand responsibility. There are at least 130 submarines, more than 50 destroyers, and about 200 frigates (excluding United States and Russian vessels)[3] in East and South East Asia alone, all based more closely than the RNZN is to those potential trouble spots.

New Zealand's *traditional interest* in engaging our armed forces alongside Australia's in South East Asia, an interest which grew out of our common imperial relationship with Britain and was transformed to some extent by our joint alliance with the United States, has been overtaken by regional cooperation developments, and is now seen as a subset of New Zealand's *contemporary interest* in a more broadly defined concept of global security. The experience of the last decade is that countries committed international security have been required to engage in conflict throughout the world, rather than simply confine themselves to their own region.

In practice, our regional and global security interests are quite compatible. Forces structured for global tasks are also suited to regional tasks. Our inquiries into *New Zealand's Place in the World* and *New Zealand's Role in Asia-Pacific Security*, as noted earlier, suggested that a more pragmatic basis for New Zealand developing its security relationships beyond 2000 might well be in terms of "partners" and "friends", rather than "allies" and "enemies". A more multilateralist approach to foreign relations gives New Zealand greater scope for manoeuvring to protect and advance our long-term national interests.

The criteria for military engagement by New Zealand are different now from what they were during the Cold War era. Broadly based international consensus on, and commitment to, the use of armed force are now more important factors. We are more likely to look for a Security Council mandate before committing personnel. East Timor is a case in point.

We note, in the North East Asia context, that because New Zealand continues to be a member of the United Nations Command component of the Military Armistice Commission in Korea, the RNZAF is able to use designated airbases in Korea and Japan for official United Nations Command business. This permits useful operational contact, from time to time, with United States forces. We would recall, however, that the divisions that occurred in public opinion in the United States and Australia, as well as New Zealand, over participation in the Vietnam War demonstrate that sending our people to fight in Asia is not always seen in the same light as it was when we fought in the Korean War nearly fifty years ago.

---

[3] Source: *The Military Balance 1998-1999* (Institute of Strategic Studies, London)

In our view, New Zealand's engagement in the security of South East and North East Asia should now concentrate on participation in regional security dialogue and preventive diplomacy. Our population is small and our military resources are limited. Without totally excluding the possibility, the reality is that New Zealand is not well placed to contemplate taking sides in any of the larger conflicts that could break out in Asia.

Defence relations with Malaysia and Singapore

A Fiji infantry battalion served in Malaya from 1952, with a number of New Zealand military staff attached. The New Zealand SAS began operations in Malaya in January 1956. The SAS squadron was relaced by an Army battalion in December 1957. Deployments of forces from all three services during the Confrontation with Indonesia, and the subsequent stationing of a forces in Singapore for more than twenty years contributed towards a legacy of goodwill that it remains in New Zealand's interests to nurture. Our relationships with Singapore and Malaysia have always been even-handed and should remain so.

Singapore, with a population somewhat less than New Zealand's, has nevertheless substantially larger and better equipped defence forces. Geographical constraints compel Singapore to pursue defence relations with other countries, and under the MAP, New Zealand and Singapore have developed useful training and exercising cooperation. There are sound technical and practical reasons for the NZDF to develop closer contacts with Singapore.

Malaysia's difficulties in relation to the annual FPDA exercise scheduled for 1998 emphasise the importance of ensuring that bilateral defence cooperation is not too narrowly based. Other activities, largely under the MAP, remained undisturbed. Malaysia's experience in the field of peacekeeping (see page 32) offers scope for developing closer cooperation.

The success of ASEAN as a resilient and durable regional institution may have made the FPDA somewhat anachronistic, and suggests that more broadly based defence relations with the countries of South East Asia are now appropriate. This approach is accommodated under the MAP; but taking into account the practical limits for a small country, it makes sense for the NZDF to concentrate on developing further the cooperative defence relations built up over many years with our two Commonwealth partners.

We recommend that New Zealand develop closer defence relations with Malaysia and Singapore (Recommendation 2).

New Zealand's global perspective

New Zealand's standard of living derives in large measure from the capacity to export all around the world. We are vulnerable to threats to the supply of vital raw materials and manufactured goods. Our security, domestically and internationally, is enhanced by encouraging trade and development. To prosper we need an international climate of political stability (although our support for this should not be at the expense of the political evolution necessary in certain parts of the world towards more democratic forms of government) and economic health. We also need secure sea lanes and a strong network of world-wide political and trading relationships.

Threats to our national well-being and wider international interests may arise out of issues like ethnic rivalry and tensions elsewhere, regional economic crises, narcotics dealing, money laundering and international crime, cross-border pollution and environmental degradation, high birth rates and poverty, population movements, refugee flows and illegal migration, pandemics, and inimical cultural influences. All of these make international engagement a necessity rather than an optional extra. This is especially

true as we try to make sense of the post Cold War world, where relationships are fluid and tensions previously controlled are now giving rise to national and international concern.

Environmental disasters and famine, sometimes arising out of slash and burn techniques of warfare, and compounded by fast population growth, afflict several parts of the globe. Another man-made environmental disaster is the widespread use of landmines. The effects on civilian populations of contemporary political and civil disorder are much more widespread than in the past: a 1996 OECD report compares civilian casualties, at about 5 per cent of the total in World War I, to 95 per cent in recent conflicts. Taking this into account, we see participation in international humanitarian relief measures as a constructive way of projecting worthwhile social and political values beyond New Zealand.

The significance of global institutions, the importance of a sound international legal framework, good governance and human rights imperatives, international security issues, and the need to balance and coordinate New Zealand's international policy and interests are all relevant to New Zealand's security. The global community is becoming increasingly rules-based. The rules may often be broken, but then so they are in the domestic community. The point is that there are now stronger rules of international behaviour and they are enforceable both legally and in the court of world opinion. International law is assuming growing importance alongside traditional and trade-based arrangements.

In our view, this widely-based interdependence should now be a major factor in New Zealand's security strategy. A national security policy dominated by a policy of defence against direct military threat to either New Zealand or Australia would be at the expense of our wider international interests. The deployment of a reinforced infantry company, which joined a British battalion in Bosnia in September 1994, and its rotation and replacement, twice, had little to do with the defence of New Zealand, but a lot to do with issues that extend beyond purely defence criteria[4].

[4] The Hon. Doug Kidd, who was a member of the Cabinet at the time, said in Christchurch on 18 August 1999: "...Our security was not in issue. Our trade routes and markets were not in issue. But we were all aware of the ethnic cleansing, the mass rape of women and the 'in-your-face' affront to everything which we believe represents civilisation. After receiving advice from the Ministry of Foreign Affairs as to the foreign policy issues, all of which pointed against involvement, and after receiving advice from Defence as to what we could contribute in response to the United Nations call for contributions, the question in the end came down simply to this: Could we pass by on the other side? We decided we could not."

THE CHANGING NATURE OF PEACEKEEPING

Although New Zealand has been involved in peacekeeping for approximately 50 years, the major change has been the frequency of our involvement over the last decade or so. Another change has been that NZDF personnel are from time to time taking a lead role. Earlier in the decade, a New Zealand colonel in Angola had personnel from 23 countries under his command. More recently, a New Zealand brigadier in Croatia commanded 100 United Nations Military Observers from 22 countries. From 1989 to 1991, the Multinational Force and Observers in the Sinai (not a United Nations peacekeeping mission) representing 11 countries were commanded by a New Zealand lieutenant-general.

Contrary to the comments in the Government's response that "the *Interim Report* does not discuss the issue of combat" and concentrates "instead on peacekeeping, civil defence and other peacetime duties" we have a very clear understanding of the risks that may be entailed in what is conventionally called "peacekeeping".

In the absence of any serious discussion in the 1997 White Paper about the range and extent of "peacekeeping" we are setting out our understanding of its parameters.

Conflict management, prevention and resolution are carried out by many actors in the international community - the United Nations, regional organisations, individual states or groups of states and even individuals. Non-governmental organisations also contribute to the peace process.

Success in multilateral efforts depends on the several actors pursuing an agreed approach to a conflict, drawing on complementary skills and resources. New Zealand, because of its small size and limited resources, looks to participating in collective actions.

Peacekeeping is a concept that continues to evolve. It is difficult to get agreement on any definition but it is nonetheless important to avoid an unduly narrow perception of what may be involved. The reality is that the international community draws on whatever instruments it needs, in whatever combination, to ensure or to restore the peace. New Zealand has demonstrated over and again that it can supply some of those instruments to an internationally acknowledged quality. It will no doubt continue to do so.

Conflict prevention includes diplomatic initiatives - preventive diplomacy, negotiation, conciliation, arbitration and judicial settlement - and preventive deployment of troops. Conflict prevention also includes fact-finding missions, warnings, inspections and monitoring. In the case of preventive deployments, civilians, police and military forces all may be used. The New Zealand Police have made valuable contributions to United Nations peace support operations in Cyprus and Namibia, and are doing so again in East Timor.

Peacekeeping uses neutral military personnel and/or civilians to help prevent, manage or resolve conflict between or within states. When they are armed, peacekeepers are normally permitted to use force only in self-defence, and they usually operate with the consent of the parties to the conflict. Peacekeeping missions are rooted in Chapter VI of the United Nations Charter, concerning the peaceful resolution of disputes.
One of the lessons of Bosnia during the 1990s, where the United Nations found itself conducting a peacekeeping operation in the middle of a war, is that neither diplomacy nor peacekeeping is effective in a raging war unless it is backed up by military force.

Conflict resolution (or *peacemaking*) takes place after conflict has broken out, *e.g.* Somalia earlier in the 1990s. It may, in accordance with Chapter VII of the United Nations Charter, involve the use of political and economic sanctions and/or military force to restore peace.

Peace-building takes place in the aftermath of a conflict. It is action to strengthen and solidify a political settlement, such as economic reconstruction and the re-establishment of normal civilian life.

New Zealand diplomats, military personnel, police, aid personnel, non-governmental organisations and individuals, including election monitors nominated by political parties, have been involved in all of the above-mentioned activities.

Within the United Nations, the main responsibility for maintaining international peace and security rests with the Security Council. Although the Council has a range of instruments at its disposal up to and including the use of military force, force is seldom used. Peacekeeping is the preferred method.

New Zealand's involvement in United Nations and other peacekeeping activities has been very largely outside our own area of direct strategic concern. It has mainly been in theatres for which New Zealand personnel have not undergone prolonged training, but to which they have adapted with flexibility and competence.

As our *Interim Report* put it:

> *The NZDF has acquired a well-earned reputation internationally, during the 1990s, for providing small, but versatile and culturally aware forces to deal with delicate tasks such as peacekeeping and humanitarian relief missions. New Zealand soldiers have a well-earned reputation for impartiality and integrity. Few countries' aircrews deliver the goods more cost-effectively than New Zealand's.....*
>
> *Peacekeeping is no soft option. It does not necessarily reduce the demands of warfare, because on some missions, there may not be a peace to keep. In addition, continuous interaction with divided civilian populations in countries that have been turned into war zones imposes demands on soldiers that are well beyond the demands of the battlefield.*

The distinction between peacekeeping and "war fighting" drawn by some commentators can easily be misleading. Hazardous peacekeeping seen through the eyes of peacekeepers can look very much like outright war.

A broader training regime

The *Interim Report* made clear that

> *essential preparation for peacekeeping operations is training to develop up-to-date conventional military skills and capabilities*

to which it added the need for

> *specific familiarisation with tasks required on individual peacekeeping operations*

and

> *a wider range of skills, including conflict resolution and mediation techniques.*

These mean a higher level of individual and collective training of military personnel than is now being undertaken. Training courses need expanding to include such things as conflict resolution, mediation and negotiating techniques, internationally standardised approaches to information processing, and peacekeeping strategy and tactics. The aim is to shorten the time it takes for New Zealand's forces to be able to operate effectively alongside their peacekeeping partners.

Peacekeepers in many situations may work unarmed, although the means of self-protection have to be kept at hand to meet any deterioration in the situation facing them. Those at the interface between conflicting parties during peacekeeping operations must have the necessary extra skills developed to a higher level. This means longer training for them than at present; but all service personnel need basic training in peacekeeping skills.

It was for this specific reason that we made a recommendation to address this need in our *Interim Report*, and again:

We recommend that recruits undergo more extensive basic training than they receive at present, including comprehensive civil defence (including ambulance work and fire-fighting)[5] training and training in skills applicable to peacekeeping, prior to beginning more specialised military training (Recommendation 3).

The NZDF needs to continue training and exercising for regional military arrangements, but not to the exclusion of wider training and exercising. Peacekeeping training programmes are not a substitute for developing conventional military skills and capabilities but would be additional to that training.

To avoid any doubts about what we are proposing, we emphasise that conventional military skills not exercised during particular peacekeeping operations must be developed and upgraded when peacekeeping elements are rotated back home after a tour of duty overseas, so that overall military standards do not decline.

Developing interoperability with peacekeeping partners

The Government's view is that present policy meets the intent of the recommendation in our *Interim Report* that the Government investigate options for developing peacekeeping training for the NZDF and interoperability with a wider range of potential partners.

We disagree. Present policy does not look to developing contacts with a wider range of partners either in individual training or in international cooperation. It focuses, as the *Government Response* makes clear, on interoperability with Australia, Britain, Canada and the United States. Exercising during the 1990s has also developed a useful degree of interoperability with all of our FPDA partners - Australia, Britain, Malaysia and Singapore - in maritime exercises involving combat ships and combat aircraft.

Developing interoperability in the peacekeeping coalition environment, however, is still rather much on an ad hoc basis. With the Cold War well past, a wider network of defence cooperation linkages should assume greater importance than was the case when New Zealand saw little choice but to align itself with Britain, then the United States and, since the mid-1980s, Australia.

Interoperability with our traditional allies remains essential, because they stand together when things go wrong and enhance survivability and options for success. But present policy relegates the development of closer relations with most of our peacekeeping partners over the last ten years to on-the-job training. We are aiming higher than the Government. We expect more of the NZDF.

Why not closer collaboration on peacekeeping with Fiji, with its wealth of experience gained in the 1990s? Fiji has substantial experience at battalion level of active service in dangerous peacekeeping situations - on the border between Israel and Lebanon in particular - which New Zealand almost totally ignores. Why not with other countries such as our South East Asian neighbours, or Ireland? Ireland and

---

[5] See *Interim Report*, page 54

Malaysia have both opened peacekeeping training schools. Ireland has served in more than half of the 49 United Nations peacekeeping operations on four continents in the past 50 years[6].

As in our *Interim Report*, so again:

We recommend that the Government investigate options for developing peacekeeping training for the NZDF and interoperability with a wider range of potential partners (Recommendation 4).

Slow progress

It is sound policy to build up our reputation as a good international citizen through multilateral cooperation that is based on something substantially more than a narrow perception of self-interest. Progress, however, is slow, and this appears to be attributable at least in part to disinclination. Air Vice-Marshal Robin Klitscher, in his critique of the *Interim Report* published in the Autumn 1999 number of *New Zealand Defence Quarterly*, states:

> *Most would predict that the best hope for peace will remain the United Nations. Its diplomatic authority has broadened and deepened. It has accepted that diplomacy sometimes needs to be backed by more forceful means. If national command rights can be accommodated and protests over sovereignty can be mitigated, a standing force under UN command could exist by 2010. New Zealand would wish to contribute.*

This sort of statement promotes the idea that it would be better for the Government to direct some agency other than the NZDF to develop alternatives.

New Zealand has supported the implementation of the United Nations Stand-by Arrangement System since its inception in 1990. Although we have not entered into a legally binding agreement with the United Nations to meet the stand-by obligations, New Zealand supports and conforms with these in practice. In May 1999, the NZDF submitted an updated stand-by return (see Appendix 7) specifying personnel, resources and the degree of notice for a range of capabilities that could be made available for peacekeeping purposes.

New Zealand supports the Canadian proposal to establish a United Nations Rapidly Deployable Mission Headquarters as part of the military planning service within the UN Department of Peacekeeping Operations. An embryonic six-member team has now been approved in principle, and New Zealand joined with others at a UN Special Committee on Peacekeeping in March 1999 in calling for the necessary resources for these personnel to be made available by the UN General Assembly within the next few months. This would enable recruitment to begin and the Headquarters to be operational before the end of 1999.

We are informed that New Zealand continues to take an interest in the ongoing developmental work on the United Nations Stand-by Forces High Readiness Brigade (SHIRBRIG), but that the Government has not signalled its intention to contribute to SHIRBRIG's work substantively or to observe the deliberations of its steering committee. The Government remains to be persuaded that SHIRBRIG is appropriate: it is regarded as

---

[6] Remarks by United Nations Secretary-General Kofi Annan to the United Nations Training School in Curragh, Ireland, on 21 January 1999

"Euro-oriented in its current membership" and the NZDF sees this as having "deployment and equipment compatibility implications".

We do not regard these "implications" as an obstacle to using the NZDF to help to advance New Zealand's wider global interests. Interoperability and equipment compatibility with Australia (and therefore, to a degree, with the United States) as well as with Britain facilitates interoperability with continental European NATO countries with which New Zealand retains important economic and cultural linkages. The "Euro-oriented" membership of SHIRBRIG is not a reason for standing aside (and it would be foolish for New Zealand to deny the European part of its heritage). SHIRBRIG can evidently become a more useful instrument as its membership base broadens. As indicated in Recommendation 4, above, we consider that the time has come for the New Zealand look beyond the traditional range of defence partners.

Advantages and limitations

When it comes to peacekeeping, the United Nations has many advantages over other international organisations or regional groupings (such as the ASEAN Regional Forum) concerned with political and security issues. Almost every country in the world is a member of the United Nations, and members have many opportunities and ways to be heard. It is the only (nearly) universal body to which states can turn to for assistance in the case of serious dispute which may lead to military conflict.

When the United Nations focuses on a problem and acts, it carries with it the weight of international opinion in a way that no other body can. The Secretariat, headed by the Secretary-General, has a wealth of expertise and experience on which to draw. The United Nations, when representing a broad international consensus, is well able to mobilise the resources necessary to put together necessary conflict prevention, management or resolution missions.

The United Nations has its limitations. It is arguable that it is most effective either in areas of relatively low strategic risk, or else on issues in where at least some of the Great Powers are prepared to become involved. This latter factor is of major significance, as the Great Powers appear to be more disposed to use force than the United Nations as a whole is inclined to. The NATO approach to Kosovo illustrates this. The point therefore needs to be made that a Great Power's assessment of where its national interest lies on major geopolitical questions may - on occasions - be substantially different from ours. This applies in particular to events in more distant areas such as East Asia and the Middle East, which may impinge of New Zealand interests, but where New Zealand is not as directly involved as we are in the South Pacific.

Another limitation of the United Nations is that when it is preoccupied with larger issues, it may not be interested in becoming involved in lesser matters that are, however, of quite direct concern to New Zealand. Bougainville is a case in point. Here, New Zealand's role as a niche political player on the international scene enabled the Government, with indispensable assistance on the ground from the NZDF, to play a unique role in initiating a significant regional peacekeeping endeavour.

Popular support for peacekeeping

We have found widespread public understanding that our armed forces may be committed internationally to prevent crises from degenerating into war. The aim is for armed conflict to be avoided by diplomacy and international political solidarity, reinforced by the deterrent effect of coalition military capabilities. We saw an example of this in relation to Iraq when, early in 1998, a strong international military presence in the Gulf region backed up the diplomacy of the United Nations Secretary-General.

We heard some divergence of views on the appropriateness of certain operational commitments of NZDF elements over the years, and this divergence has also shown up in parliamentary debates. There is, however, a large measure of public agreement on New Zealand continuing to maintain the capacity to participate militarily in appropriate United Nations and other international coalition activities.

In our *Interim Report*, we discussed the fact that New Zealand forces are deployed overseas on the basis of the Crown prerogative. We noted that there are no statutory controls in relation to deployments overseas, and recommended that there should be.

We see a need for a large measure of consensus in Parliament - as an expression of widespread popular support - in relation to deployment of New Zealand armed forces on warlike operations, and we welcome the statement of willingness, in the *Government Response,* to consider amending the Defence Act 1990 to ensure due accountability. We accordingly rephrase the relevant recommendation from the *Interim Report* to take this into account.

We recommend that the Government amend the Defence Act 1990 to introduce provisions parallel to those set out in section 9 of the Act to cover the deployment of NZDF personnel overseas on warlike operations (Recommendation 5).

Criteria for New Zealand participation in peacekeeping

Earlier in the 1990s, the Government determined criteria for the assessment of proposed contributions of New Zealand personnel to peacekeeping, peacemaking and peace enforcement operations pursuant to United Nations Security Council mandates. These criteria, which we endorse, are set out in Appendix 7.

Schedule of force elements on stand-by for peacekeeping

What capability can the NZDF provide at present?

One indication is the updated schedule of personnel and resources that could be made available for United Nations peacekeeping purposes (see Appendix 8) submitted to the UN in May 1999. In general, the force elements listed are available at 60 days' notice. This schedule is an excellent starting point.

The schedule should not be read, however, as representing New Zealand's maximum current capability. There are force elements that the Government could not deploy off shore without degrading the capacity of the NZDF to address, at very short notice, quite credible threats (*e.g.* a hijacking). These are excluded from the schedule. Equally, the schedule excludes from consideration forces that are at degrees of notice substantially longer than 60 days.

The schedule offers some mutually exclusive choices: deployments inevitably impinge on the capacity of the NZDF to carry out other tasks. In this connection, we have already referred above, under the heading A Broader Training Regime, to the impact of peacekeeping deployments on training schedules, and the steps that need to be taken to avoid degradation of other military capabilities that the NZDF is attempting to maintain.

A particular concern is the question: Which of the deployment options can be accommodated within the existing financial baseline for the NZDF, and for how long, taking into account reimbursement from the United Nations, and which could not? It is frequently argued by the NZDF that it is funded only for training, and that significant operational deployments require additional budgetary appropriation. We

are critical of this approach, and stated in our *Interim Report* with regard to New Zealand's participation in peace-support measures in Bougainville in early 1998 as follows:

> *During the course our enquiry, we were asked why New Zealand had not sustained its useful role in Bougainville, by maintaining a larger contingent there for a longer period. We had a strong impression that the Australians, for example, would have liked New Zealand to have carried a more significant share of the challenging long-term task of ensuring that the peace holds in Bougainville. We were told that it would cost the Australian Defence Force A$30 million in 1998-99 to sustain its contribution to the Australian-led Peace Monitoring Group.*
>
> *Australia has always played a very much greater role in Papua New Guinea (including Bougainville) than New Zealand has, and there is no question of this changing. For New Zealand, the question of sustaining its involvement at an appropriate level is, in our view, a strategic issue and a matter of credibility. It needs to be looked at in the broadest foreign policy context. New Zealand demonstrated that it had something unique to offer in facilitating the truce towards the end of 1997. Sustaining our presence at a higher level could possibly make the difference between maintenance and collapse of the fragile peace.*
>
> *If strategic considerations had been uppermost, rather than a focus on reducing involvement as much as possible, because of immediate resource management preoccupations, a higher level of New Zealand involvement might well have been accommodated. This could have been done within the existing budgetary baselines*
> *either by determining that the national interest was best served by continuing a more substantial commitment of Defence Force personnel, and reprogramming the expenditure of development aid funds, or by rearranging Vote: Defence Force. Such rearrangement would not have been easy, but it would have been welcomed by many Defence Force personnel, who have told us that participation in the international Truce Monitoring Group far surpassed in value many of the Defence Force's usual training activities, both at the organisational and individual level. They also saw the task as being in the national interest.*

The Government's approach, as set out in the 1999-2000 *Departmental Forecast Report* of the NZDF, states that the activation of force elements for international initiatives that were unplanned at the time the budget was finalised will be provided by re-prioritising existing expenditure and by further appropriation, as necessary. Funding proposals for unplanned initiatives including trade-offs against existing activities will be considered on a case by case basis within agreed Cabinet procedures.

This approach is not tight enough: the Bougainville case cited above does not give us confidence that the NZDF is flexible enough in its approach to financial management.

We recommend that any deployments of NZDF force elements that would lead to a requirement for further appropriation should be debated in Parliament before the Government enters into a commitment to extra expenditure (Recommendation 6).

The schedule provided to the UN does not differentiate between force elements on the basis of the likelihood that they would be requested. The efficiency of the air

transport forces of the RNZAF, the effectiveness of the Navy in its "brown-water" role as part of the multinational interception force in the Gulf, and the versatility and impartiality of New Zealand Navy, Army and Air Force elements on the ground in a wide range of locations, in six of the world's seven continents, have demonstrated the strengths of the NZDF and the usefulness of New Zealand's military contributions alongside our political, diplomatic, and longer-term developmental input into peace support. On the other hand, the "air attack force of up to ten Skyhawks" that also figures on the schedule for the UN is a capability where New Zealand is not at the leading edge.

In general, deployment options that relate more closely to the advancement of New Zealand's wider national interests are those which best reflect our national character. Fairness, firmness and impartiality in the resolution of disputes are preferred to the use of force.

THE FORMULATION OF DEFENCE POLICY

The present situation

Despite a substantial decrease in defence spending - in real terms - over the past decade, the NZDF is still structured on a three-service basis to cover the widest possible range of capabilities - superficially. In his book *The Armed Forces of New Zealand*, which draws on various NZDF and service publications, Dr Rolfe paints a picture of what is, in effect, three single services set up to fight three different types of wars:

> *The Navy defines its tasks succinctly. It*
>
> > *protects New Zealand*
> > *protects our trade*
> > *protects our neighbours*
> > *supports United Nations peacekeeping*
> > *protects our marine resources*
> > *provides search and rescue*
> > *supports civil defence*
> > *charts our waters*
> > *reports weather.....*
>
> *The Navy's operational doctrines are ostensibly expressed in a small pamphlet which explains in its foreword that "we have no maritime doctrine and the concepts of sea power are unknown to all but a few". This doctrinal pamphlet is a tentative first step in codifying a philosophy for naval operations. As it stands, however, it is only a general statement of the uses of sea power, that could be almost as applicable to the United States as to New Zealand.....*

In his chapter on the Army, Dr Rolfe states:

> *The Army is organised, equipped and trained to:*
>
> > *provide a flexible range of units and sub-units from which the Government can select a contribution to a combined, coalition or collective force, including a United Nations force;*
> > *provide a readily deployable battalion group to respond to lower-level contingencies in the region to serve as a New Zealand contribution to an allied force;*

provide a brigade group at a longer period of notice to protect against more direct threats, should they arise in the future;
maintain a base structure to sustain operational forces; and
provide the ability to maintain effective operational and training relationships with allies.

More specifically, the Army identifies four tasks to which it could be required to respond. They are:

very low-level threats to New Zealand and its immediate environs;
conducting and supporting low-level operations in the South Pacific;
deploying and supporting force elements to assist the Australian Defence Force in countering threats to Australia; and
contribution to defence alliances, regional security and collective security operations wider afield, including South East Asia.

In practice, these provide little guidance for force structure planning or as justifications for specific operational capabilities or equipment items.

In his reference to the Air Force, Dr Rolfe again points to a service struggling to identify its peacetime role:

The primary role of the RNZAF is to provide air power when required. There are some worries within the RNZAF's senior ranks that the prolonged period of peace has meant that members of the Air Force, as well as others outside it, focus primarily on peacetime support operations such as search and rescue, United Nations humanitarian missions, and EEZ patrolling. The RNZAF has carried out a refocusing exercise to ensure that all RNZAF personnel "confirm, or in some cases relearn, the principles of air power and how our contribution as an Air Force serves to preserve and enhance New Zealand's national interests abroad" (a quotation from the RNZAF News).

As far as the three services are concerned, these references demonstrate an adherence to breadth rather than depth (see page 56). Whatever the stated intentions may be, the result has been a dramatic run-down in capabilities which in turn has:

highlighted the problem of funding big-ticket items such as frigates and strike aircraft;

polarised, in party political terms, the decision-making process;

intensified inter-service rivalries;

pushed less visible but often higher priority items further down the list;

shifted the focus off real defence priorities; and

damaged our credibility in the eyes of those who judge us by their view of how we address our security obligations.

Why have these problems developed during the 1990s? It is not simply a question of spending cuts. The answer is that the policy-formation processes have been too narrowly

based, and at crucial points - as can be seen in the DA - have fallen back on "professional military judgement" to bridge the gap between security requirements and capability options.

Advice on defence policy and resource planning

Force structure development, which often has a time horizon extending out to twenty years, is driven by each of the three services, as the following illustrates. Separate development staffs in each service prepare medium-term and long-term force development proposals that compete for limited resources. To have any chance of success, these proposals require the approval and commitment of the CNS, the CGS or the CAS. They are then passed to the NZDF HQ Development Branch, which coordinates recommendations on which the Chief Executive - the CDF - after consultation in the formal or informal Chiefs of Staff Committee setting - bases his advice to the Government.

The current arrangements encourage military views to become defence and security policy. The Ministry of Defence, which should have a major influence on force structure decisions (see page 70, under the heading Procurement Of Major Capital Items) is heavily influenced both by the NZDF and by military personnel on secondment to the ministry. Skilled civilian policy advisers within the NZDF itself are constrained by the limits of the command intent of the CDF.

In our view “defence” policy should be the ongoing assessment of objectives based on a strategic concept of credible contingencies and the definition of the capabilities required to achieve those objectives. It also includes the relationship with foreign policy, since the pursuit of New Zealand's defence interests with other countries is but one element in the advancement of our overall national interests. This helps determine how we perceive others and how we are perceived by them.

“Defence” policy must generally be based on civilian input so that Government has a clear, non-technical assessment of its objectives, capabilities and needs. It may be that a broader perception of the contribution of defence to our wider national interests can only be achieved at arm's length from the defence establishment, and that the policy-coordination role of the Ministry of Foreign Affairs and Trade in this area needs to be enhanced. At the same time, however, a flow of “military” advice is needed so that the military implications of any policy moves are clearly understood. The NATO command comment which dwelt on the limitations of a Kosovo campaign based on air strikes alone is a recent practical example of the “military” advice conflicting with “political” requirements.

In the New Zealand context, command responsibilities are exercised within a framework of policies and procedures established by the Government and embodied in statute, decisions of Cabinet, and directives from successive Ministers of Defence. The formulation of these policies and procedures is not, however, a function of command, even though it is essential that the military advice and views from responsible commanders be sought in the formulation process.

[Page 41: Chart ***Outline Organization of the NZDF*** not reproduced in this e-version]

A wider catchment of advice is necessary

Non-governmental organisations (NGO) have less influence on defence policy than in other areas of foreign relations, where departments less inhibited by perceived security considerations are proving to be more open to NGO participation in policy formulation.

In our report on *New Zealand’s Place in the World* and *New Zealand’s Role in Asia-Pacific Regional Security*, we argued that New Zealand’s foreign affairs and defence policy processes needed to be as

transparent and open as possible. We disagree with the Government's response to our recommendation along those lines in that report, that Government policy is already consistent with this approach.

The DA was not subjected to peer review by authorities on defence policy in the wider community. Many witnesses in our inquiry expressed deep concern about its closed nature.

We have heard evidence, during 1999, of interference with the Centre for Strategic Studies (CSS) and the Military Studies Institute (MSI) which some witnesses suggested was having the effect of restricting informed and open debate on defence and security. Contestable advice is ***not*** welcomed throughout the Defence establishment. The Secretary of Defence, Gerald Hensley, was recorded in the minutes of a management meeting of the CSS held on 20 May 1998 as stating "**that the primary role of the Centre was with public information and to act as a lobby group, and that this should continue**". We note that the MSI included a paper and discussion on *Defence Beyond 2000* in the programme for its August 1999 conference at Massey University on *Coalitions and Conflict.*

Accessing contestable military opinion

There is a further restraint on the free flow of advice within defence. The restrictions on serving officers below Chief of Staff level commenting publicly on defence matters - including their extremely limited availability to give evidence in the formal Select Committee setting - are a serious obstacle to a better informed defence debate in New Zealand and even at Chief of Staff level we were disappointed to be told that they are now only permitted to appear before our Committee in the presence of the CDF. We have found, in the course of our visits to camps and bases, that there are many matters - especially operational and organisational - which serving NZDF personnel at a less senior level are uniquely well qualified to comment on. Although moves to enable more serving personnel to air their views would need to be managed sensitively, we believe that change is needed in this area.

The reality is that the formulation of defence policy advice is too important, and too far-reaching in its implications, to be left exclusively to senior defence officials.

We are strongly of the view that a new forum should be available to develop and provide contestable advice, perhaps under the aegis of the Public Advisory Committee on Disarmament and Arms Control or in association with one of the universities. Such a body would be available to:

> Provide independent and authoritative opinion so that defence and security policy officials would engage in effective consultation and be subject to peer review;
>
> Provide independent assessments of defence policy and capability options to the Government and to this Committee, and publish its views on a regular basis;
>
> Act as an impartial sounding board, outside the command environment, for contestable views from serving NZDF personnel and other State servants; and,
>
> Review major NZDF deployments in terms of their operational effectiveness and contribution to the advancement of New Zealand's national interests and present these reviews to this Committee.

As in our *Interim Report*, again:

We recommend that an independent forum be established to provide advice on defence and other national security matters (Recommendation 7).

Measuring NZDF performance

The NZDF recommends performance targets to the Minister of Defence annually. When these have been approved, they are incorporated into the purchase agreement between the Minister and the CDF. One of the difficulties that the Minister faces in approving the targets is that he has no access to advice of comparable weight to that from the CDF. In our view, the Minister should have access to alternative contestable advice. This difficulty also arises out of the imbalance in responsibilities effected when the Defence Act 1990 was implemented.

The Defence Planning System, although revised, still does not satisfactorily address this problem because of the continued structural imbalance, in relation to the development of advice on defence policy and resource planning, between the Ministry of Defence and the NZDF (see under the heading Review Of Defence Headquarters Structure, below).

Responsibility for assessment and audit

The Defence Act 1990 specifically gave the Secretary of Defence responsibility

> *To arrange for the assessment and audit of the Defence Force in relation to any function, duty, or project.*

However, the audit and assessment function of the Secretary has been substantially constrained by a series of memoranda of arrangements between the Secretary and the CDF signed in 1991, and revised in 1993, 1995, and 1998. The most recent memorandum of arrangements, approved by the Minister of Defence on 4 November 1998, states:

> *By Ministerial direction of 22 August 1990, the primary objective in relation to the Defence Force is to assess the effectiveness of the management of human and material resources and to make suggestions as to how this can be improved. Assessment of professional military performance is the responsibility of the CDF.*

Whatever the reasons for the 1990 policy decision may have been, the statutory assessment and audit responsibility of the Secretary of Defence has been limited in a way that was not intended by Parliament.

Audit of military performance is an essential management tool to enable the CDF to discharge fully his responsibilities in the accountability area, and he has an operational preparedness reporting system (OPRES) in place. The key issue, however, is ***external*** audit. We consider that performance audit, output evaluations, programme evaluations, and management and system reviews, should be the responsibility of the Secretary of Defence, not the CDF.

Audits should tell us if the NZDF is organising and applying its military capabilities efficiently and effectively for our security and other national interests.

Taking into account comments on the recommendation on this matter that was made in our *Interim Report:*

We recommend that the Government direct that responsibility for arranging the assessment and audit of the NZDF in relation to any function, duty or project, including the measurement of the operational preparedness and performance of the NZDF, be re-allocated to the Secretary of Defence in terms of the Defence Act 1990 (Recommendation 8).

Review of Defence Headquarters structure

In 1989, while the present Defence Act was still at the Committee stage in the House, the former Secretary of Defence, Denis M[c]Lean, put forward a number of points on the defence headquarters structure. Experience since then suggests that they remain relevant today:

> Command and operation of the military forces go hand-in-hand with maintaining support and administrative arrangements.
>
> There are clashes of interest between the services and various specialist groups within the services.
>
> Australia, Britain and Canada have all been working towards integration and close cooperation between civilian and military staff.
>
> The Australians saw a need to take policy and force development roles away from the single services and centralise these functions, with inputs from a balanced civilian and military staff.
>
> The Defence Bill 1989 conferred "useful and necessary new command responsibilities" on the CDF, and created a joint force structure. It did not, however, establish the role of the Chiefs of Staff tightly enough in relation to training and preparation of their forces, rather than command.
>
> The 1971 Defence Act was deficient in that it did not permit effective coordination and cost-conscious management.
>
> State sector reforms allow wide devolution of the traditional financial and management responsibilities of the Secretary of Defence, which should be done in the interests of cost-conscious management.

Civil-military balance in Defence Headquarters

We have examined how the division of New Zealand's defence organisation into two separate entities, the Ministry of Defence and the NZDF, each under its own Chief Executive, has worked out over the last ten years.

The separation has led to an uneven balance of responsibility and division of labour between the Secretary of Defence and the CDF. The military are currently doing too much. Under the umbrella of the Defence Planning System, the NZDF has effectively taken over most of the responsibility for developing long-term financial plans and force structure proposals. It has also retained a strategic policy planning group which operates in parallel with the Ministry of Defence policy and planning group. Consequently, the NZDF has been able to bypass the MOD when carrying out real-time planning for significant operational deployments, such as Bosnia (1994-95) and Bougainville (1997-98), dealing directly with the Ministry of Foreign Affairs and Trade. (The key, here, has been leadership by the Minister of Foreign Affairs and Trade.)

The duplication and overlap between the NZDF and the Ministry of Defence was intended to lead to useful contestability between the advice of the two organisations. In practice, however, there is no contestable advice.

Top-heavy headquarters

The present arrangements have allowed the retention of an NZDF headquarters structure with an inflated number of senior military officers. The whole thrust of management reform over the past decade, in both the public and the private sector, has been to reduce layers of management, taking advantage of the vastly increased capacity for information storage, retrieval and dissemination. It is no longer necessary to have layers of supervisors to communicate what is to be done, or monitor what is being done, when electronic communication easily substitutes for this.

The *Government Response* acknowledges that there has been an increase in the numbers of officers at colonel and lieutenant colonel level since the late 1980s. Meantime, however, management structures elsewhere in New Zealand's State sector have been greatly rationalised. The *Government Response* justifies five of the eight additional colonels (four to defence attaché positions, one to the United Nations) and five of the twelve additional lieutenant colonels, but it does not say why the total numbers have increased while the rest of the management world has shrunk.

The traditional hierarchical system of military ranks (Appendix 5) allows the retention of a multi-layered management system in the NZDF. In comparison to the Police, which have five officer ranks, the armed forces have nine; and the four to six non-commissioned rank levels in the different services of the armed forces correspond to three in the Police. There is, moreover a persistence of archaic practices and attitudes that are not easily justified outside a military operational environment.

The decisions of senior officers whose whole professional careers (on the way up) have been based on following the "command intent" can lead to undue reliance, once at the top, on information and assessments provided by favoured advisers, without all factors at issue being taken into account. It is difficult otherwise to explain the risks that were taken when sending New Zealand troops to Bosnia in 1994, or the reversal by one CDF of assurances given by his predecessor to the Government about the affordability of the NZDF's capital acquisitions plan (referred to in a report to us from the Controller and Auditor-General dated 24 September 1998), not long after the decision to purchase the HMNZS *Charles Upham* had been made.

We do not believe that the NZDF should be exempt from structural change at the senior level, and we note that the three countries most similar to ours in terms of civil-military relationships, Australia, Britain and Canada, have all substantially decreased the size of their senior officer establishments during the past ten years.

The core responsibility of the NZDF is operational. Operational responsibilities justify the command structure. Uniformed personnel belong in ships, in the field and in aircraft, not behind desks. This is not to say that their expertise may not be useful after they have retired from the regular force, but that expertise, when it is needed, should be put at the disposal of a civilian chief executive responsible for overall defence policy and resource management planning. It should not be tied to career prospects in the Navy, Army or Air Force.

Over one third of all the 232 NZDF officer positions of commander/lieutenant-colonel/wing- commander rank[7] and above are in Wellington. Only a small minority of those officers are exercising command or operational responsibilities; the majority are in personnel, policy, planning and resource management slots. Very few of these officers would, or indeed could, expect to be deployed overseas on active service, which is one of the most important criteria for keeping personnel in uniform.

We recognise that changes in military technology, as well as those demands of peacekeeping which are additional to indispensable military skills, call for more highly trained, skilled personnel. At the operational level overseas, however, this generally means personnel at the rank of lieutenant commander/major/squadron leader and below, because of the relatively small size of the units or subunits that New Zealand is able to deploy. Operational requirements do not justify the retention of more than a very small number of senior officer positions.

Criteria for determining manpower required in uniform

We question the NZDF criterion, as stated in the *Government Response*, that the employment of uniformed staff should be "restricted to those activities that are directly related to the generation, deployment, support and sustainment of deployed operational forces". That is too broad a criterion for retaining personnel in uniform. The CGS told us in April 1999 that the Army's plan *Army 2005*, which has been endorsed by the NZDF and the MOD, recognises that there are currently too many uniformed people doing jobs that are not operational. Opinions will vary on appropriate criteria for "Manpower Required in Uniform" (MRU) studies. Careful reading of the *Government Response* reveals, however, that the Government also regards the MRU criteria developed so far within the NZDF as unsatisfactory.

There are seldom as many as 200 NZDF personnel deployed on active service overseas, yet regular forces fifty times that number (9,388 as at 1 June 1999) are maintained to "generate, deploy, support and sustain" them.

The largest number of personnel deployed overseas since the withdrawal of the battalion from Singapore is less than 600. This was for a few months at the end of 1995. The numbers were made up largely from the reinforced infantry company peacekeeping in the former Yugoslavia and the crew of the frigate HMNZS *Wellington*, which was dispatched on a three-month tour of duty to join a multinational force intercepting vessels suspected of breaching United Nations sanctions against Iraq. This represented a deployment of under six percent of the total regular force. Fiji, by way of comparison, has deployed and sustained over many years around 1000 personnel - 25 to 30 per cent of its total regular force - on United Nations service overseas. (The peak was in 1985-1990, when nearly 1,300 military and police personnel were overseas on peacekeeping duties.)

We consider the percentage of regular force personnel which the Government can rely on the NZDF being able to deploy on active service, at short notice, is too low. It indicates inefficient resource management and insufficient preparedness.

Economies achievable by civilianisation

---

7 The 232 positions are listed in Appendix 7 of the *Interim Report*

The Minister of Defence reported to us in mid-June 1999 that the NZDF currently had no data on which to make a comparison of Army and Air Force pay rates with civilian-equivalent positions; but "a customised job-evaluation system is being developed".

Many policy/planning/resource-management jobs in the Headquarters occupied by uniformed personnel are costing the NZDF substantially more than market pay-rates. By way of example: the salaries of uniformed personnel of lieutenant colonel or equivalent rank ($68,750 to $81,950) are around $20,000 to $25,000 higher than the salaries of civilian staff performing similar duties in Headquarters NZDF. The relatively rapid posting cycle of military officers at all levels means that they do not develop the same level of expertise as civilian staff do in the specialised headquarters work to which they are assigned. Colonel-equivalent officers, whose annual salaries range from $90,200 to $94,600, are paid around $30,000 a year more than civilian counterparts in Defence Headquarters. In addition, military officers at these ranks continue to benefit from an employer-paid superannuation subsidy which at 1 July 1998, as the *Interim Report* noted, stood at 20.5% of their salary, compared with the 7.5% subsidy for civilian staff who are members of the GSF. The retention of unnecessarily large numbers of uniformed personnel in desk jobs, particularly more highly ranked officers, is in our view uneconomical.

Rationalisation

The self-generated requirement of the three separate services to reproduce in triplicate, with minor variations, policies promulgated by the CDF (a vice admiral, lieutenant general or air marshal, *ie*. "three star" level officer) has led to three separate military bureaucracies, each headed by a Chief of Staff at "two star" (rear admiral/major general/air vice-marshal) level. The leadership role of the three Chiefs of Staff within their separate services is clear, as is their present responsibility for the training and preparation of naval, land and air forces; but their operational command responsibilities in relation to their superior officer, the CDF, and to the three operational commanders below them are ill-defined.

The situation would be clarified if the three Chiefs of Staff were located at the principal training and support camp (or base) for each of their services, directly responsible (as at present) to the CDF for the training of their forces and infrastructural support, but without responsibility for command of operational forces. The appropriate rank in these circumstances would be commodore/brigadier/air commodore ("one star" level).

Operational command should be characterised by a joint approach. To achieve this, the three separate environmental commands (Maritime Command, Land Command and Air Command) should be merged into a single Joint Operational Headquarters under a Joint Operational Commander (JOC) directly responsible to the CDF. The JOC, at two star level, emphasising the importance of operational responsibility, would command the naval, land force and air assets required for all operations and joint exercises.

Consolidation of the staff of the CDF and the three service staffs in Wellington into a single Joint Staff Headquarters, and substantial rationalisation and transfer of their responsibilities to the MOD would lead to economies and efficiencies[8]. All Defence

[8] A remarkable example of poor resource allocation, reflecting the excessively large number of uniformed officers in senior "management" positions, is the reported expenditure of $39,447

staff working on defence and strategic policy, personnel policy planning, force structure development, resource management and Defence corporate affairs might be made responsible the Secretary of Defence; but this proposition needs to be further developed in the course of a machinery of government study. The CDF should have a Deputy Chief of Defence Staff (DCDS) in his Wellington headquarters responsible for staff interfacing with the MOD and other relevant government agencies.

The net effect of these proposals on the most senior rank structure would be to retain one "three star" (lieutenant general equivalent) position - the CDF - and reduce the number of "two star" (major general equivalent) officers from four to two - the JOC and the DCDS.

This rationalisation would have a flow-on effect at lower levels, further addressing the top-heavy problem. The three Deputy Chief of Staff positions would be disestablished at "one star" (commodore/brigadier/air commodore) level. Consolidation and civilianisation of non-operational responsibilities in the Wellington headquarters under the Secretary of Defence would eliminate three more "one star" (Assistant Chief) positions. There would be consequential adjustments at colonel-equivalent level and below.

The *Government Response* suggested reasons for retaining at a defence attaché position in certain New Zealand diplomatic missions in Asia at colonel-equivalent level, but did not defend the ranking of the three brigadier-level positions in the New Zealand Embassies/High Commissions in Washington, London and Canberra. No country has defence representatives in New Zealand at "one star" level. Taking both reciprocity and a due sense of New Zealand's military influence into account, we consider that the top New Zealand defence positions in the United States, Britain and Australia are too highly ranked, and should be reduced to colonel-equivalent level. Competent defence attachés at that rank are perfectly well able to gain the level of access necessary to function effectively in those three countries; higher-level access is a matter for experienced diplomatic staff.

The net effect of these proposals at commodore/brigadier/air commodore level is to reduce the number of positions from 13 to seven.

Review of NZDF and MOD structures

The Government's response to our recommendation along these lines in the *Interim Report* states that "No machinery of Government review of the NZDF and the MOD is currently taking place and the Government does not have any present plans for such a review". We understand from the relevant papers we have received from the Minister of State Services, the Hon. Simon Upton, that the careful wording of this response ("does not have any present plans") is intended to leave open the possibility that such a review could be appropriate.

---

to enable 60 NZDF personnel to attend a one-day World Masters of Business seminar in May 1999. The Minister of Defence reacted sharply, cutting the NZDF personnel development budget by $100,000 a year for two years (*New Zealand Herald*, 12 August 1999). The NZDF claims that this will have no impact on operational training, which is budgeted separately. It does, however, call into question the quality of NZDF budgeting, with its undue emphasis on management training for a large number of non-operational senior officers at the expense of lower ranked personnel training for the front line (*cf.* Footnote 9, re live-firing practice).

We recommend that a machinery of government review be undertaken to:

> **assess the current accountability arrangements for the Secretary of Defence and the Chief of Defence Force and the present balance of responsibilities and authority between the two;**
>
> **assess the effectiveness of the structural changes implemented in 1989/90 including the split into two organisations;**
>
> **consider the options for coordinating departmental inputs into defence and security policy; and**
>
> **consider ways to enable more effective public participation in the formulation and administration of defence and security policy (Recommendation 9).**

MILITARY CAPABILITY REQUIREMENTS

Our examination of New Zealand's security requirements leads into a review of the appropriateness of the NZDF's current mix of military capabilities and the factors that have influenced them.

The maritime threat

New Zealand's geostrategic location, our alliance relationships, political networks and international standing, economic linkages, population, resource base and limited military potential all contribute to the shape of our defence policy. Distance from the larger centres of instability is a strategic advantage.

The downside of remoteness is long trade routes. There was a time when our heavy reliance on British-flagged shipping and the British market and our own modest merchant marine and Navy led to a policy of depending largely on the Royal Navy for protection. In wartime, this policy was found to have its limitations.

Since the 1960s, New Zealand's vulnerability has decreased with the development of new markets in parallel with a wider range of exports. Britain as the principal supplier of manufactured products has been replaced to a great extent by the countries of North East Asia. Many countries' ships now visits our ports. We are a trading nation, but we are not a maritime nation; we do not own, crew or insure most of the ships that carry our imports and exports.

This raises the question of the Navy's role in addressing two of the contingencies identified on pages 46 and 47 of the *Government Response*: safe passage of shipping and protection of shipping movements (escort). Large, fast container ships, foreign-flagged, travelling alone between New Zealand and the greatly diversified range of trading partners make old-style convoy protection less relevant. Similarly, a distant-water protection task is far beyond New Zealand's capacity, except as a minor contributor to an allied fleet. In our view, the Navy's primary area of responsibility should be the waters in the immediate vicinity of New Zealand, a secondary responsibility being the support of wider NZDF interests. We address the issue of the

current combatant focus of the Navy in more detail (including the question of submarine threat) in a later section of this report.

In contrast with New Zealand, Australia has a more comprehensive perception of maritime threat than we do, reflecting Australia's more salient strategic situation and significance. That is why its naval and air forces train and exercise and, where necessary, would fight alongside United States maritime forces under the umbrella of the ANZUS alliance, to keep threats at arm's length from Australia. This responsive capacity is currently unavailable to New Zealand for the reasons discussed below.

Visits by nuclear ships

New Zealand passed legislation in 1987 banning visits by nuclear-armed and nuclear-powered ships. This legislation has the support of most political parties and is a clear expression of New Zealand's aversion to nuclear weapons and concerns about nuclear power. The question of visits by nuclear-powered vessels has nonetheless remained a matter of discussion in some quarters.

Scientific evidence, reported by the Special Committee on Nuclear Propulsion in 1992 in *The Safety of Nuclear Powered Ships*, indicates that the direct physical risk to New Zealand from visits by nuclear ships in peacetime is minimal. The evidence was cited by a number of witnesses, including retired senior NZDF officers, to argue that New Zealand should revise the Nuclear Free Zone, Disarmament and Arms Control Act 1987 at least to the extent of allowing visits by nuclear-powered ships.

This was seen as facilitating a resumption of military exercises with United States forces and, ideally in the view of several witnesses, a resumption of ANZUS as a trilateral alliance. They argued that the NZDF is losing out from the restrictions on military cooperation, the more so because the restrictions spill over into the defence relationship with Australia, New Zealand being excluded from exercises there involving United States forces.

We understand, however, that New Zealand's legislation is not regarded by the United States Coast Guard as posing any problems for visits to New Zealand. The Chief of Defence Force discussed visits to New Zealand ports by ships of the United States Coast Guard during his visit to the United States in April 1999 and, as noted earlier in the context of disaster relief in the South Pacific, we consider that this matter should be further explored, with a view to developing interoperability.

The number of nuclear-powered ships in the United States fleet is less than it was. A comparison over the last ten years, according to *Jane's Fighting Ships*, follows:

	as at 1 April 1988	as at 1 June 1998
Strategic missile submarines	37	18
Attack submarines	96	65
Aircraft carriers	5	8
Guided missile carriers	9	2

From the point of view of the Commander-in-Chief of the United States Forces in the Pacific, we were told, it is essential that there are no restrictions on naval ships under his command making operational visits to New Zealand ports, if the alliance relationship is to be resumed.

A substantial body of public opinion remains sceptical. Even if there might be little physical risk, in peacetime, from visits by nuclear-powered ships, that would not necessarily be the case in a period of heightened tension or war. The perception is that an attack on a nuclear-powered vessel visiting a New Zealand port would endanger civilian lives. Moreover, even if nuclear weapons are not currently carried on United States ships that might visit New Zealand, they have not been abolished.

Submissions we heard recalled that the collective arsenals of the world's nuclear powers, if released, could jeopardise human existence through the spread of radioactive fallout. Mutually assured destruction, we were reminded, provides no security.

This highlights the limited contribution of defence strategy (notwithstanding arguments about the success of deterrence) to people's perceptions of security, something that may well be better understood by politicians than by military professionals.

Some believe that popular sentiment may change with time, and that maybe in the future, the quite imprecise term "nuclear ships" will fall out of usage. Eventually, a clear distinction might be made, in the public mind, between nuclear-powered vessels and nuclear-armed vessels. At that time and depending on the strategic circumstances prevailing then, the question of visits by nuclear-powered ships might be reviewed.

Taking into account the majority view of the Committee:

We recommend that there should be no change to the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987 (Recommendation 10).

Revolution in military affairs

The implications of the revolution in military affairs (RMA) were dealt with in slightly less than one page in the 1997 White Paper. The *Government Response* states that

> *The improved accuracy of conventional weapons has not made major platforms such as ships and aircraft so vulnerable that they are obsolete and thus an unwise investment for the modern battlefield. The same technology that has improved the performance of modern weapons has been applied to improve the ability of major platforms to protect themselves. They are not floating or flying targets.*

The 1997 White Paper, however, had previously noted that

> *Another by-product of the RMA is the further extension of the life of platforms - ships aircraft and the like - for, as warfare becomes increasingly more technologically complex, the platform becomes less important than the quality of the sensors and munitions that it carries. This means that spending will be less focused on periodic purchases of large capital items (though these will still be important) than spending on progressive upgrades.*

Accordingly, we question the continued validity of the "fitted for but not with" principle for our naval combat force, if our frigates are not to be "floating targets". (This is discussed further below, under the sub-heading Fitted For But Not With Is A

Dated Concept.) We also question the lack of budgetary provision for any upgrading at all, over the next eight years at

least, of the already obsolescent avionic and weapon suites which will be fitted in the F-16 aircraft which the Government intends to acquire.

Dr David Dickens, now Director of the Centre for Strategic Studies, in his paper to a seminar on New Zealand's strategic environment held at Massey University in August 1998, quoted Professor Paul Dibb, the Head of the Strategic and Defence Studies Centre at the Australian National University in Canberra, as saying that New Zealand has a "generally low capacity to absorb" the RMA. Dr Dickens would repudiate Professor Dibb's claim, but evidence we have received from the Chiefs of Staff appears to support Dibb's view.

The Chief of Air Staff Air Vice-Marshal Don Hamilton told us that the air attack force squadrons of the RNZAF will be fully occupied over the next three to four years making the change-over from the A4K Skyhawk to F-16 aircraft. There could be no question, he said, either from a professional or a budgetary point of view, of attempting to do more than taking over the F-16 aircraft as they are and fitting them with equipment that it is appropriate to transfer from the Skyhawks.

The Army, too, according to the Chief of General Staff Major-General Maurice Dodson can only absorb technology in bite-size portions. He does not expect the Army to reach the position foreshadowed in the 1997 White Paper until 2005, and considers that the Army could not adjust to the operational concepts which flow from the RMA before 2015, *ie.*, "the Army after next" (see the section of this report entitled Army Contribution To NZDF Capabilities).

We recognise, nonetheless, the inevitability of change in the way warfare can be conducted, and see a need for technology that will allow our service personnel on peace support operations to work alongside others effectively, and our armed forces in time of war to perform credibly and at minimal risk. The equipment needed at this level is already on the market, and is well developed and tested. Its acquisition should not be an excessively expensive prescription in our view.

We regard it as absolutely essential for the NZDF to come to grips with the RMA, and adjust its equipment acquisition priorities accordingly, to avoid higher rates of casualties, battlespace ignorance and vulnerability in combat. Without this, there will be a decreasing capacity to work with friends and allies, reduced peace-support and regional security roles, and an inability to harness the advantages of newly developed command, control, communications, computer, intelligence, reconnaissance and surveillance techniques.

We suggest ways in which new technology can be introduced progressively below, under the sub-heading Block Obsolescence Likely Without A New Procurement Approach.

Preparedness: readiness, deployability and sustainability

The value of smaller countries' contributions to operations where military combat is a distinct possibility depends on the quality of the forces deployed, the speed of response and the ability to sustain the national contribution. Today, mobilisation of large numbers matters less than the ability to field forces which are well trained, supplied with relevant equipment, and thoroughly exercised in the doctrine which can make effective use of it.

For New Zealand to remain a credible partner in any future coalition force committed to operations where combat is a distinct possibility, priority must be given to investing in force elements trained, equipped and maintained at appropriate levels of sustainable combat viability and readiness. This means concentrating available resources in the areas where they are most needed.
The nature of future conflicts cannot be predicted with certainty, but some likely characteristics are: short warning time, no time for training or re-equipment (go with what you have got), high-technology force elements (particularly air power) contributed by coalition leaders, and a demand for as few casualties as possible.

Although it costs more to maintain forces at a higher state of readiness, it is a waste of money not to have such trained and ready forces available when they are needed. But the 1997 White Paper revealed a trend away from quick readiness. The Government has allowed degrees of notice to be extended outwards, to cut costs.

Another facet of preparedness is deployability. Mobility is vital. The tyranny of distance works to our advantage by lowering exposure to outside security risks; but it becomes a challenge when we wish to contribute to a coalition operation. To be effective we must be able to deploy and sustain forces over long distances. That means we need a flexible and adaptable mix of air transport and sealift capacity to get our forces on the scene quickly and to sustain them while they are there. Operations do not often operate to planners' timetables.

There are two aspects to sustainability: personnel and equipment. Operational fatigue may push experienced personnel out of the armed forces, especially if their skills and competence make them attractive on the outside job market. This means there is a need for better personnel planning, especially in maintaining an adequate pool of people with particular skills, who may be needed only in small numbers, but who are essential on operations (see page 79 under the heading Personnel Matters).

In our view, when operational forces are deployed overseas, they should generally be "shadowed" by personnel at home so that they can be rotated every six months without being required to serve overseas more than once in an eighteen month period.

The sustainability of major combat equipment (e.g. frigates and strike aircraft) in the face of damage or destruction is the other aspect. New Zealand has no independent capacity to replace combat ships or combat aircraft that might be lost in battle.

Approaching generic military capabilities

The analysis so far provides a baseline to determine in generic terms the kinds of military capabilities that are required to meet New Zealand's requirements. On the face of it the DA took a similar approach:

> *A zero-based approach was used to identify the military capabilities that would represent the best fit with these requirements. We measured our requirements against the complete range of military capabilities in order to narrow the range down to those that we could possibly acquire with our limited resources, and that had the highest utility for our needs. We then examined this narrower range to determine what capabilities were considered essential to meet our requirements.*

> *An underlying assumption of the analysis was the need to identify the most cost-effective mix of capabilities that would meet our requirements. This led us towards a smaller range of multi-purpose capabilities, rather than a wider range of more specialised types. An example of this is a common size of warship for both low and high level tasks, rather than a combination of different types.*

To a certain extent, however, the claim to have taken a zero-based approach is disingenuous. If, as the 1997 White Paper professes, it takes much more than ten years to build up the professional expertise necessary for the effective conduct of modern warfare, and the lead-times for bringing major items of specialist military equipment into service are often nearly as long, then a zero-based approach is scarcely practicable. Nonetheless, the approach of fitting capabilities to policy-driven requirements, narrowing down the range to cope with affordability, focusing on utility, and emphasising the value of versatile, multi-purpose capabilities is undoubtedly sound.

Breadth versus depth

However, having neither the need nor the resources to maintain a wide range of military capabilities, New Zealand – in our view - has to choose a spread of capabilities that reflects our national security circumstances, demographic factors, fiscal resources, and the kinds of operations the NZDF is likely to undertake. Getting the choice right requires ***balance***, *ie*., a careful balance of the range of capabilities and the depth to which they are maintained.

It is important to note that this is not the same as saying that New Zealand needs a conventional balanced force with three separate services. Rather, it points to the need to gain the best value out of the NZDF as an instrument of state policy by giving priority to those tangible tasks that New Zealand is currently undertaking or may be required to undertake in the short to medium term. It favours specific outputs over more generic options.

This is an area of major difference between our Committee and the Government. **We do not accept that New Zealand can have a credible, relevant defence force without prioritising New Zealand's strategic interests, defence tasks and force capabilities.** This is why we set out in some detail later in this report the tasks which New Zealand could reasonably expect its defence force to perform and the political and operational characteristics that should determine their conduct.

Our aim is to establish a set of peacetime and contingency roles and to identify what the NZDF's most likely and most useful contribution might be. It is a contribution which should be driven, not by professional ambitions, but by national security needs. We then suggest priorities both within and between these roles and tasks as a pointer to future force structure options.

The reality is that our security interests are geographically very broad because of our history, the nature of our region and the spread of our trading interests. Our commitment to collective defence means that our broad security interests do not necessarily require an equally broad spectrum of force elements. Commitment to collective defence does, however, demand force elements at a sufficiently high level of preparedness to give the Government a choice of options, and to make it possible for New Zealand to make a timely and therefore effective contribution to a multinational coalition.

Adequate options for the Government of the day are essential; but they must also be realistically attainable. A situation threatening vital New Zealand interests or citizens may call for a strong and rapid commitment. Other situations may require a non-combatant response, or allow more time to consider a contribution. If a situation worsens, an initial low-key response may have to move to something stronger. The NZDF therefore needs depth in the capabilities it maintains plus options to allow the Government the room to decide on the appropriate response whether for conventional war, peacekeeping, deterrence, the support of friends, or peaceful uses of military capabilities.

The range of choice for the Government should provide flexibility in providing a response; from high to low risk, and from combat to non-combat. In all cases, the speed at which a credible, sustainable response can be offered and delivered is absolutely crucial. New Zealand's readiness to be able to shape a response which accurately conveys its level of commitment is a measure of our genuineness and therefore credibility as a partner on the international scene.

The problem with the Government's defence policy with its broad-based approach - a policy which is meant to be capable of accommodating the unexpected - is that in trying to prepare for everything, we run the risk of doing nothing properly. Realistic choices have to be made. We propose a narrower but sharper focus.

Deliverable capability

We consider that the NZDF has become locked into outmoded thinking with regard to force structure. Indeed, as our earlier comments show, the three services have no shared cohesive position, no clear definition of priorities, and in some cases appear to be trying to mould the White Paper to existing force structures rather than the other way round. In contrast, Australia is becoming more focused on deliverable capability today than on the earlier policy of long-term insurance against more remote threats. As the Minister of Defence, the Hon. John Moore, told the Parliament in Canberra on 11 March 1999, reporting on implementation of the Australian Defence Reform Programme:

> *One of the central priorities of the Government since its election to office in 1996 has been to maintain the real value of the Defence budget. That commitment continues.....*
>
> *The [Defence Efficiency] Review confirmed the pressing need for major structural reform to refocus the Defence organisation on its core obligation of providing combat capability. The Government's view is that there was a real requirement to improve the readiness of the Australian Defence Force and its capacity to respond to more current needs.....*
>
> *I am pleased to announce that as part of the initial benefits of the Defence Reform Programme, we are now in the position where the resources available to Defence can support an increase in the level of preparedness of a range of land force units and supporting air and naval elements.....*

Just as in Australia, where there is a shift in emphasis from defence of Australia to defence of regional interests, so also in New Zealand, a shift of emphasis is needed. Forces and military capabilities structured, in the words of the CGS to our

Committee "for the battlefield of a bygone era" are an ineffective and inefficient use of our limited defence resources today.

Times have changed. The NZDF has to respond to new needs. The Government is entitled to expect more from its investment of one and a half billion dollars, each year, in defence. It is of little use to the Government to be told by the NZDF that it is funded for training but not for operating. New expenditure priorities must be set. The mechanism for doing this is the purchase agreement between the Minister of Defence and the CDF. That should be carried out, we suggest, during the next budget round, immediately after the next election.

Setting priorities

The fundamental question is how New Zealand is to get the best value out of its defence resources. We have examined what the alternative approaches might be, and propose the allocation of new priorities to certain areas of defence activity and capability. There is nothing novel about this approach. The Government's defence advisers purported to do so during the DA process where they differentiated between *essential* and *variable* force structure elements:

> Essential elements were listed as - long range maritime air patrol; land forces with a general purpose capability as well as a counter-terrorist capability; naval support forces for mine counter-measures, military sealift, hydrographic survey, diving tender, in-shore patrol and naval control of shipping; air transport; and utility helicopters.

> Variables were listed as - the size of the naval combat force; the number of rifle companies in each of the regular force battalions; a land force based on a deployable brigade group; the retention of an air combat force; and varying sizes of air transport and utility helicopter fleets.

However, “the professional military judgement of the NZDF” that was applied to the issue of "critical mass" in the DA and finally won the day over a "zero-based" approach must be tempered by political and financial realism. The reality is that we have found no evidence of widespread public support for increased defence expenditure. Further, the Government has not identified defence expenditure as a strategic priority; nor is any of the other four political parties represented on our Committee advocating a greater share of national resources to defence.

Clearly, there should be a shift in national security policy towards a more sharply focused range of military capabilities, structured for maximum operational and political impact, and able to operate safely and effectively in medium-level conflict. Major elements of all three services can play effective roles in a reshaped NZDF, but some make a more broadly based contribution to the national interest and are therefore more cost-effective.

The sharper focus on a narrower range of military capabilities does not mean that the nation should not have tucked away the capacity to increase a broader range of defence capabilities in the future should strategic circumstances deteriorate significantly. But it does mean that the longer-term force planning targets may well be quite different from today's policy of maintaining the traditional balance between the three services. By way of example, we note that although professional military judgement has indicated that our air combat force should consist of no less than 18 aircraft, a detachment of six strike aircraft adequately fulfils a useful training role with the Australian Navy at Nowra, NSW, and eight strike aircraft have been sufficient to deploy to the annual Integrated Air Defence System exercises held in South East Asia under the auspices of the FPDA (see the section headed Air Force Contribution To NZDF Capabilities).

Emphasis on capability now

The major existing *combat* platforms of the NZDF are frigates, the Army's regular force battalions and the A4K Skyhawks. These force elements are all currently maintained below the operational level of capability, at what is known as the "directed level of capability", because of resource constraints. Two results flow from this. First, at the very basic level, crews' experience using the weaponry with which our Navy, Army and Air Force are equipped has been severely limited[9]; and secondly, less than optimum personnel numbers, personnel training levels, equipment quantities, and present state of equipment have all combined to limit the

---

9 The Army was reported in the *New Zealand Herald* of 12 August as saying that using live ammunition for training was no longer seen as the best way to prepare troops. Live field-firing exercises were suspended in July 1998, although firing on shooting ranges has continued. The *Herald* reports that the CGS said he would consider reviewing the live-firing suspension if a "clear rationale" could be established showing it was the most appropriate training method. There has also been a shortage of blank ammunition.

Government's scope for using the NZDF to respond to challenges that might require a fast response or a sustained commitment.

This limitation is evident from the nature of New Zealand's responses to the many crises since the Vietnam War. Policy on operational deployment has been distinctly more cautious than that of our traditional allies. One happy result is that the NZDF has lost no personnel in combat since 1972. Sending a frigate to the Indian Ocean in 1982-83 to replace a Royal Navy frigate needed in the Falklands was not a high-risk operation. The Air Force Hercules and tri-service medical teams sent to the Gulf War in 1991 were in non-combat roles. Likewise, the contribution of an RNZAF Orion contingent early in 1998 to a multinational coalition force in the Gulf was not expected to put NZDF personnel in harm's way. The deployment of 23 SAS personnel on the same operation is the only occasion in nearly thirty years on which combat elements have been deliberately deployed to engage, if necessary, in combat.

All other operational deployments of NZDF personnel in recent years have been limited to missions where combat was not expected.

Is a new balance needed between missions and tasks?

Should there be a change in the balance between the NZDF's missions and the specific military tasks that underpin them? In the Committee's opinion the answer to this question is yes. There are a number of reasons for this.

Current policy is outdated

The defence policy set out in the Government's 1991 White Paper and reaffirmed in the 1997 White Paper is currently too narrowly based and, more importantly, is now outdated.

During the 1990s, the confrontation of the Cold War has been replaced by a complex mixture of uncertainty and localised instability. In response to conflicts that have broken out during the present decade - largely intra-state conflicts with disastrous impact on civilian populations - peacekeeping, peacemaking and peace enforcement operations mounted by international coalitions of the willing have assumed greater importance. (This had not been possible during the Cold War because the stand-off between the Great Powers had made resort to armed conflict more fraught with uncertainty.)

At the same time, globalisation, which has opened up new opportunities, has also led to new and wider threats to our national security. Nonetheless, the 1997 White Paper states that "The present policy framework still meets the country's requirements: there is no need for a new defence policy". We disagree. The evidence is clear: deployments of NZDF elements during the 1990s have made deficiencies apparent - and have led to wide public debate about the state of our armed forces.

Current capabilities short on modern operational concepts

The nature of war fighting is changing, and our forces are largely unacquainted with leading-edge military technology.

Old ideas about replacing something old with a newer form of the same military capability do not allow for technological advances and consequentially changed

military doctrine. The result is that our operational concepts are becoming dated and incompatible with those of our likely coalition partners. There is still no priority given to seeking joint force solutions to both the conduct of operations and the selection of capabilities.

Force structure imperatives have changed

Many of the force structure imperatives on which the 1991 White Paper was based, such as a four-frigate navy, the replacement date for the A4K Skyhawks and the response time for the Army brigade have now been superseded by recent Government policy decisions.

"Fitted for but not with" is a dated concept

The Australians found, and explicitly stated in their 1997 defence white paper,

> *that a policy of "fitting for but not with" a particular capability - in the expectation that there would be time in which to acquire, fit and develop proficiency in the use of that capability - is a flawed concept. That was demonstrated when Royal Australian Navy ships deployed at short notice to the Gulf War in 1990-91, and urgently needed to be fitted with a range of operational capabilities, including anti-air defensive and chemical weapon protection capabilities.*

Australia, moreover, is better placed than New Zealand is, not least because of its alliance relationship with the United States, to upgrade its military equipment at short notice.

The DA notes that

> *The Gulf War taught us the risks of relying too much on "fitted-for-but-not-with" as a means of cutting costs. Buying weapons systems or war stocks can be difficult when other larger and more important customers are at the front of the queue.*

The lesson, however, has not been learnt; it is not reflected in any policy change. The result is that resources continue to be spread too thinly. "Platforms" whether frigates, battalions or combat aircraft are only semi-equipped, and their personnel are incompletely trained for medium-level combat. Without the necessary specialist military equipment to make them fully effective in combat (and this is compounded by restrictions on the use of armaments and ammunition), they are barely adequate for training purposes. As such, they have little more than potential value to the Government. They may well be no immediate use at all in a crisis.

Big financial changes since the Defence Assessment was published

The cross rate between the NZ$ and US$ has fallen from the atypically high level of US$0.69 when the DA was finalised. The Government's November 1998 Defence Capital Plan assumed an exchange rate of US$0.52 per New Zealand dollar. As a result of this change, the Minister of Defence told the Cabinet in November 1998 that:

Primarily because of exchange rate movement the cost of the 20 year capital estimate outlined in the White Paper has increased from $4.4 billion to over $5.6 billion, with some refinement of costing as further information has become available.

Within one year of tabling a White Paper, the cost of the capital plan had increased by $1.2 billion. We consider that the November 1998 decisions and subsequent pronouncements by the Government that continue to claim that a force structure based on the policies set out in 1997 White Paper is affordable call into question the quality of the Defence resource planning which was the basis for those decisions. If the modifications to force structure now proposed are consistent with the old policy, why were these more economical force structure proposals not put forward by Defence in 1997?

Block obsolescence likely without a new procurement approach

We were specifically told by the CNS and CAS in briefings to the Committee that setting priorities was not their responsibility. They said their task was to provide the Government with a range of force structure options to enable it to choose how best to meet New Zealand's defence and security requirements. Despite these assertions, both of these services have, over the years, developed their own priorities for acquiring specialist military equipment.

NZDF re-equipment programmes - the acquisition of 28 F-16 aircraft for the air combat force, an additional naval helicopter and the continued interest in acquiring a third ANZAC class frigate, and decisions on protected mobility vehicles for the Army - all seem destined to result in major block obsolescence problems in future years.

Block obsolescence arising from placing large one-off orders is not a problem unique to the NZDF. The contract for the Australian Collins class submarine project was signed for six identical submarines over an extended period, but with no provisions for technology updates for the later ones. This is of more than passing interest to New Zealand, given the significance attributed in the 1997 Defence White Paper to RNZN support to this long drawn-out project - see also page 103, under the heading Cost.

The pace of technological change is faster than it was. While "platforms" such as ships and aircraft have a long life, and their capital cost can be spread over many years, the weapon systems and other electronic equipment with which they are fitted are much more liable to obsolescence. Modular design techniques can make it relatively straightforward, technically, to replace or upgrade electronic equipment and even complete weapon systems in ships and aircraft. Such replacement must be expected more than once - perhaps several times - on long-lived platforms. It has to take place, if crews and at least some platforms are to be maintained at their full combat potential; but it should not take place for all platforms at once.

A more innovative ***stepped*** approach to military procurement, to keep up with technological change, is necessary.

To illustrate the stepped approach: in practical terms this could mean, for example, fitting out one of our two ANZAC frigates with advanced weaponry similar to that being installed on the Australian ANZACs, and undertaking a weapons improvement programme for our other ANZAC several years later, to take advantage of more

advanced technology. Likewise in relation to equipping battalions: a stepwise approach would mean frequent upgrading of the equipment of the leading company in each battalion - the core of our joint force immediate reaction capability - with the replaced equipment being passed on to the other companies. For the air combat force, it might mean equipping a detachment of, say, six aircraft with the most advanced precision bombing equipment available. To reduce the risk of critical manning shortfalls, and at the same time to raise the overall skill level in the NZDF, selected personnel should be rotated through units possessing leading-edge equipment.

Force structures and military doctrines are dated

NZDF force structures and doctrines are still driven by single-service traditions and ethos at a time when most progressive overseas defence forces are more and more looking to joint-service approaches to missions and tasks, to capture the synergies achievable.

Nonetheless, the briefing we received on "Army 2015" was a useful forward-looking perception of the likely role of the well trained soldier in the battlefield of the future. The Navy, as indicated on page 38, above, is attempting to develop a doctrine for naval operations. The Air Force showed us, during our visit to Whenuapai in June 1998, the Joint Warrior Interoperability Demonstration, which also appears to point to the way in which future warfare may be conducted. It is important for the NZDF to develop force structure plans appropriate to joint force command arrangements which integrate the contributions of all three services.

Credibility judged on what we can do now, not some time later on

The MOD/NZDF evaluation of the capability options appended to the DA was very frank:

> *It should be kept in mind that our judgements and assessments are based on the capabilities called for in the options at the time they are achieved, as opposed to the current level of effectiveness of the NZDF. In most cases the effective capabilities will not be achieved for several years. For example, the Army currently has some significant limitations on its capabilities. Under all options* ***it will take about five years to reach the point where the more serious shortcomings are overcome, and about another five years before the Army achieves the capabilities called for*** *in the option. The situation is similar in the Navy and Air Force.*

We are strongly of the view that defence forces are judged in credibility terms on their capability today, not on what they might be at some far distant future time.

Government's basic assumptions preclude future flexibility

The difficulty with the Government's position is that it is underpinned by several basic assumptions which, given the current level of our defence capabilities, virtually preclude any flexibility in looking at options for the future. The key assumptions are based on the belief that:

> New Zealand must maintain a "balanced force" to provide the Government with a range of options to respond to crises (an assumption which we have criticised under the heading Breadth Versus Depth, above);
>
> a single-service rather than a joint force approach is appropriate, not least for deployments to multinational forces;
>
> the current approach is affordable (provided New Zealand does not attempt to match the technological advances of its major defence partners); and
>
> a more selective approach to the determination of military capabilities may pose unacceptable risks for the future.

Risks

The most serious risk that the NZDF currently faces is that its specialist military equipment does not measure up to that of our allies. This raises the issues of interoperability, credibility and usefulness as a partner in battle. As the Minister of Defence stated in November 1998 in his submission to the Cabinet on rebuilding New Zealand's defence capability:

> *much of [the NZDF's equipment] is old to very old - 25 to 35 years - and technologically obsolete.*

As a Committee we are critical of **the gap that has developed between the mere possession of platforms and the credibility of their combat capability**. In situations where our allies are unwilling to contemplate battle casualties, and are using the most advanced military technology available to achieve their military ends, New Zealand's current platforms, equipped as they are, cannot possibly find a place at the leading edge.

The new major items of capital equipment that have been bought, such as the ANZAC frigates, or that it is intended to lease, such as the F-16 A/B aircraft, could all accommodate substantial additional investment in weapon systems. They will also require substantial, expensive, and repeated upgrading of their electronic suites, for which as yet no financial provision has been made, to ensure continued interoperability with our allies and friends.

We have already referred to the exchange rate risk associated with the NZDF's capital equipment acquisition plans. The Treasury, in its report included in the Cabinet paper CAB(98)854 entitled Defence 10 Year Capital Plan (dated 27 November 1998) stated:

The Plan does not fit within the envelope of increased capital and operating funding signalled by the Defence Assessment.

The key reason is that under current exchange rates... the DA envelope is too small to allow all of the following:

a significant upgrade of the Army;

purchase of a third ANZAC frigate;

acquisition of F-16 fighters; and

acquisition of C-130J Hercules.

The purchasing power of the envelope is extremely sensitive to exchange rate changes. If acquisition of a second-hand ANZAC frigate and the F-16s proceeds as proposed, further depreciation of the NZ dollar against the US dollar, or the Australian dollar, would either mean other Priority One projects not proceeding or additional capital injections being required.

The Minister of Defence told Parliament, in May 1999, that the present air transport fleet includes five aged and increasingly unreliable C-130 Hercules aircraft. Avionics and propulsion system failures cause the most breakdowns. Hydraulic and air-conditioning or pressurisation failures are the second most common problem. Many of the breakdowns relate to the age of the systems.

Other financial risks also surround the latest proposed capital plan. The Treasury has pointed out that past experience has shown that the price of defence capital items rises over time. In addition, the Government's defence capital plan factors in revenue from the sale of NZDF housing (see below, under the heading Real Estate) and the sale of the A4K Skyhawk aircraft, but the amounts here are uncertain.

A broadened concept of security operations

There are many situations in which the NZDF can be used and is being used in non-combat roles to help promote an international environment where civil, political, economic, social and cultural rights can be more fully be exercised. This involvement is an important way of demonstrating that New Zealand is a good international citizen and a good neighbour in the South Pacific. Of particular value in relation to advancing New Zealand's wider interests is the extensive network of contacts built up by the armed services in the Asia-Pacific region and beyond. We see more value in using the NZDF to support our wider international interests now, than in leaving it to concentrate on training and exercising for the more remote war scenarios of an uncertain future.

We were made aware, during our visit to Australia in June 1998, of the importance Australia now attaches to this broadened concept of security operations (BCOSOps) as it attempts to shape its strategic environment in the most favourable way. BCOSOps is not a new area of

activity for the NZDF, but its importance in relation to advancing New Zealand's wider national interests, both internationally and domestically, is such that to some extent it must influence training, exercising and equipment acquisition programmes.

Civil defence

We would see a much wider role for the NZDF in civil defence. The range of domestic emergencies best dealt with by a substantial, trained, readily available force is extensive. It includes earthquake, rural and forest fires, flooding, volcano, drought, tsunami, pollution (including marine pollution), biosecurity threat, or a major shipping, rail or air accident. There is a public expectation that in the event of a major disaster, NZDF personnel and defence equipment will be involved in a major way.

The NZDF, without neglecting its military role beyond New Zealand, needs to develop its domestic emergency management role. The NZDF is well able and equipped to respond rapidly; it can mobilise and move into place quickly and has resources to provide such vital emergency assistance as medical and food services. A relocatable field surgery with trained personnel is available. NZDF engineering resources have assumed greater importance with the demise of the Ministry of Works, which had substantial resources strategically placed all around New Zealand. But the preparedness and first response capability of the NZDF still fall well short of full integration into the national emergency management system.

Even now, as the *Government Response* indicated, joint training programmes for the key agencies, including the NZDF, involved in emergency management are only at the planning stage. The NZDF might deservedly enjoy a larger share of the Government budget if it were seen to be more directly involved in matters of present-day relevance.

Aid to the civil power

The NZDF is available to provide assistance to the civil authorities in circumstances such as civil disturbances and industrial action that could affect critical national services.

The Police have the primary and constitutional responsibility for maintaining law and order. In the event of a terrorist emergency, they may call on particular specialised skills and resources of the NZDF to help them to conduct an effective response. The roles, tasks and responsibilities of each force are described in a Memorandum of Understanding between the Commissioner of Police and the CDF.

Because the provision of aid to the civil power is a very serious matter, and quite different constitutionally from the more general provision of civil-defence and other assistance to the community, statutory controls have been enacted. Section 9 of the Defence Act 1990 appropriately requires Ministerial authorisation prior to the provision of aid to the civil power by the NZDF, and accountability to Parliament within a short time-frame. This accountability is also appropriately required in the event of using the NZDF to provide any public service in connection with an industrial dispute. It could, for example, require the involvement of between 1500 and 2000 NZDF personnel - somewhere between 15 and 20 percent of total uniformed strength - to control New Zealand's prisons in the event of a prison officers' strike.

Antarctic support

The armed forces have been involved - in a non-combatant capacity - in the New Zealand Antarctic programme since 1956. The Navy used to operate an Antarctic support ship, but no longer has a suitable vessel. HMNZS *Te Kaha* conducted a Southern Ocean patrol in February 1999 to monitor possible fisheries infringements in New Zealand's EEZ, and to demonstrate the capacity to exercise the resource and environmental protection functions New Zealand shares in the waters surrounding Antarctica with its Antarctic Treaty partners. The ship ventured into areas of difficult sea conditions which took a heavy toll on the vessel, and ruled out operating at higher speeds. The experience suggests that the ANZAC frigates are not well suited to operations in the vicinity of Antarctica.

The Air Force supports the Antarctic programme using Hercules aircraft and Iroquois helicopters. The RNZAF carried out its first ever wintertime medical evacuation from the United States M^{c}Murdo base in Antarctica in August 1998. Joint-service cargo-handling teams assist in New Zealand and Antarctica. This commitment gives personnel experience in working in an extreme environment, with lessons that flow through to the rest of the services.

THE JOINT FORCE APPROACH

The joint force rationale

The Government's approach towards joint forces is set out in the *Government Response*:

> *It is generally agreed by everyone, including the Australians, that three single services are the most effective way of developing the combat skills and knowledge peculiar to land, sea and air operations..... The single services are the basic building blocks of military capability..... This is not in any way at odds with the fact that almost all present and future military operations are likely to be joint. It is accepted that each service must be able to work closely with others and the training of all three is built round this approach. The issue is whether we should go beyond training and establish our own joint force.....*

We are not suggesting that the three services should lose their separate identities, but we strongly advocate a joint approach to both selection of capabilities and the conduct of operations. (A *joint force* is defined as a force involving two or three, rather than just one of the services.)

We recommended in our *Interim Report* that a Joint Staff Headquarters and a Joint Operational Headquarters be formed by rationalising and consolidating the seven headquarters staffs that currently exist.

During our instructive visit to Australia in June 1998, we found that the ADF has a more positive approach to joint force activities than has the NZDF. From the top down, the ADF places considerable emphasis on the joint force approach.

We consider that there should be a stronger emphasis on joint force *solutions* in both the conduct of operations and the selection of capabilities. The objective should be

to maximise capabilities through the relationship between force elements rather than concentrating on the independent strength of units in a single (air, land or sea) environment. This would mean that force elements, which on their own were too small to operate effectively, would have their operational effectiveness enhanced by the combined potential of a wider range of units.

Joint force commanders need all the force elements required to do the job under their command. When it comes to carrying out operations in support of the Government's foreign policy objectives overseas, such as with the Truce Monitoring Group in 1997-98 in Bougainville, New Zealand already does this on a joint force basis. However, the evidence we heard indicates that the joint approach is not reflected in everyday training, or in the NZDF organisation. If it were, more savings arising from the elimination of triplication (carrying on doing things in different Navy, Army and Air Force ways, largely for reasons of tradition) could be made.

Commenting on the significance of "single-service" attitudes and traditions, the *New Zealand Defence Resource Management Review 1988* noted that:

> *The underlying theory behind the current Ministry of Defence is that the defence system is an integral whole in which each of the single services provides a component part. In reality there is a strong tendency... for single services to attach priorities according to their service needs rather than from an overall defence viewpoint. This was illustrated... in the NZDF's inability to decide on the importance of the logistic support ship.*

The reality has not changed. The single services continue to attach priority to their service needs rather than the overall defence viewpoint (which itself is but a subset of New Zealand's wider security interests). The classic example is that eleven years after the 1988 report quoted above, a versatile, multi-purpose logistic support ship is still not available to the NZDF despite the fact that such a vessel would give New Zealand an independent joint force capacity to advance and protect our wider national interests (*e.g.* in Melanesia).

As long as individual services differ as to their relative priorities for acquisition, *e.g.* the Navy favouring frigates over a less glamorous logistic support ship, and are able to influence the acquisition timetable, we will continue to face the ridiculous situation where one service is optimised for (say) deployment – as is the case with the Army – but is unable to get there and be sustained because another service is not equipped to deploy and support it.

Joint headquarters

The split between strategic planning and decision-making at the highest level and operations at a subordinate level, which we observed in Australia, has been adopted in principle in New Zealand. This is fundamental.

Accordingly, we consider the Government's response to our proposal to form a strategic-level Joint Staff Headquarters and a separate Joint Operational Headquarters by rationalising and consolidating the seven headquarters staffs that currently exist to be totally unsatisfactory. To argue, as the *Government Response* did, that there is no point in single-service units coming together for everyday training until they are proficient in their single-service skills completely misses the thrust of what we were recommending.

Elimination of duplication and waste

We contrast the Government's stance on joint force solutions in both the conduct of operations and the selection of capabilities with the following passage from the British 1998 *Strategic Defence Review*:

> *At the heart of the Review is a series of initiatives across defence to coordinate the activities of the three Services more closely, pooling their expertise and maximising their punch, while at the same time eliminating duplication and waste. The most important of these tri-Service "Joint" approaches is the new Joint Rapid Reaction Forces, which will be the spearhead of Britain's modernised, rapidly deployable and better supported front line.*

It seems that the New Zealand Government's approach - which emphasises the importance of ethos and traditions in relation to each individual service - has more to

do with peacetime preoccupations than with the realities of modern warfare. We find support for this supposition in the submission to the Prime Minister's Honours Advisory Committee in 1995 by the then CDF, which stated:

> *The NZDF considers it is no longer appropriate to link any of the awards for gallantry in warlike situations to a Service member's parent Service. Service distinctions and traditions play an important part in Service life, but the reality is that in a modern operational environment personnel are invariably part of a joint force of two or more services. The reasons why some gallantry awards currently distinguish between Services lies as much in the ad hoc way they were introduced, and the separate way each of the British Services was administered and organised, as a conviction that gallantry types in warlike situations vary between the Services. Removing the Service distinctions in this case will serve to foster the operational cohesion of a force.*

The need is for greater inter-service understanding, cooperation and cohesion. We are aiming at enhancing joint force capability. We are not suggesting an amalgamation of the three services, and the reference in the *Government Response* to Canada in this context is misleading. We note that in Japan, all officers in the Japanese Self-Defence Force undergo joint training during their first year, before joining their separate service.

Clearly *esprit de corps* is important in developing effective defence forces. Single-service traditions are one aspect of this. Pride in one's service, ship, squadron or regiment does enhance combat effectiveness at the level of the individual. When, however, single-service identification becomes rivalry, it can undermine combat effectiveness by distorting decision-making processes. Resource allocation decisions should be made on a basis of defence needs rather than single-service wants.

Procurement of major capital items

Since the restructuring of Defence some ten years ago, advice to the Government on procurement, replacement or repair which entails changes to capability or involves major re-equipment, such as advice on aircraft types, weapon systems, operational vehicles, ships and refits, has been finalised in the Ministry of Defence.

Force structure development, however, is driven by each of the three services. Separate development staffs in each prepare medium-term and long-term force development proposals that compete for limited resources. Coordinated procurement advice to the MOD from the NZDF is based on the internal and long-standing policy of maintaining what the DA describes as

> *a balanced force, wide enough to give governments a range of options from which to choose an appropriate response in a crisis.*

Spreading resources too thinly to maintain "a balanced force" has led to a run-down of New Zealand's military capabilities. As the DA puts it:

> *Our credibility is declining. Australia and the United States have already signalled their concern at what they see as our diminishing effectiveness and some of our Asian friends have done so more obliquely.*

The proper function of the Ministry of Defence in relation to procurement is ***to ensure that advice to the Government is a function of central policy and priorities***. A review of defence policy processes carried out in the first part of 1998 by the former State Services Commissioner, Don Hunn, identified a lack of involvement of the MOD's Policy Branch in force development proposals that had led to major capability procurement projects[10]. As a consequence, the name of the Policy Branch has since been changed to the Policy and Planning Branch, the International Policy section of the old Policy Branch has been cut back, and the policy planning side of the new Policy and Planning Branch strengthened. It remains to be seen what this shuffling of responsibilities will achieve.

Display or utility?

We are in no doubt that advice on major capability procurement must be based on whole-of-Government policies and priorities, which must take precedence over single-service equipment wish-lists. This raises the question of display or utility. The most important part of the Navy, in the perception of the Navy, is undoubtedly the naval combat force. We have heard over and again comments along the lines of: "If you don't have frigates, you don't have a proper Navy". Similarly in the Air Force: "Air combat capability is a priority of those nations developing modern defence forces".

One of the questions we sought submissions on early in our inquiry was:

> *What are New Zealand's central long-term defence policy objectives, and how should defence contribute to other strategic outcomes?*

Evidence we received suggested prioritising the ***purposes*** for which the armed forces are raised and maintained, as set out in section 5 of the Defence Act 1990 (see Appendix 3). We have no difficulty in endorsing those purposes, and we see value in setting priorities for them on the basis of the need to retain military competency, the relevance of those purposes to current needs, and the most likely contingencies which the NZDF can be expected to be called on to address. The order of priority which we have determined follows:

Protection of New Zealand's interests

These include our maritime interests, particularly in the immediate vicinity of New Zealand. No other country could be expected to take responsibility for resource protection in our EEZ. This purpose also covers contingencies in the South Pacific and NZDF contributions in emergencies (e.g. humanitarian relief operations in dangerous situations) further afield in support our wider national interests. Force might be required, but the risk of military combat continues to be unlikely.

The contribution of forces for peace support purposes

---

10 As reported by Cathie Bell in *The Dominion* on 3 August 1999, the Hunn report stated, *inter alia*: "It is absolutely essential that the policy division should break through its shell of defensiveness and end its isolation... There should be much more interchange at a personal level with other policy-makers..." Commenting on the "extraordinary difficulty" the policy division had in getting the information it needs, the report says: "Even more problematic, it seems, is persuading some parts of the Defence Force to 'open their books'."

During the 1990s, intra-state conflicts have substantially outnumbered cases of aggression or conflict between states (such as the Gulf War). New Zealand, through its active commitment during the whole decade to peacekeeping has demonstrated in practice "principles which New Zealand has traditionally articulated: independence, the importance of collective security for small states, the need for a stronger and more democratic United Nations system, and the rule of law in international relations".[11] The contribution of forces for peace-support purposes must be carried out by appropriately trained personnel. Larger peace support forces are normally armed, because they could quite possibly find themselves in deteriorating situations where a real risk of combat might arise. Individual military observers (who may not always be armed) have to be seasoned, whether officers or non-commissioned officers, to do their job effectively.

Provision of any public service

The NZDF does this frequently, to the benefit of local communities in New Zealand, but it is not a military task.

Assistance to the civil power

As provided under section 9 of the Defence Act 1990. The Police have the primary responsibility for maintaining law and order, but the armed forces may need to provide logistic or other support when Police resources are over-stretched. Particular specialised skills and resources of the NZDF may be of use to the Police when dealing with a terrorist emergency.

Contribution of forces under collective security arrangements

The prospect of New Zealand deliberately committing substantial forces to combat overseas has become less likely as a result of the collapse of the superpower confrontation, the globalisation of our interests, our more complex network of international relationships, and the emergence (particularly in South East Asia) of more durable regional cooperation arrangements based on wider perceptions of what constitutes national and international security.

Defence of New Zealand

New Zealand is not likely, in the short to medium term at least, to face the direct use of armed force against it.

If utility rather than display is the key criterion for prioritising major capability procurement proposals, then upgrading the NZDF's joint force peace support capacity comes well ahead of upgrading the air combat force to impress our Australian allies and South East Asian friends. The emergency humanitarian relief capability of the RNZAF's air transport forces in dangerous situations - which should be equipped with aircraft that are not so old that they cannot be relied on to depart

---

11 Rt Hon. Don M^{c}Kinnon, *Address to the Christchurch branch of the New Zealand Institute of International Affairs*, 13 July 1999

on schedule[12] - comes ahead of the need for another frigate or an upgraded air combat force.

The argument about upgrading the NZDF's joint force peace support capacity also applies to the requirement for a versatile ice-strengthened logistic support vessel. We note the usefulness of the oil tanker HMNZS *Endeavour*, built during the 1980s to commercial specifications for under NZ$30 million, and which has also served as a venue for peace talks, freight carrier, and command centre in the Bougainville context far outweighs, in value for money terms, a frigate and its embarked helicopter that, even without a full suite of weapon systems, cost well over $500 million. Our frigates also proved to be less relevant to joint force needs during planning in mid-1999 for various contingencies related to East Timor: vessels of greater utility would be the survey ship HMNZS *Resolution* and the two inshore survey craft HMNZS *Takapu* and HMNZS *Tarapunga*.

It is a matter of utility, not display.

Stepped development of joint force capability

A new approach to force structure and capability development is necessary. Careful study of the logic driving the 1998 British strategic defence review, which has been developed in the context of the post Cold War strategic environment, strongly suggests that New Zealand should also aim for:

> a joint (*ie*. Navy/Army/Air as required) reaction force composed - in all cases - of first echelon elements of readily available combat forces;
>
> a strategic lift capability to deploy and support the high-readiness forces;
>
> enhanced logistic and medical support;
>
> improved command and control arrangements;
>
> improved arrangements for joint training; and,
>
> more emphasis on innovative personnel policies.

Force structure priorities

All of the above matters bear on force structure proposals. It is, moreover, our view that in the prevailing international situation, and taking wider opportunity cost considerations into account, force structure proposals should be prioritised for economic and social reasons.

Our objective as a Committee is to propose ways of progressively strengthening the NZDF's ability to advance New Zealand's national interests in the short to medium term. We are wanting to see a more tangible return on the billion and a half dollars spent annually on the armed forces.

---

[12] The Minister of Defence, in reply to Geoff Braybrooke's question lodged on 19 May 1999 about breakdowns experienced by RNZAF Hercules aircraft, said that 86 mission delays occurred between 1 April 1997 and 31 March 1999.

Taking an incremental or stepped approach to force development, we would see as ***first priority***:

Identifying within the current force structure a useful range of options (both combat and combat support) to allow New Zealand to contribute:

- ***well equipped,***
- ***highly trained and***
- ***sustainable force elements***
- ***at short notice***

to the most credible crisis-management and peace-building tasks.

The long-established practice of planning in terms of single-service upgrades (last year's air combat policy capability policy study, this year's review of naval combat requirements) is too narrow.

If the NZDF were intended for nothing more than peacekeeping operations (in which combat was not expected) and participation in peacetime maritime defence exercises with regional defence partners, the present range of capabilities might be appropriate; but, as set out earlier in this report, we consider that ***a greater degree of combat-readiness is required for New Zealand to maximise its value to its defence partners as a contributor to international peace and security***.

The objective is to achieve, by setting affordable procurement priorities, a self-sufficient, quickly deployable hard-hitting force, small, but fully equipped and highly trained. This means a joint force with its combat capability enhanced by combining ***mutually supporting elements*** that are ***frequently training and exercising together***, such as:

- modern Hercules transport aircraft to deploy a fully manned SAS force,
- a logistic support ship to carry, and to some extent accommodate in-theatre, mobile infantry elements with helicopters, artillery, signals, engineering and medical support,
- a better equipped frigate (to escort and protect forces being deployed by sea), and
- surveillance aircraft.

As indicated above on pages 56-57, it is a matter of making careful judgements when considering the balance between the breadth of options available to the Government (*ie*. the number of different force elements raised and maintained) and the depth of capability within specific force elements (in terms of size and equipment levels).

The ***second priority*** that we see is ***to strengthen selected force elements in numbers, size, equipment and support to enable them to operate more self-sufficiently, to be able to perform in a wider range of/or more hostile situations, and to provide options for a more sustained presence (rotation of forces) should this be required.*** This involves looking at the synergies between force elements - both between the three services and between combat and combat support elements - to ensure that they can be deployed in a timely manner, adequately protected, and that the NZDF can maintain independent control over a limited area of operations, where necessary.

Issues to be addressed include equipping pre-planned joint forces with the full range of combat systems appropriate to medium-level conflict; expertise in joint command and control arrangements and the conduct of joint operations; a suitable level of interoperability with possible multinational partners; and the capacity for operational support at a distance from New Zealand.

Taking the current strategic assessment and existing financial baselines into account, the introduction of new capabilities (such as attack helicopters to provide fire support for ground forces) and the further development of existing capabilities (such as the Navy's mine countermeasures capability) to increase the flexibility of the NZDF and the range of options available to defend national security interests stands as the ***third priority***.

The ***fourth priority*** is the maintenance of expertise and a limited operational capability in those other extant force elements of the NZDF that could possibly be needed should strategic circumstances deteriorate significantly - provided that technological developments do not in the meantime put them, as credible force elements, financially out of reach. We recognise that these capabilities are different from the first three categories in that their use in shorter-term crisis management is much less likely. This might be due to the more limited range of tasks for which they are particularly suitable; or their being in an area of capability where New Zealand's forces are relatively weak compared to our defence partners' and hence less likely to be called upon in coalition operations; and/or the difficulties of forward deploying and supporting those force elements in a distant operational environment.

The adoption of this approach to determining force structure priorities will, in our view, improve the effectiveness and overall capability of the NZDF both in potential combat and in peacekeeping. New Zealand's ability to react with the right forces, at the right readiness, in joint force packages, will be greatly improved as a result. It should ensure that when the NZDF deploys to meet an urgent operational challenge, it will do so quickly and be well supported and trained to make an effective contribution alongside our coalition partners.

Affordability

Our approach to the question of the affordability of new capital equipment is clear. We favour equipment related to the production of more specific outputs such as the promotion of international security in current hot spots, over more generic force capability options and longer-term insurance. The credibility of the NZDF is

enhanced more, both overseas and at home, by what it is seen to be doing now, than by what it might have the potential to do in five or ten years' time.

Bosnia escalated into a more dangerous situation than had been anticipated, and the New Zealand force deployed there was lucky. Our concern is to avoid a repeat of the risks inherent in the capability deficiencies that emerged in Bosnia, and which could have potential parallels in places like Kosovo or East Timor if our forces were called upon to serve there.

The Government, however, argues that a "balanced force" ***is*** affordable, on the basis that New Zealand does not have to match the technological advances of its major defence partners - such as upgrading the offensive weaponry of the air combat force or the ANZAC frigates. Such an approach, in our view, limits New Zealand's value as an ally in combat and in turn lessens our credibility in both security and, arguably, even in trade-access negotiation terms.

We want to see New Zealand getting the best value out of the defence dollar. If the NZDF is unable to achieve more savings through more efficient management, and if additional financial resources are not to be provided by the Government, the outcome is unavoidable: we must set new spending priorities for force development based on the relevance of the tasks which the NZDF can be expected to have to carry out.

Revising the order of priority for force development does not necessarily mean dropping lower priority items. As noted earlier, there is merit in maintaining the capacity to broaden the range of defence capabilities should strategic circumstances deteriorate. But it does mean doing some things before others. Resources are too thinly spread to achieve credibility across all military capabilities. The former CGS Major-General Piers Reid, summing up at a seminar on New Zealand's strategic environment at Massey University in August 1998, and commenting on the "thinly spread, allegedly balanced capabilities" of the NZDF, observed:

> *They must be either better resourced or rationalised.*

Taking into account performance over the last decade, the strategic assessment, resource management issues, and maintaining at improved readiness high-value interoperable force elements, we consider that the ***top force development priority should be deployable land force elements and the associated fixed wing, rotary wing and maritime transport capabilities necessary to support and sustain them***. Given that our ***naval and air maritime patrol forces*** are in better shape, these should, in our view be the ***second force development priority***.

Given the long time frames envisaged in the DA for capability upgrades, and the inevitable resource constraints that will apply to this process, it is clear that the Government would find it difficult, in terms of its present planning parameters, to sustain in combat land force elements as large as a battalion group.

The ***starting point*** should be a properly equipped and supported smaller sized Army units with all the supporting elements they need. In practice this entails concentrating first on units such as the SAS and other elements from any of the three services, such as helicopters, organically integrated into the command structure, that are necessary to maximise the potential of this basic first reaction force.

It is also important, for domestic emergencies and overseas contingencies, to be able to put together a (joint-service) medical team quickly. Accordingly, high priority should be given to making sure that the mobile medical support teams and the relocatable field surgery are all fully equipped and can be fully manned at short notice. (For example the Army, requiring 102 medical assistants to meet one of its defined deployment requirements, reported a 53 per cent shortfall in deployable personnel as at 1 April 1999.) There is a case here for relying on a substantially increased number of relevant territorial force personnel to ensure that ample numbers of trained personnel are always available when needed.

The ***next step*** might well be the reconnaissance companies of each battalion (see section on Army Contribution to NZDF Capabilities), again with appropriate support from other Army components and necessary Air Force and Navy capabilities, including a logistic support ship.

The MOD initiatives to convene in 1998 under the chairmanship of Sir Wilson Whineray an air combat capability policy study and, in 1999, under the chairmanship of Ian Donald a naval combat capability policy study are flawed in our view on two counts. First, the studies continue to be carried out on the basis of the 1991/1997 policy stance. Secondly, they both exemplify the sort of single-service silo thinking that the joint-service approach to finding solutions is intended to obviate. Policy studies should focus on plausible contingencies and joint-service solutions to dealing with them, not just on single-service capabilities.

To determine more distant priorities is beyond the scope of this inquiry, and should - in our view - be the subject of a new White Paper. Questions that should be carefully examined in that context include whether ***smaller but sharper*** capabilities might not be of greater utility than our present range. For example, should one New Zealand frigate undergo a weapon-system improvement programme similar to those planned for Australia's ANZAC frigates? Should we retain a smaller number of New Zealand strike aircraft with precision bombing equipment rather than a larger number with lesser utility?

The Government's decision to replace the present air combat force of 19 A4K Skyhawk aircraft with 28 F-16 A/B aircraft (see section on Air Force Contribution to NZDF Capabilities) ahead of upgrading other military capabilities conflicts with our order of priorities. The Committee strongly disagrees with this approach. Our objection is not so much to the acquisition itself, as to its financial impact on more relevant equipment purchases and upgrades. It costs over $200 million per year to maintain the air combat force at its ***present*** level.

We recommend that the Government adopt a stepped policy for the procurement of specialist military equipment which

- **avoids the risk of subsequent block obsolescence;**
- **takes into account likely utility in the short to medium term;**
- **upgrades joint military capabilities to a level where they are deployable and sustainable in medium-level combat; and**
- **maximises the potential to keep abreast with technological advances (Recommendation 11).**

We recommend that the naval combat review begun in June 1999 be terminated and that its terms of reference be subsumed in the terms of reference for the next Defence White Paper (Recommendation 12).

Personnel matters

New Zealand's defence depends on those who serve in the armed forces and civilian staff who work alongside them in the NZDF and the MOD. Demands can be high on operations, and preparing for operations. Ultimately, NZDF personnel may be asked to risk their lives, but this risk should not be exaggerated. During the 1990s it has been more dangerous to be a front-line policeman in New Zealand than a member of the NZDF serving overseas.

We recommended in our *Interim Report* that consideration be given to recruiting new entrants into the NZDF for their basic training, and streaming them into the Navy, Army or Air Force only after aptitude testing at the end of their basic training. There is a question of economy here. The total cost of separate and competing recruiting activities by the Navy, Army and Air Force is of concern, as there is considerable overlap and duplication. In the 1997-98 financial year, expenditure by the three services on recruitment amounted to:

Navy $1,893,000 Army $3,189,000 Air $1,865,000 Total $6,947,000.

This works out at around $5000 per recruit. Savings should be possible.

Young people do not always make an informed choice when they join the armed forces. They often have very little idea of what life in the services will really be like. Recruitment into the NZDF rather than a single service would not tie a recruit to one specialization at an unnecessarily early stage, and could well reduce the training failure rate. It would allow more opportunity for mobility within the NZDF throughout a person's service career, and should significantly reduce wastage.

The services offer training and educational opportunities, on pay, that are unparalleled in their extent elsewhere on the New Zealand employment scene. The overall package of terms and conditions of service for military personnel includes generous superannuation provisions, medical and dental care, sports and other recreational facilities, low-cost and even free accommodation options and meals in various circumstances, some free or subsidised travel (including family members) for private purposes, good leave, retraining (including study leave) and retirement provisions. Attrition rates (which fluctuate, depending on the state of the external job market) are low, particularly when the effect of early retirement, which inflates the attrition rate in comparison with elsewhere in the economy, is taken into account. For 1998-99, the estimated gross turn-over rate is 12.1 per cent; the voluntary early rate of notice (which relates to personnel who have completed 3 to 19 years of service, and excludes training failures, voluntary early releases, superable releases and completions of engagement) is around 7 per cent.

Some of the benefits enjoyed by military (but not civilian) members of the NZDF are relatively unknown. For example, lump sum payments from the Government Superannuation Fund (GSF) between 1 July 1994 and 30 June 1997 to 1717 personnel retiring after 20 or more years of service were:

under $100,000	219 personnel
$100,000-$200,000	989 personnel
$200,000-$240,000	314 personnel
$240,000-$280,000	110 personnel
$280,000-$320,000	61 personnel
$320,000-$360,000	23 personnel
$360,000-$400,000	1 person.

These lump sums are additional to income-related annuities payable during old age. Their total cost over the three-year period was just under $300 million.

Some of the military personnel who took lump sums continued on within the NZDF as civil staff, some found employment in the MOD, and some carried on as contractors or employees of contractors to the NZDF, doing similar work to what they had been doing when in uniform. Others readily found employment elsewhere in the economy.

The original purpose of the armed forces' superannuation scheme was to provide an income-related pension to compensate for early compulsory retirement.

Superannuation for NZDF personnel has now turned into a form of deferred salary, payable to some extent even to personnel who move seamlessly from the uniformed staff to the civilian staff of the same employer. The deferred salary approach is made more evident by the new superannuation scheme introduced for uniformed personnel, with effect from July 1998, which makes lump sums available at specific points during their service career.

With effect from 1 July 1998, the superannuation subsidy payable to uniformed staff was at the rate of 20.7 percent of salary for those on the old GSF scheme, and 17.9 percent of salary for members of the new scheme. The corresponding subsidies payable by the NZDF for civilian employees were lower - 7.5 percent for the GSF scheme and 9.2 percent for the new NZDF scheme.

The extent of accommodation assistance is illustrated by the following figures as at 1 July 1998. Of 9543 uniformed personnel, 2901 (30.4 percent) were living in their own home or privately rented accommodation; 2843 (29.8 percent) were living in houses rented from the NZDF at rentals which, at the beginning of August 1998, averaged around 34 percent of the open market rent; 3746 (39.3 percent) were in barracks paying between $14 and $42 per week for their accommodation; and 53 (0.5 percent) were in transit. We regard this uneven treatment of personnel as inappropriate.

The difference between market rental and NZDF quarters charges equates to an average benefit of $6000 per year, and is in some locations as much as $10,000. The average payment to personnel who rent private accommodation and are in receipt of an interim housing assistance allowance is $4680 per year. A third type of assistance is a defence transfer loan, available to personnel who purchase their own home. The loan limit is $150,000.

A focus on salary levels is not enough. The value to uniformed personnel of the whole package of terms and conditions of service is not widely enough understood. An Enhanced Engagement Scheme, a new Armed Forces Superannuation Scheme, a Promotion Incentive Payment Scheme, and Incentive Leave were all introduced by the

last CDF. The present CDF has now hired a team of consultants to work out "market rates of pay" for military personnel.

Our concern is that these studies are carried out on the basis of terms of reference that are written by the beneficiaries of the outcome. We have seen that while the base rate for experienced officers' - colonels' - salaries has risen by 30.5 per cent since 1990 (when the CDF took over from the Secretary of Defence the responsibility for setting NZDF pay-rates), the base rate for experienced non-commissioned officers - staff sergeants - has risen by only 11.1 per cent over the same period. Stretching of salary scales for the benefit of more highly paid staff has not resolved difficulties for the lowest paid personnel in the NZDF, some of whom, because of family commitments, are reliant on social security measures such as the community services card, accommodation supplement, or emergency benefit. This is unacceptable. All personnel should be paid adequately.

Work needs to be done by the State Services Commission under the provisions of section 45 of the Defence Act 1990 to ensure that the conditions of service of all uniformed members of the NZDF are in line with the terms and conditions of others in the State sector.

We recommend that the State Services Commission review NZDF pay, allowances and other conditions of service and advise the CDF on appropriate levels (Recommendation 13).

Personnel shortages in critical trades

From time to time, "critical manning shortfalls" emerge in the NZDF. They have been addressed by a number of measures, including:

improving conditions of service,

lump sum retention payments of the order of $10,000 to $25,000,

extensions of service,

overseas recruiting,

initiatives to attract re-entry, and

increasing training throughput.

In March 1998, by way of example, we were told by the Chief of Naval Staff Rear Admiral Fred Wilson that a predicted maximum shortfall of 87% could be expected amongst Petty Officer electronic technicians by the year 2002, and that the recovery date would be beyond 2008. This was no isolated example. Communications technicians, weapons technicians, radar operators, and marine engineers were all predicted in March 1998 to reach maximum shortfalls ranging from 23% to 74% in the years up to 2004, with recovery dates of between 1999 and 2008. One year later, we asked for updated information on the Navy's progress towards stemming the outflow of skilled trade personnel. The updated information showed variation from the previous year's figures and predictions, rather than a marked overall improvement. This information suggests that if the Navy had another operational frigate, it would probably not be able to crew it.

There is something quite unrealistic about this sort of approach to personnel planning. Either the manning shortfalls are critical or they are not. A successful business enterprise does not operate on the basis that critical manning shortfalls will

be overcome only in nine years time, and neither should the NZDF. It may be that the Navy (in the examples cited above) is overstating its personnel requirements. It may be that the Government's demands on the Navy outstrip its willingness to pay. We have suggested earlier (under the sub-heading Block Obsolescence Likely Without A New Procurement Approach) rotation of personnel to increase overall skill levels and reduce the risk of critical manning shortfalls. Personnel planning must be improved, with the focus on operational needs.

Training of young people

The NZDF is one of the few large organisations still providing trade training for substantial numbers of people on its payroll. There is potential here for an expansion of the NZDF's role which could have substantial impact in the wider economic area. Aeronautical engineering and servicing is an example of an export service-industry which has benefited greatly from RNZAF apprentice training.

Longer-term benefit flows to some smaller communities from NZDF trade training. The RNZAF aircraft maintenance facilities at Woodbourne have recently been commercialised, and the Defence Industry Committee of New Zealand informed us that the average wages of the employees engaged in the business of overhauling aeronautical equipment there are about $45,000 per annum, compared with a community average for Blenheim of between $15,000 and $20,000.

We would be concerned if the privatisation of defence-related technical support industries and the concomitant transfer of a very substantial human capital resource in the form of RNZAF-trained and (at Devonport, in Auckland) Navy-trained skilled technicians were not accompanied by a continuing intake of apprentices by the private sector enterprises which have benefited, to maintain New Zealand's technical skills base in these industries.

The NZDF itself could do more to deal with the problem of unemployed young people. The present limited service volunteer (LSV) scheme conducted by the NZDF for the New Zealand Employment Service was been expanded to take 864 people in the 1998-99 year, compared with 720 in 1997-98. This kind of activity does not generate permanent employment, however, and is a diversion for the armed forces away from operational activities and training. It was suggested during our hearings that an active programme of recruitment of younger beneficiaries directly into the armed forces could be initiated.

Apart from the impact on youth employment levels, recruiting programmes have to reflect the realities of our social climate. We recognise that not all recruits will make the grade, but this has always been so. A larger intake of recruits would extract greater value from the NZDF's existing training assets, and have some impact on unemployment.

In our *Interim Report*, we noted that over the last decade, financial resources had been moved away from the personnel-intensive service, the Army, and towards the two more technology-intensive services, the Navy and the Air Force. The *Interim Report* continued:

> *If unemployment is regarded as a greater threat to security for New Zealanders than any military threat from overseas, then expenditure trends in defence which have favoured the acquisition from overseas of high-cost military*

equipment over the recruitment, training, and retention of lower-ranked personnel would have to be regarded as counterproductive.

The cadet forces, which are supported by the NZDF, also involve substantial community participation by dedicated adult volunteers. Cadet force units are important locally, and deserve more support.

Impact on personnel of unrealistic performance targets

Overstretch and undermanning are linked problems. Overstretch is trying to do too much with too few personnel. One result is that units and individuals, especially in key areas, may be separated from their families too often and for too long. Undermanning - that is when units are not up to planned strengths - is one of the causes of overstretch. As indicated earlier, under the heading Preparedness: Readiness, Deployability and Sustainability, persistent overstretch - operational fatigue - contributes to higher exit rates from the armed forces.

The gap between the nominal strengths of the three services and their effective strengths is indicated by the following table compiled by the NZDF (as at 1 May 1999):

	Estab-lishment	Nominal strength	Less personnel paid by others	Service personnel paid by their service	Others paid by this service	Nominal paid[14] (d+e)	Non-effective[13]	Effective (d-g)	Adjusted effective – includes personnel at (c)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Navy	1749	2051	83	1968	7	1975	549	1419	1502
Army	4555	4214	88	4126	88	4214	369	3757	3845
Air Force	2841	2926	123	2803	35	2838	451	2352	2475

Critical manning shortfalls lead to the non-achievement of performance targets. Commanders and managers cannot operate effectively in a situation where policy and resources are mismatched.

The time for setting establishments and performance targets which are not mismatched and which are adequately funded is overdue.

We recommend that personnel planning focus on meeting the requirements of upgraded combat capability and the need to retain a larger number of highly trained specialists to carry out likely operational tasks (Recommendation 14).

---

[13] Includes individuals in training billets

[14] The figures reported here do not distinguish individuals who are on leave without pay, sick leave, *etc*.

NAVY CONTRIBUTION TO NZDF CAPABILITIES

Naval combat force

Over the past ten years, NZDF capital project expenditure funds have mainly been spent on projects related to upgrading the naval combat force. One modern frigate (HMNZS *Te Kaha*) designed specifically for efficient and economical service in the waters around New Zealand, the Cook Islands, Niue and Tokelau is operational. Another (HMNZS *Te Mana*) is due to be delivered later in 1999 for work-up, and is scheduled to become operational in mid-2000. The older Leander class frigate HMNZS *Canterbury* is expected to remain in service until 2005. In these circumstances, the Navy continues to be able to guarantee that at least one frigate is always available to address low-level contingencies in our neighbourhood. The ANZAC frigates can also operate southwards as far as areas of light to moderate iceberg density but, as noted on page 67, under the sub-heading Antarctic Support, not very effectively.

The question arises: How much should the naval combat force be able to do? In the November 1997 White Paper, the requirement is stated in the following terms:

> *New Zealand requires the ability to deploy **one ship** to a distant water operation, such as a crisis in the region or peacekeeping, for example, the recent blockade duties in the Gulf, **and to sustain it for up to a year**. At the same time, a ship should be continuously available at home for deployment around New Zealand, in its EEZ or in the South Pacific.*

The Vignaux Report entitled *The Navy Critical Mass Argument*, finalised in July 1997, had stated a somewhat more demanding requirement:

> *Navy planning is based on the fundamental Government requirement that (at least) **one frigate** is available for international overseas operational assignments **at all times** .....and, while assigned on overseas operations, they are to be manned by a crew capable of carrying out duties in a mid- to high-level threat environment.*

There was clearly some reduction of the fundamental policy requirement between July and November 1997. Significantly, the words "one frigate" were replaced by "one ship", and the words "at all times" were replaced by "up to a year".

Policy and capability must be congruent for credibility to be maintained, and a further reduction in the fundamental policy requirement may have been foreshadowed. The Treasury, in a submission to the Cabinet in November 1998 when the Government was considering major military capital equipment projects, suggested that if the Government decided not to pursue the purchase of a further ANZAC frigate, it might re-examine the DA conclusions, and in particular the policy that leads to a three-frigate Navy. We agree that this should happen and, below, we recommend accordingly.

We are of the view that the Navy would be adequately contributing towards collective security efforts, including peace support operations, if it maintained the capacity to deploy, occasionally, one ship for a six-month period to a distant-water operation as part of an international rotation of similar vessels. Such a contribution would not be disproportionate to New Zealand's size, and would represent an adequate share, in the area of naval operations, of the international burden.

As noted above, Professor Vignaux's analysis was based on the stated "fundamental Government requirement" that our frigates are to be manned by crew capable of carrying out duties in a *mid-level to high-level threat environment*. The frigates may be so manned, but they are not adequately equipped for the higher-level environment. Dr Dickens has pointed out that upgrading of electronic systems, sensors and weapons is necessary to enable the Navy's frigates to operate in a mid-level to high-level threat environment. The Government has given no indication that resources could be made available to permit this upgrading and has specifically stated in its response to our *Interim Report* that the Navy is "configured to address a wide range of ***low-level contingencies*** in and around the EEZs of New Zealand, the South Pacific islands, and the area of Southern Ocean under our jurisdiction".

The question of the role of the naval combat force in relation to the safe passage of shipping and protection of shipping movements (escort) was referred to on page 51, under the heading The Maritime Threat. At the time of the 1939-45 war, when convoys to Britain carried the bulk of New Zealand's trade in British-flagged ships, protection of our sea lines of communication in the company of the Royal Navy was a realistic assignment. Diversification of New Zealand's trade and more widely based interdependence have made the situation today more complex. Taking the lessons of past wars and the capabilities of our present frigates into account, it appears that in any future war, the naval combat force would be torn between its direct responsibility to protect against attacks on shipping in New Zealand waters (as have happened in the past) and its other present role as a contributor to a larger Australian and/or United States fleet engaged in regional or even global collective security efforts.

If the latter role is seriously envisaged, then there is a need to consider (as already suggested on page 62, under the sub-heading Block Obsolescence Likely Without A New Procurement Approach) fitting out one of our two ANZAC frigates with advanced weaponry similar to that being installed on the Australian ANZACs, and undertaking a weapons improvement programme for our other ANZAC several years later, to take advantage of the more advanced technology that will undoubtedly be available by then.

Although the submarine threat today is minimal, it cannot be assumed that it would be safe to deploy New Zealand Army and helicopter support forces in an unprotected military sealift or logistic support vessel in a time of crisis. This underscores the breadth of joint force responsibilities at a time of heightened tension. Escort and protection of New Zealand forces being deployed by sea is an essential task for the naval combat force, assisted by maritime patrol assets of the Air Force.

Our frigates are currently contributing to regional security as training or exercising partners. This is only a peacetime role. As the *Government Response* makes clear, in high intensity combat situations, a direct attack on a New Zealand ship could result in a high number of casualties. Deployment of our frigates into high intensity combat would be a difficult decision. For the foreseeable future, the Government is

likely to send New Zealand frigates on distant-water operations in low-risk situations only.

Logistic support ship

Since the mid-1980s, the Navy has worked consistently to promote support for a modern, four-frigate naval combat force. Naval advice on resource prioritisation has accordingly discounted the importance of channelling resources into the acquisition of a versatile and well equipped logistic support ship, notwithstanding the high significance of such a ship if a wider view is taken of defence, security and the national interest.

We have stated earlier the requirement, as we see it, for the NZDF to possess its own means of deploying and sustaining overseas a joint reaction force which might include land force elements with vehicles for their own protected mobility. We also have reservations (see the next section, on the Army Contribution to NZDF Capabilities) about the Government's preferred option for meeting the sealift component of this requirement by modifying the HMNZS *Charles Upham*.

Just as with the naval combat force, so also with a logistic support force, two ships are required to ensure that one is always available for immediate deployment. Having two ships also allows a more frequent and flexible resupply schedule, gives a greater total load capacity, and, in some circumstances, would let one ship be used as a base once deployed.

For training, planning and maintenance purposes, there would be advantages in the two ships being similar. They should be fitted out to carry troops, vehicles, equipment, and stores, and to operate medium-lift helicopters. Hospital and command facilities should be incorporated. The ability to land at least some heavy equipment across the shore would be important for both military and civil defence tasks. At the simplest level, this might require a small number of medium sized landing craft and appropriate cranes. Most deployments would be smaller than battalion group size, and this could be reflected in the size of the ships.

As well as transporting the land force and being excellent for relief tasks these ships, equipped with minor armament, could fulfil many local tasks such as patrolling and interception of vessels in the EEZ. (Frigates are unnecessarily elaborate vessels for fisheries patrol and, in fact, are seldom used in that role.) It is not, however, a matter of experimenting with unproven designs, or acquiring ships built to military specifications. Consideration of the strategic situation and the range of contingencies which the NZDF is likely to be called on to address points to a logistic support vessel built (to a proven design) to commercial specifications, with good sea-keeping characteristics and a long range[15]. (The small number of suitable ships on

---

15

Dr Lance Beath, formerly Manager Strategic and International Policy in the Ministry of Defence, told the MSI seminar at Massey University on 22 August 1999 that before the recommendation to purchase the roll-on/roll-off vessel that became HMNZS *Charles Upham* was made, the Navy had investigated the cost of building, in a Spanish, Polish or Korean shipyard, a military sealift vessel with cranage and embarked lighterage, and fitted with "command and control facilities, a light hospital, fresh water and electrical generation plant and other capabilities appropriate to disaster relief, casualty evacuation and other duties". The cost

the New Zealand register limits the ability of the Government to requisition in an emergency.) The vessels should be ice-strengthened. Having these ships available, combined with a requirement for ***intermittent*** rather than long-term distant-water deployment for the frigates, could negate the argument for a third frigate (and an additional Seasprite helicopter).

We recommend that the Government, taking into account the criteria of:

i. **affordability (including opportunity cost);**

ii. **the range of low-level contingencies that the Navy should always be able to address in the extensive exclusive economic zones of New Zealand, the Cook Islands, Niue, Tokelau and the Ross Dependency;**

iii. **likely scenarios involving a rapid New Zealand response with well equipped land forces to coalition operations; and**

iv. **other operations consistent with the advancement of New Zealand's national interest:**

re-examine the current policy requirement to deploy and sustain a ship for up to twelve months beyond New Zealand and South Pacific waters;

re-examine the requirement to upgrade the HMNZS Charles Upham and consider instead stepwise acquisition of two logistic support ships with more versatile delivery options than those of a roll-on/roll-off vessel; and

reassess the composition of the Navy's fleet based on a configuration of two ANZAC frigates (including the possibility of one being upgraded through a weapons improvement programme to retain compatibility with the Australian ANZAC frigates), plus two purpose-designed logistic support ships (Recommendation 15).

ARMY CONTRIBUTION TO NZDF CAPABILITIES

Joint force ready reaction capability

We see a need for land forces that are

trained and equipped for medium-level combat

which would form the core of a joint force ready reaction capability.

Our call for soldiers trained and equipped for *medium-level* combat is a quantum step upwards from the capacity to "prevent low-level security challenges and deal effectively with any that may occur" which is at the top of the Government's list of New Zealand's security requirements set out in Chapter III of the 1997 White Paper.

---

had been estimated to be between $60 and $70 million. We are proposing two no less versatile but smaller vessels, the unit cost of which would be proportionately less.

As Dr Dickens stated in a submission to us:

> *A company of infantry reinforced by a slice of a battalion headquarters, several troops of armour, and slices of self contained engineers and logistics sub-units could be deployed on United Nations operations as a battalion group. Thus a unit grouping could perform as a self-contained package on UN operations. Thus the Army provides governments with deployment options ranging from sub-units that can be integrated into other larger units to self-contained mini-battalions capable of operating independently in UN operations.*

This is consistent with our Recommendation 11, that the Government adopt a stepped policy for the procurement of specialist military equipment.

In our *Interim Report*, we pointed out that such forces should be

> *sustainable, with their own independent means of deployment,*

which is why, taking all the evidence we have heard into account, we now regard incremental upgrading of the equipment of our land forces, fixed wing transport aircraft, helicopters and maritime transport and support forces collectively as the top force development priority. The NZDF's Iroquois helicopters lack self-protection capability. We are talking about credibly equipped and trained land force elements with organically integrated air and naval support. Truly joint, flexible and deployable forces suited to the demands of the new strategic environment would increase the capacity of the NZDF to respond to current needs.

The NZDF as currently structured does not meet these requirements.

In a report dated October 1998 to the CGS, on refocussing the Army, the Director-General (Resources) in the Logistic Executive, Brigadier Stuart Jameson, stated that at the time of the Gulf War, and in that setting, the New Zealand Army

> *was incapable of being allocated any task more arduous or complex than, say, a static garrison or prisoner of war handling function.*

The CGS told us in April 1999 that the Army is not able to field and sustain a battalion-sized force that is mobile, and capable of protecting itself while carrying out useful tasks.

Protected mobility is essential, and we welcome the announcement by the Minister of Defence on 26 July 1999 that tenders have been approved for infantry mobility vehicles and fire support vehicles to replace the obsolete armoured personnel carriers. The issue is how many should be ordered.

Although Government policy requires two fully equipped and trained battalions, Government capital equipment planning has left insufficient funding to carry the policy through. This is unsatisfactory. The answer is to either change the policy or increase funding.

Our preference is to build up our capability incrementally. This means upgrading over time, stepwise, as outlined earlier on page 63, with the first battalion taking priority over the second.

With the impending acquisition of modern vehicles and other equipment, it would be quite feasible to sustain on a rotational basis a reinforced infantry company of, say, 250 personnel (as was done in Bosnia between September 1994 and December 1995) which would be a credible and useful military force in medium-level combat.

The next stage would be to progressively build our capabilities to full battalion size, then - if policy and finance provided for this - building up the strength of the second battalion, giving the capacity to deploy and sustain at least one of the two battalions.

With regard to an independent means of deployment, the "adequate basic capability" expected when the Government approved, in 1994, the purchase of a vessel for conversion into a military sealift ship remains non-existent. The background to this failure has been authoritatively documented by the Controller and Auditor-General in his report to us on the HMNZS *Charles Upham* dated 24 September 1998.

From the Government's point of view, the basic reason why there still is no adequate military sealift capability is that priority has been given, in terms of resource allocation, to building up other military capabilities. We consider that military sealift capability should be given high priority as a force development project. There are, however, two fundamental questions that need to be addressed urgently, and comprehensively, by the Government (with substantial input from non-Defence sources) before further expenditure on design modifications for HMNZS *Charles Upham* is incurred:

> Has a roll-on/roll-off vessel the inherent flexibility to address the wide range of deployment contingencies that could arise in an emergency in New Zealand or the South Pacific? (We have been told that the *Charles Upham* cannot, for example, even operate into the harbour at Rarotonga in the Cook Islands, and it is evident that roll-on/roll-off is completely irrelevant to the other two entities for which New Zealand has defence responsibilities, Niue and Tokelau.)
>
> Is it worth spending additional money on a vessel that will be, by the time it is scheduled to return to New Zealand, well over half way through its operating life? (We have been told that the additional cost of upgrading the *Charles Upham* will bring the total cost of a vessel that is more than half way through its operating life up to what it would cost to purchase a new, ice-strengthened logistic support ship.)

We are seriously concerned that the MOD/Navy do not acknowledge the uncertainties that surround the *Charles Upham*. External validation of advice proffered by those who have advised the Government up till now on this matter is, in our view, essential. Our preferred option has already been discussed above in the section headed Naval Contribution to NZDF Capabilities.

A reconnaissance company in each battalion

We consider that there is a place in each of the Army's two regular force battalions for one company - a reconnaissance company - made up of soldiers who are more highly trained, and more highly skilled, than those of the rifle companies of the battalion. We see it as a group which the best soldiers in each battalion might aspire to join.

These companies would represent a step up towards the Army's immediate reaction capability - the SAS. They would provide a realistic recruiting base for the SAS, and they would be at a higher degree of notice (28 days was recommended in our *Interim Report)* than the battalion which is maintained at 60 days notice for UN peacekeeping (see Appendix 7).

We consider that consideration of the formation of a reconnaissance intelligence surveillance target-acquisition (RISTA) element within each battalion should be speeded up. The Army's plan *Army 2005*, which has been endorsed by the NZDF and the MOD, has not yet been submitted to the Government for approval. The Army has always been a key to projecting New Zealand's military credibility internationally. Resources must be reallocated within the NZDF if priority objectives are to be achieved more quickly. The year 2005 is far too long to wait to achieve a credible land force that can protect itself and carry out useful tasks.

We have some reservations about the amount of effort that the NZDF is putting into developing the concept of "the Army after next" - that is, a concept for the Army in 2015. We question whether this sort of policy development work should be carried out by an operational organisation. Such work is important, but it should probably be done elsewhere. The NZDF should concentrate on training and exercising for operations flowing from policies which have been approved by the Government. The CGS informed us that "the Army after next" concepts still have to be proven by operational analysis. In practice, such analysis will mainly be carried out by the countries with larger armies which are developing this approach.

We recommend that the Government continue to retain, as its *ultimate* objective, the maintenance of two mobile infantry battalion groups, with one ready for deployment within 60 days and sustainable, to contribute to an international force for peace-support operations; and that a reconnaissance company supported by other appropriate combat and combat-support elements, trained and equipped for medium-level conflict, sustainable, with its own independent means of deployment, and fully interoperable with similar Australian forces be available at 28 days notice (Recommendation 16).

Territorial force

We still have many New Zealanders, not least in provincial areas, willing to volunteer for part-time service in the territorial forces. To some extent, therefore, the territorial force will continue to provide recruits to fill the ranks of combat units training to relieve those deployed on longer term operations overseas. The Army is not equipped, however, to train personnel in their home towns to the required levels of competence as combat personnel. The only way raise standards is to train territorials alongside regular force personnel. Any obstacles to achieving easier interchange between the regular and the territorial forces need to be overcome.

There are some skills that it is excessively expensive to retain in larger numbers, on a full time basis, in the regular force, but which the Government might wish to draw on in an emergency. This indicates another role for the territorial force, as an active reserve of personnel from medicine, dentistry, information and communications technology, and a wide range of other non-combat support activities. We note with approval that the *Government Response* indicates that "recruiting and training of the territorial force to assist with domestic civil defence tasks" is under investigation. Engineering, signals and transport capabilities are relevant here. For territorial force

personnel to be under an obligation to serve if called, however, would require legislative change.

AIR FORCE CONTRIBUTION TO NZDF CAPABILITIES

In our *Interim Report*, we recommended that the future of the air combat force be considered in terms of two options: either to disband the jet training and strike capability, on purely financial grounds, or to replace the current A4K Skyhawks with more modern combat aircraft on the basis of their capacity to contribute to the advancement of the country's national interest considered alongside other competing expenditure priorities.

We took an ambivalent approach in the *Interim Report* to the question of the future of the air combat force because we did not have, at that time, sufficient information available on this particular issue. This situation has since been remedied by the release of up-to-date documentation relating to the Government's options in this area, notably the October 1998 *Final Report of the Air Combat Capability Policy Study* (the *Final Report).*

That report was predicated on the policy considerations outlined in the 1997 Defence White Paper. However, as we made clear in the *Interim Report* and have further elaborated on in this report, we have serious reservations about some of the policies outlined in the 1997 White Paper. This causes us to call into question the Government's reliance on the *Final Report*, that report being based, to some extent, on what we regard as false premises.

We note that the *Government Response* has failed to address the option of disbanding the jet training and air strike capability on purely financial grounds that was mentioned in our recommendation.

Air combat force roles

The difficulty with the Government's response to our recommendation, as Dr Stewart Woodman of the Australian National University's Strategic and Defence Studies Centre has subsequently pointed out, is that it provides no convincing evidence to demonstrate why maintaining the level of air combat capability that is contemplated in the DA does in fact maximise the options available to the Government. Table 1 (pages 46-47) in the *Government Response* is, we believe, rather misleading because it provides no insights into the scale, nature or likelihood of particular tasks identified.

Why, for example, does the *Government Response* state that it is "essential" for New Zealand's air combat force to contribute to distant surveillance and strike in the defence of Australia? Why is our air combat force, with its very limited capacity to loiter aloft, regarded as being as "essential" for air surveillance of New Zealand's surrounding maritime area as the purpose-built Orion aircraft of our maritime surveillance force? Just how credible is the use of the air combat force to counter land incursions in New Zealand or the South Pacific? What, in any case, would be the social, economic and environmental effects of using aircraft in this role on some of the smaller and more fragile Pacific island communities?

What is missing from the *Government Response* is a clear statement of how the NZDF intends to use its air combat capability in ways that would be appropriate not only in operational but also in political terms. The A4 Skyhawks which New Zealand has possessed for nearly 30 years have never been used by the RNZAF in a combat role, and almost certainly never will be. The statement in Attachment B.2 to the November 1998 Cabinet paper on the lease of F-16 aircraft that:

> *It provides the Government with a very valuable option for contributing to regional and collective security because of its unique attributes of rapid deployment, high impact, low risk of casualties and easy extraction*

raises more questions than it answers.

The air combat roles which NZDF/MOD studies state that the RNZAF should be capable of performing are quite limited: close air support, air interdiction and maritime strike. These anti-surface-force roles are only three of the many air combat operational roles set out in the table below, which is taken from the *Final Report*.

AIR COMBAT OPERATIONAL ROLES

STRATEGIC AIR	COUNTER-AIR	ANTI-SURFACE-FORCE
Strategic air operations	***Defensive counter-air operations***	***Land/air operations***
Strategic air strike	Passive air defence	Close air support*
	Active air defence	Air interdiction*
	Offensive counter-air operations	Armed reconnaissance
		Tactical air reconnaissance
	Enemy air defence suppression	***Maritime-air operations***
	Fighter sweep	Maritime strike*
	Escort	Anti-submarine warfare
	Airfield/aircraft carrier attack	Maritime anti-air warfare

* *Roles which the Government considers that the RNZAF should be capable of performing*

The *Final Report* studied five representative platform options against the broad criteria of operational performance and defence policy value. The specification of close air support, air interdiction and maritime strike as the roles to be performed inevitably favoured certain platforms. The CAS informed us that other air combat operational roles are too extensive and too expensive for New Zealand to contemplate.

Four of the platform options examined were the A4K Skyhawk upgraded as identified in the 1997 White Paper, the Hawk 200, the F-16 A/B and the F-16 C/D. The fifth was the combination option of the Super Cobra attack helicopter and Harpoon (anti-ship) missile- equipped Orion aircraft. The *Final Report* found that F-16 C/D aircraft could carry more weapons and a greater range of weapons over longer distances than the other options, in all three of the pre-determined operational roles.

While unequivocally endorsing the operational performance and policy value of the F-16 C/D, the *Final Report* hedged its endorsement of the older F-16A/B model (which is what we are acquiring). The capability gap between the two models is very real, but the Government grasped at the A/B model, presenting it as a unique opportunity buy. The aircraft are described as being in near-new condition.

We question however whether they are the unique opportunity or bargain that was portrayed in last November's Cabinet submission, which stated:

> *The opportunity presented to New Zealand is unique and will not be available again. The delays with the Joint Strike Fighter development now remove from consideration the prospect of acquiring at a later time suitable second-hand F-16 aircraft which will lead to considerably higher capital costs to replace the Skyhawk in the time frame originally envisaged in the Defence Capital Plan.*

Figures released by the Minister of Defence on 3 December 1998 indicate that if the NZDF were to acquire the 28 F-16A/B aircraft at the end of the planned 10-year lease, we would have paid the United States US$11 to 12 million for each aircraft. A report in the April 1999 *Australian Defence Magazine* suggests that the Thai Air Force will be able to acquire 52 of the more modern F-16C/D aircraft, second-hand, from the United States for US$3 to 4 million each.

On further scrutiny, the situation becomes even more questionable. The Government has not yet revealed - apparently because it does not yet know - details of the cost of upgrading the F-16A/B aircraft to bring their performance close to the desired F-16 C/D standard. Is there any scenario, beyond training or exercising, in which the F-16 A/B aircraft could be used in the wider Asia-Pacific region? We ask this question because of the comments by Commander Richard Jackson – the NZDF's former Director of Corporate Relations Policy – as reported in the *Defence Quarterly* of August 1998, that: "If conflict does break out in the (Asia-Pacific) region, it is the new generation fighters such as the F-16 and the MiG 29 that will prove decisive in winning the air battle". Our F-16 A/B aircraft apparently do not fit into this category. The cost of meeting the air combat capability that the *Final Report* endorses, that is, the capability provided by the C/D model, is substantially more than the cost of the initial lease and purchase arrangements for the A/B models. We question why the Government is not prepared to acknowledge that there will be substantial additional capital costs and identify them.

The 19 A4K Skyhawks that we now have were intended in the 1997 White Paper to stay with the RNZAF at least until 2007. Now, the Government says that 28 F-16 A/B aircraft are to be leased, the A4K Skyhawks are to be sold, and other air power options need not be considered further. We are not persuaded that the size of the air combat force should be increased by nearly 50 per cent.

The Government's decision on the F-16s is naturally welcomed by the RNZAF, but disregards the synergies achievable by the joint force approach. Until the mid-1990s, the RNZAF maintained an Andover fleet, which was able to land troops and supplies on shorter semi-prepared airstrips in the South Pacific. Then, in the face of budgetary pressures, and disregarding the Army's deployment and sustainment needs, this tactical air transport capability was cut back and finally eliminated, reducing the flexibility with which the NZDF can respond to contingencies in the South Pacific.

In the meantime, a "refocusing" exercise was undertaken to confirm amongst Air Force personnel the importance of air power. While the term air power can embrace military airlift capability, the thrust was towards the air combat force. It is not difficult to see an internal agenda pointing towards upgrading the air combat force even at the expense of air transport capability. Neither is it surprising, following a narrowly focussed air combat capability policy study (rather than a genuinely joint force approach to tasks and solutions) that Defence advice to the Government in November 1998 was designed to tempt it into an "opportunity buy".

We recommend that the Government provide full estimates of the cost of upgrading to F-16 C/D capability the F-16 A/B aircraft which it intends to acquire, and of the additional personnel that will be required to crew and maintain the larger F-16 fleet (Recommendation 17).

Attack helicopters

We question in particular the recommendation in the *Final Report* that New Zealand should not consider further an attack helicopter as a replacement for the A4K Skyhawk and should not consider the P-3K Orion as the sole maritime air strike capability. It seems likely that the policy requirement for an air combat force to perform the three specified roles (as indicated on the table showing Air Combat Operational Roles, above) arose simply because there is already a fighter attack force in being, those are the roles that the air combat force is capable of performing, and the RNZAF is keen to maintain a fighter attack capability.

The *Final Report* examined the potential role of attack helicopters, if New Zealand were to acquire them. The report recognised that an attack helicopter would provide better close air support of troops on the ground than the F-16 is capable of providing. (We note that New Zealand committed extensive land forces to the Vietnam War without the support of NZDF strike aircraft.) The improved support that attack helicopters are capable of providing would be of great value to commanders of New Zealand land forces committed to combat, particularly if the close air support were organically integrated with the land forces.

We recognise that the attack helicopter/Orion option falls short in the air interdiction role, but note that the air interdiction role is of less direct benefit to deployed land forces than close air support is. We also note that the efficacy of air interdiction depends increasingly on the use of precision bombing techniques based on technology that seems to be, in terms of the Government's present defence planning parameters, beyond New Zealand's financial reach.

Consideration should be given to acquiring a small number of attack helicopters for the close air support role. We are aware that professional military judgement is influenced by "critical mass" considerations, and suggest that the way round the affordability problem is to maintain not whole squadrons of these two types of aircraft, but smaller detachments, posted from time to time overseas to work in close cooperation (like the Skyhawk detachment at Nowra, NSW) with one or other of our closer defence partners in the Asia-Pacific region.

Attack helicopters, if acquired, would also be of value in non-combat situations, including natural disasters in both New Zealand and the South Pacific. They would certainly be utilised in civil defence roles more frequently than an air combat force of Skyhawks or F-16s would be likely to be used on air interdiction missions. Use in

civil defence roles has excellent training value and would further develop joint capability involving both the Army and the Air Force.

Maritime patrol and strike

Low-level threats that may arise in our waters can adequately be addressed by a joint force combination of the RNZAF's Orion maritime patrol force and naval ships. The air combat force has never been used in this role, because such threats have not arisen. In the meantime the Orions, with their longer range and endurance, and our naval ships have also been able to serve the more immediate national interest of protecting New Zealand's fishery resources.

With regard to using either F-16s or missile-equipped Orion aircraft in the maritime strike role, the question raised earlier is relevant: what is the scale, nature and likelihood of this particular task? In what circumstances short of war would the New Zealand Government consider sending aircraft to sink ships? And in that event, in what circumstances would suitably armed Orions not be able to do the job?

We recommend that the Government address these questions (Recommendation 18).

We recommend that the Government consider equipping a minimum number of P-3 Orions with maritime strike capacity and provide the NZDF with a credible minimum attack helicopter capacity (Recommendation 19).

Other issues

The Government's response to our recommendation on the future of the air combat force in the *Interim Report* assumes that its decision to acquire 28 F-16 A/B aircraft to replace the 19 A4K Skyhawks makes the acquisition a certainty. However, the Minister of Defence informed Parliament in May 1999 that the draft lease agreement provides that either party may withdraw on giving 180 days' notice. If notice were given [by New Zealand] in November 1999, he stated, costs to New Zealand of the order of $7 million might be involved.

Letters of Offer and Acceptance were submitted to "lie upon the table" in the United States Congress, and the process was completed on 7 May 1999. We are critical of the decision of the Minister of Defence not to make copies of those papers available to New Zealand Members of Parliament at the same time. His explanation that the letters are "commercial agreements between the two defence forces" is unsatisfactory on three counts: the letters bind the New Zealand Government, not the NZDF; the papers were available to United States Congressmen at least two months before they were made available to us; and the agreement aims to commit New Zealand to substantial expenditure over many years without clear evidence of majority support for that expenditure in Parliament. We note that Australian practice, in contrast to ours, is more open. Bilateral treaties as well as international conventions must be made available for scrutiny by Parliament before binding obligations are entered into.

The Government maintains that training and exercising with Australia and South East Asian countries promotes New Zealand's national interests. "They are a symbol and evidence of our interest in and commitment to the security of South East Asia." The Director of the Institute for International Affairs, Bryce Harland, specifically

addressing the question of retaining the air combat force, informed us that "to keep up our relations with other Asian and Pacific countries, we need to show concern for the security of the Asia-Pacific region, and be ready to take part in collective efforts to maintain it..... What we stand to lose if we do not pull our weight is the respect and sympathy of some of our most valuable friends. Long before New Zealand was attacked, our economy would suffer, and with it the living standards of most New Zealanders." The CAS told us that he believed our defence partners in South East Asia would be "appalled to lose our presence in the region".

These points of view raise, nonetheless, the practical questions of value for money and priorities. The *Interim Report* quoted evidence from the NZDF that:

> *The main contributors to the air combat force costs are the Skyhawk and Macchi fleets... Analysis during the [1996-97] DA... demonstrated that actual costs would be reduced by the order of $166 million [per year] if the air combat force was not retained.*

The output cost (excluding GST) for the air combat force in 1997-98, was $187 million. For 1998-99 and 1999-2000, it is estimated at $197 million and $201 million respectively. It is bound to be more once the F-16s are acquired, because of the higher hourly operating cost[16] (fuel, spares and maintenance), $3,520, compared with $2,780 per hour for the Skyhawks.

The annual cost of maintaining an air combat force which is quite likely never to be used - except for training and exercising in Australia and South East Asia - exceeds the total annual cost of maintaining New Zealand's Ministry of Foreign Affairs and Trade, including the operational diplomatic service, all around the world. Arguably, New Zealand's interests are advanced more by diplomacy and assiduous trade development than by the symbolism of an air combat force. The *Government Response* avoids the question whether the money saved by disbanding the air combat force could be spent more effectively.
Other unanswered questions about the F-16s relate to the exact scope and cost of spares and support equipment and of air and ground crew training; and the ongoing cost of replacing/upgrading electronic suites from time to time, to ensure continued interoperability with our allies and friends during the whole lifetime of the aircraft, once acquired.

Where is the reasoning which supports the "professional military judgement" featured in the DA (referred to on page 59, under the heading Setting Priorities) that a fleet of no less than 18 strike aircraft is necessary for the RNZAF to retain institutional knowledge of air combat capability? (The argument which we have heard, that 18 are necessary to allow such activities as multiple formation flying, including flying in the company of escort aircraft, indicates only that training and exercising in the company of other countries' larger air forces is necessary; it does not justify 18, rather than - for example -10.) Might not a smaller detachment of aircraft with precision bombing equipment (as canvassed on page 78, under the sub-heading Affordability) and with more highly trained crews, be of greater utility?

It is difficult to avoid the conclusion that the Government's current defence policy is tailored to fit the retention of air combat capabilities at the level that the RNZAF has

---

16 Information provided by the NZDF on 16 July 1999

traditionally maintained, and wishes to enhance. For us, the important criterion alongside affordability for setting priorities for investment in the NZDF is the utility of the force elements that New Zealand maintains. We see air combat forces as being of lesser utility, given competing demands for scarce NZDF resources, than the other force elements maintained by the NZDF.

We recommend that the government reconsider the place of the air combat force in relation to NZDF tasks on the basis of the following options:

> **to disband it on purely financial grounds; or**
>
> **to downsize it to a fleet of not more than ten well equipped modern aircraft to retain institutional knowledge of air combat capability; or**
>
> **to replace the current A4K Skyhawks with more modern combat aircraft on the basis of their capacity to contribute to the advancement of the country's national interest (including a clear statement of the scale, likelihood and nature of the circumstances in which it would be appropriate, in political terms, for the strike aircraft to be used in each of their three designated roles), considered alongside other competing expenditure priorities (Recommendation 20).**

OTHER MATTERS

Real estate

The NZDF is concentrated around Auckland (Whenuapai, Hobsonville and Devonport), the central North Island "triangle" of Waiouru, Ohakea and Linton, Cook Strait (Trentham, Wellington and Woodbourne) and Christchurch (Burnham) - see map at Appendix 6.

Major cost advantages have been achieved by combining training facilities, concentrating operations and shortening distribution lines through the rationalisation of NZDF real estate over the last ten years. The smaller number of camps and bases now occupied has reduced, to some extent, the disruption to family life, including spouses' careers and children's education, caused by posting turbulence. The *Government Response* agrees with our view expressed in the *Interim Report* that there is potential to further consolidate NZDF camps and bases "thereby leading to further savings".

While we fully endorse the decisions that have led to greater efficiency, there is another aspect of NZDF real estate disposals that gives us cause for concern. It relates to what happens to the proceeds from the disposals. The Minister of Defence told Parliament in May 1999 that any proceeds from the sale of major real-estate assets are absorbed into the NZDF's overall capital funds. The NZDF has always disposed of excess or obsolete equipment and retained the revenue, but disposal of Crown land and retention of the proceeds is another question. The NZDF retains revenue from the sale of real estate on the grounds that the Public Finance Act 1989 provides, under section 11(1), that it may. Retention of the proceeds is ultimately a policy matter.

However, as Judge Anderson said in March 1999 in relation to the land at Takapuna Point, Auckland, currently occupied by the NZDF, which the NZDF had plans to sell for high-priced real estate development:

> *What may become of it [the land] by reason of its legal status is not merely a technical matter. It is submitted that the Defence Force has obligations under the Public Finance Act to make the best use of its assets. Yet this argument begs the question as to whose asset it is. It is no doubt regarded by the Defence Department as a departmental asset, such being an economic and not a legal perception, but the strict position is that it is owned by the Crown which represents the whole of New Zealand society.*

Consistent with Judge Anderson's view, we consider that the very substantial capital gains arising out of the disposal of NZDF real estate belong to the community as a whole. They should be disposed of by the will of Parliament, and not, to all intents and purposes, as officials (in the interests of their department) or their Minister may determine.

The amounts at issue are not small. The King Edward Barracks in Christchurch and the nearby Wigram air base were sold for $30.656 million. Te Rapa and Hopuhopu yielded

$8.727 million. The September 1996 government valuation (GV) for the former HMNZS *Tamaki,* Devonport, is $26.020 million and the September 1997 GV for the former Papakura Military Camp is $25 million. Other valuable real estate surplus to the NZDF's requirements, besides Takapuna Point, includes Fort Dorset (1997 GV: $7.220 million) and Shelly Bay on Wellington Harbour.

Properties which the NZDF is planning to sell during the 1999-2000 financial year are: part of HMNZS *Tamaki*; part of Papakura Camp; part of Fort Dorset; Shelly Bay; a store at Weedons; the house of the Commanding Officer of 3 Land Force Group; sections at Waiouru; part of Mount John station; the Hamilton Army Hall; and the Whakatane Army Hall.

In addition, a proposal being aired is for the NZDF to sell off its housing stock and lease it back. The 588 married quarters at Waiouru, for example, have a book value of $12.061 million. It is not clear whether this is covered in the NZDF National Real Estate Review (NRER) - see below

A new review of NZDF real estate (the NRER) was commissioned from a commercial consultancy in mid-1997 and was available to the NZDF early in 1998. We feel bound to place on record the fact that the report produced has been withheld from public scrutiny for well over a year. This is not only contrary to the purposes of the Official Information Act 1982, but has also had a detrimental effect on morale amongst serving personnel because of the climate of uncertainty created by the continued secrecy. A closed session briefing to the Committee by the Minister of Defence in April 1999 revealed nothing more than has already appeared in the news media.

The fundamental flaw in the NRER process is that the long-term real estate requirements of the NZDF were examined against the defence policy set out in the 1991 and 1997 White Papers. It set out to consider the adequacy of NZDF real estate resources in relation to existing force structures and operating plans. This limits the validity of its conclusions when considered against our proposals for rationalisation and consolidation of the Maritime, Land and Air Commands into a single Joint Operational Headquarters, and in relation to other policy initiatives with domestic social and economic implications that may arise out of this *Defence Beyond 2000* inquiry.

The advantages of joint training are referred to elsewhere in this report. We see scope for rationalisation of training facilities by locating basic training of all NZDF recruits (prior to streaming them into the single services) at Burnham and Waiouru. Barrack accommodation is an efficient way of providing for basic trainees, and it allows them to become accustomed to the orderly military environment. Some $47 million has been spent on capital development projects at Burnham camp over the last ten years, the most substantial project being the Junior Ranks Barrack Blocks. Waiouru has significant advantages in developing in recruits a capacity to adapt to a more difficult, isolated and unfamiliar environment which stands them in good stead when, fully trained, they may be deployed to alien, hostile environments overseas on operational service.

In relation to later stages of training, there is an outline concept which envisages a comprehensive training facility utilising the Central Institute of Technology, the Hutt Valley Polytechnic, the Victoria University of Wellington and the repair workshops operated by Serco, a contractor to the NZDF. This would link NZDF training more closely with national qualifications framework.

Middle-ranking commissioned officer tri-service training should be brought together through setting up a joint staff college which builds on the tri-service participation in the RNZAF Command and Staff College at Whenuapai, and could be located either at Whenuapai or Trentham. There might also be scope for using the Police Staff College at Porirua. An important function of a joint staff college should be the development of a joint-service doctrine, compatible with that of our closest defence partners, but specific to New Zealand's place in the world and our own national interests.

There is undoubtedly scope for greater participation of private sector capital in the provision of new purpose-built facilities in response to emerging joint force requirements. Joint civilian-military use of airports is common overseas, and should be investigated in New Zealand. One proposal by Palmerston North Airport Limited offers the possibility of leasing options that would reduce the pressure on the NZDF for further capital expenditure. With this option, the RNZAF Orion and Hercules squadrons would be situated more centrally, with the Hercules closer to their main customer, the Army. This would mean vacating Hobsonville.

Whenuapai could once again become a joint civilian-military facility, providing Auckland with another airport for commercial operations. Notwithstanding the move of some operational-level functions from Wigram to Whenuapai in recent years, the arguments in favour of reducing personnel numbers and getting more economic value out of high-value real estate in the vicinity of Auckland, combined with the advantages of further concentration around the Ohakea-Linton-Waiouru triangle, remain strong. Nearly $63.7 million has been spent on capital development projects at Linton over the last ten years, largely on housing and barrack accommodation. Ohakea has a well appointed base commander's residence.

The provision of Defence-owned housing at Devonport, where market rentals for houses reasonably near to the naval base would not be affordable for most personnel, calls into question why the NZDF needs to occupy some of the highest priced real estate in New Zealand. The *Resource Management Review 1988* recommended against relocation of the naval base at Devonport, but circumstances have changed since then. For example, the naval dockyard has been commercialised, and the Navy is replacing its Leander class frigates with the more modern ANZAC class ships which require less maintenance and have smaller crews than their predecessors. As a result, the Navy has some 500 fewer regular force personnel than it had ten years ago.

Government practice now allows a flexible approach to the question of owning or leasing facilities that was not considered acceptable ten years ago. In these circumstances, the Government should release information that would allow informed public discussion of proposals that have already been made by groups interested in setting up a new naval base at Whangarei, Seaview (Wellington) or Picton.

We recommend that there be greater transparency in the development of proposals for further rationalisation of real estate holdings, and that a full range of proposed costed options be made available, before final decisions are made (Recommendation 21).

Under-utilised assets

There are a number of ways in which the NZDF, if operated differently, could make a greater contribution to the community without compromising its military capabilities. In some cases it is simply a matter of extracting greater value from assets which are under-utilised and which can provide services that are in short supply elsewhere in the community. We referred in our *Interim Report*, by way of example, to the Naval Hospital at Devonport, which was not permitted to provide surgery to private (fee-paying) patients, even though it had some capacity to do so. We welcome the policy changes that have since been introduced there.

Other local tasks that make use of military equipment and expertise apart from their prime military roles include using maritime air patrol aircraft and helicopters (at 2 hours' notice) and ships (at 8 hours' notice) for search and rescue missions and, occasionally, for medical evacuation.

Cost

During the 1990s, Australia has devoted considerable resources to defence capital equipment acquisition projects and infrastructure investment. Not all of this has turned out to be high quality expenditure, and it is no surprise that the Australian Government is now focusing on the need for improved project management by the Australian defence establishment (see, for example, the comments on the Collins class submarine project on page 62, under the sub-heading Block Obsolescence Likely Without A New Procurement Approach; and also the statement by the Hon. John Moore on 1 July 1999 about the Australian Government's strenuous efforts to make the defence procurement process "more flexible, responsive, innovative and efficient").

New Zealand during the 1990s put efficiency issues ahead of capital investment issues. The Australian defence rationalisation process is several years behind New Zealand's, and the ADF has been put on notice, in effect, that before their Government can consider giving them any budgetary increase, it is going to have to emulate the performance of the NZDF by achieving savings through its Defence Reform Programme.

For much of the 1990s, however, the New Zealand Government was subjected to criticism from a number of quarters, including Australia, over its allegedly lower level of defence spending. Suggestions were being made that New Zealand was not bearing its fair share of the burden of maintaining international security. This criticism, which tended to focus on the quantity rather than the quality of defence expenditure, failed to give weight to the continuing programme of infrastructure reform in the NZDF. We noted in the *Interim Report*:

> *The Treasury considers that expressing defence expenditure as a percentage of GDP is not as relevant as the quality of expenditure in relation to the outputs produced. We accept this point of view, and not least in relation to comparisons with Australian levels of defence expenditure.*

What does defence cost?

As part of the State Sector reforms, New Zealand has adopted accrual accounting standards and financial reporting based on commercial balance sheet models. Most other countries continue to use cash accounting financial management and reporting

systems. Data derived from the different accounting methods and reporting systems are not comparable. It is generally recognised, however, and the *Government Response* concedes, that the New Zealand method gives a more accurate measurement of the ***true costs*** to the country of a particular activity or policy area. We were informed by the previous CDF that the NZDF was contemplating quantifying the cost of its investment in human capital; but it has not yet made much progress in this area. Figures are available, however, for the value of the substantial investment in land, facilities and equipment for defence purposes; *e.g.*, the total GV for all buildings owned by the NZDF is $948.609 million. The exclusion of depreciation and the cost of capital from calculations about the cost of defence, as is done in the *Government Response*, is therefore all the more difficult to understand.

The best estimate of the true cost of defence has as its starting point the data provided (on an accrual accounting basis) by the NZDF in response to our request for a consolidation of MOD and NZDF expenditure for 1997-98, prepared on a GST exclusive basis. The total expenditure is $1,409,802,000. Details follow:

	Ministry of Defence $000	**New Zealand Defence Force** $000	**Total** $000
Personnel	4,162	520,372	524,534
Operating	3,379	345,414	348,793
Depreciation	468	179,956	180,424
Capital charge	174	355,877	356,051
	8,183	1,401,619	1,409,802

Total expenditure by the two organisations, including capital charge, expressed as a proportion of New Zealand's GDP for the same period (estimated at $98,480 million), gives a figure of 1.43 per cent, *exclusive* of GST.

These figures, however, do not state the ***full cost*** of defence to the national economy, if standard international criteria are used. The NATO definition of defence expenditure is a useful guide. It includes not only expenditure on defence personnel, operations and capital equipment, but also earnings-related superannuation for military and civilian personnel, as well as the cost of other defence-related agencies such as (in New Zealand's case) the Government Communications Security Bureau. Moreover many countries, including New Zealand, still carry quite significant war pensions expenditure (which, in New Zealand, is accounted for as an item separate from the superannuation which is earned by members of the armed forces for their service during peacetime).

The *Government Response*, on pages 53 to 56, leaves areas of uncertainty:

> The table on page 55 does not include payments from the old GSF, payments that flow from a liability that until the early 1990s was unfunded by the employer and must now therefore, to that extent, be paid for from consolidated Government revenue. These include lump sums and annuities. Between 1 July 1994 and 30 June 1997, 1,717 personnel received ***lump sum payments*** of up to more than $360,000 on retiring from the armed forces. The total cost of the (substantially unfunded) lump sums paid out over this period amounted to just under $300 million, which corresponds to about ***$100 million*** or 0.1 per cent of GDP annually.

The Minister responsible for the GSF Department informed Parliament in May 1998[17] that the Government does not have figures available for the cost to the Government of ***annuities*** being paid out from the armed forces sub-scheme of the old, unfunded GSF scheme. The fact that the figures are not available does not mean that the cost should be ignored, and an estimate is possible. At the time that the old GSF closed off, there were approximately 11,000 contributors to the armed forces sub-scheme, about one fifth of the total number of contributors to the GSF. Annuities paid out from the scheme at that time averaged about $10,000 per person. A figure ***approaching $100 million*** per year is suggested for the cost to the Government of annuities from the old, unfunded scheme. These annuities, like war pensions, are part of the continuing cost of defence, in terms of the standard NATO definition of defence expenditure.

The exclusion in the Government response of Government Communications Security Bureau expenditure from an assessment of the total cost of defence cannot be sustained. We excluded the New Zealand Security Intelligence Service from our reckoning in the *Interim Report* on the ground that the NZSIS is largely concerned with threats within New Zealand; but the GCSB is concerned with threats to New Zealand and New Zealand's interests from overseas no less than the NZDF and the MOD are. Moreover, the GCSB was, until the restructuring of Defence in 1990, financed from within the Vote: Ministry of Defence. The GCSB, as indicated by the Prime Minister in June 1999 in response to a parliamentary question, cooperates with Australia's Defence Signals Directorate. The argument in the *Government Response* that the GCSB is not "trained in military tactics, equipped as a military force" or does not "operate under military authority in the event of war" and is therefore not to be counted as contributing to defence expenditure is a misapplication of the NATO definition. Those criteria apply, in the context of the NATO definition of defence expenditure, to paramilitary forces such as the gendarmerie, customs service and border guards. They do not apply to civilians employed by the Government on defence work. In any event, it is highly unlikely that the GCSB would not operate under military authority in the event of war, if the way its most closely related international partners have operated in the past during wartime is any guide. The ***GCSB*** costs about ***$20 million*** per year.

In recent years, these three omissions have amounted to a sum in the vicinity of $220 million per year. The *Government Response* acknowledged an amount of over ***$100 million for war pensions***; and we note that a more recent and comprehensive figure, put forward by the Treasurer in May 1999 in the 1999/2000 Estimate for the Vote: Veterans' Affairs, which brings together the veterans-related activities of the NZDF, the Department of Internal Affairs, and the Department of Work and Income (including ongoing medical treatment, war disability pensions and veterans' pensions) is for a GST-inclusive appropriation of $191.762 million.

Adding the above figures to the $1.41 billion for NZDF/MOD expenditure indicated earlier demonstrates that the estimate of New Zealand's total annual level of defence expenditure in our Interim Report, $1.7 billion, *ie.* about 1.7 per cent is in fact a purposely low and cautious estimate.

---

[17] *New Zealand Parliamentary Debates: Question Supplement* **32** p.1146

The statement by Dr Dickens in his "Independent Review" of our *Interim Report* dated 5 March 1999, that we included GST in our calculation of the cost of defence, is incorrect. Careful scrutiny of our data shows that we did not include it.

In addition, his statement in the same paper that the *Interim Report* claims that New Zealand spends "around 2 per cent of GDP" on defence is a quotation out of context. The figure of around 2 per cent of GDP given on page 40 (not, as he wrote, page 36) of our report referred to the budgetary level in 1990.

Projected growth of defence expenditure

Was the statement in the 1997 Defence White Paper, to which attention was drawn in the *Interim Report* on page 35, that:

> *A projection over the next 18 years indicates an average annual funding increase above current funding levels in the region of $140 million*

to be taken at its face value? Dr Rolfe thought so, following an interview with the Secretary of Defence, Gerald Hensley. In his article published in the MOD publication *New Zealand Defence Quarterly*, early in 1998, Dr Rolfe wrote:

> *Over the next 18 years Defence funding is expected to increase by an average $140 million a year - a budget increase of about $2.5 billion (depending on GST status and other factors) to nearly $4.0 billion.*

Subsequently, in his 1999 book *The Armed Force of New Zealand*, Dr Rolfe repeated this understanding, adding that this spending represented

> *a compounding increase of 6 per cent annually.*

This apparent escalation of defence spending had already led the Select Committee to speculate that the statement in the White Paper might have meant something different. The *Government Response* was silent on this point.

Subsequent questioning by the Committee has elicited the following reply from the MOD:

> *The phrase "A projection over the next 18 years indicates an average annual funding increase above current funding levels in the region of $140 million..." meant to convey that the additional funding required to fund the investment plan set out in the White Paper, if averaged over 18 years, would amount to 140 million more than current funding levels in each of those 18 years.*
>
> *The actual year to year funding changes are not necessarily linear or uniform as a result of, among other things, the "lumpiness" associated with capital acquisitions. It is therefore not possible from this information to determine the defence funding level at the end of the 18 year period compared to current levels.*

It is now quite clear, if it was not earlier, that the Government has no plans to raise defence expenditure at an average rate of 6% per annum over the next 18 years, to a level of nearly $4.0 billion. This is another reason why defence spending needs to be more strictly prioritised.

Cost-effectiveness

Taking New Zealand's uniquely favourable strategic setting into account, we ask: Does what is spent on defence, compared what is spent with aid, provide better value for money? One way to answer this question is through benchmarking.

We have examined the balance between defence spending and official development assistance (ODA) amongst all of our Development Assistance Committee (DAC) partners in the OECD. For New Zealand, the ratio is 6.2 : 1. The DAC average ratio is given in the Government response as 9.1 : 1. This ratio, however, is greatly distorted by the figures for the United States. If United States defence spending and ODA are subtracted from the total DAC figures, the ratio for the remaining 20 DAC countries reduces to 5.0 : 1.

It is remarkable, in view of the uniquely benign strategic situation of New Zealand and the South Pacific (for which we have assumed special developmental responsibilities), that the balance in our case is so heavily weighted towards defence expenditure. New Zealand's ratio is in fact higher than the ratio for 15 of our 20 DAC partners: Austria (3.2 : 1), Belgium (4.1 : 1), Canada (4.3 : 1), Denmark (1.6 : 1), Finland (4.8 : 1), France (5.6 : 1), Germany (4.4 : 1), Ireland (4.3 : 1), Japan (4.3 : 1), Luxembourg (1.6 : 1), Netherlands (2.1 : 1), Norway (2.5 : 1), Spain (6.1 : 1), Sweden (2.7 : 1), and Switzerland (3.7 : 1).

We see scope for widening the terms of reference of the External Relations Ministerial Team that was announced on 21 June 1999 to include coordination, not only of "agencies carrying out operations offshore in areas such as education, immigration, and trade and investment promotion", but also development aid and defence.

We recommend examination of the balance between the allocation of resources to all the various aspects of the conduct of foreign relations, looking at the interdependencies and in terms of a strategic approach to the management of whole-of-Government priorities (Recommendation 22).

RECOMMENDATIONS

1 We recommend that New Zealand develop closer defence relations with Fiji and the French forces in the Pacific (Page 22).

2 We recommend that New Zealand develop closer defence relations with Malaysia and Singapore (Page 27).

3 We recommend that recruits undergo more extensive basic training than they receive at present, including comprehensive civil defence (including ambulance work and fire-fighting) training and training in skills applicable to peacekeeping, prior to beginning more specialised military training (Page 31).

4 We recommend that the Government investigate options for developing peacekeeping training for the NZDF and interoperability with a wider range of potential partners (Page 33).

5 We recommend that the Government amend the Defence Act 1990 to introduce provisions parallel to those set out in section 9 of the Act to cover the deployment of NZDF personnel overseas on warlike operations (Page 35).

6 We recommend that any deployments of NZDF force elements that would lead to a requirement for further appropriation should be debated in Parliament before the Government enters into a commitment to extra expenditure (Page 37).

7 We recommend that an independent forum be established to provide advice on defence and other national security matters (Page 43).

8 We recommend that the Government direct that responsibility for arranging the assessment and audit of the NZDF in relation to any function, duty or project, including the measurement of the operational preparedness and performance of the NZDF, be re-allocated to the Secretary of Defence in terms of the Defence Act 1990 (Page 44).

9 We recommend that a machinery of government review be undertaken to:

assess the current accountability arrangements for the Secretary of Defence and the Chief of Defence Force and the present balance of responsibilities and authority between the two;

assess the effectiveness of the structural changes implemented in 1989/90 including the split into two organisations;

consider the options for coordinating departmental inputs into defence and security policy; and

consider ways to enable more effective public participation in the formulation and administration of defence and security policy (Page 50).

10 We recommend that there should be no change to the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987 (Page 53).

11 We recommend that the Government adopt a stepped policy for the procurement of specialist military equipment which:

avoids the risk of subsequent block obsolescence;

takes into account likely utility in the short to medium term;

upgrades joint military capabilities to a level where they are deployable and sustainable in medium-level combat; and

maximises the potential to keep abreast with technological advances (Page 79).

12 We recommend that the naval combat review begun in June 1999 be terminated and that its terms of reference be subsumed in the terms of reference for the next Defence White Paper (Page 79).

13 We recommend that the State Services Commission review NZDF pay, allowances and other conditions of service and advise the CDF on appropriate levels (Page 81).

14 We recommend that personnel planning focus on meeting the requirements of upgraded combat capability and the need to retain a larger number of highly trained specialists to carry out likely operational tasks (Page 84).

15 We recommend that the Government:

re-examine the current policy requirement to deploy and sustain a ship for up to twelve months beyond New Zealand and South Pacific waters;

re-examine the requirement to upgrade the HMNZS Charles Upham and consider instead stepwise acquisition of two logistic support ships with more versatile delivery options than those of a roll-on/roll-off vessel; and

reassess the composition of the Navy's fleet based on a configuration of two ANZAC frigates (including the possibility of one being upgraded through a weapons improvement programme to retain compatibility with the Australian ANZAC frigates), plus two purpose-designed logistic support ships; and

take into account the criteria of:

i. affordability (including opportunity cost);

ii. the range of low-level contingencies that the Navy should always be able to address in the extensive exclusive economic zones of New Zealand, the Cook Islands, Niue, Tokelau and the Ross Dependency;

iii. likely scenarios involving a rapid New Zealand response with well equipped land forces to coalition operations; and

iv. other operations consistent with the advancement of New Zealand's national interest (Page 88).

16 We recommend that the Government maintain as its *ultimate* objective the maintenance of two mobile infantry battalion groups ready for deployment within 60 days and sustainable, to contribute to an international force for peace-support operations; and that a reconnaissance company supported by other appropriate combat and combat-support elements, trained and equipped for medium-level conflict, sustainable, with its own independent means of deployment, and fully interoperable with similar Australian forces be available at 28 days notice (Page 92).

17 We recommend that the Government provide full estimates of the cost of upgrading to F-16 C/D capability the F-16 A/B aircraft which it intends to acquire, and of the additional personnel that will be required to crew and maintain the larger F-16 fleet (Page 96).

18 We recommend that the Government address the following questions:

With regard to using either F-16s or missile-equipped Orion aircraft in the maritime strike role, what is the scale, nature and likelihood of this particular task?

In what circumstances short of war would the New Zealand Government consider sending aircraft to sink ships?

And in that event, in what circumstances would suitably armed Orions not be able to do the job? (Page 97).

19 We recommend that the Government consider equipping a minimum number of P-3 Orions with maritime strike capacity and provide the NZDF with a credible minimum attack helicopter capacity (Page 97).

20 We recommend that the government reconsider the place of the air combat force in relation to NZDF tasks on the basis of the following options:

to disband it on purely financial grounds; or

to downsize it to a fleet of not more than ten well equipped modern aircraft to retain institutional knowledge of air combat capability; or

to replace the current A4K Skyhawks with more modern combat aircraft on the basis of their capacity to contribute to the advancement of the country's national interest (including a clear statement of the scale, likelihood and nature of the circumstances in

which it would be appropriate, *in political terms*, for the strike aircraft to be used in each of their three designated roles), considered alongside other competing expenditure priorities (Page 99).

21 We recommend that there be greater transparency in the development of proposals for further rationalisation of real estate holdings, and that a full range of proposed costed options be made available, before final decisions are made (Page 103).

22 We recommend examination of the balance between the allocation of resources to all the various aspects of the conduct of foreign relations, looking at the interdependencies and in terms of a strategic approach to the management of whole-of-Government priorities (Page 108).

GOVERNMENT MEMBERS' (MINORITY) REPORT

Introduction

The FADTC (Committee) Inquiry into Defence Beyond 2000 provided New Zealand with a unique opportunity for healthy debate on the future of our defence policy. It was refreshing to see individuals and groups from all walks of life taking the opportunity to write to, or appear before, the Committee to express a wide range of views. Several of the final recommendations of the Committee are supported by the Government members and worthy of further exploration.

However, the Government members of the Committee do not agree that the defence policy direction proposed by the Select Committee in its report *Inquiry into Defence Beyond 2000* is the right one for the country. In this Government members' response we wish to make clear to the public where the main differences lie, and why. The key deficiencies in the majority report are:

- its narrowing of defence policy actually fails to match the broader strategic needs it agrees for the nation, and leads to an isolationist withdrawal from the realities of the world that our close friends and neighbours such as Australia and Singapore face up to.

- the much reduced Force Structure that the Committee advocates through removing New Zealand's air combat capability and downgrading naval combat capability, are based mainly upon unproven issues of cost, and again fail to meet the broad strategic needs it agrees for the nation.

During the course of the Inquiry, Government members have introduced a clear chain of logic into the debate on the defence needs of New Zealand beyond 2000. A nation's defence policy should flow from an assessment of its security interests and international obligations against the current and predicted external security situation. The policy should align with those of its friends and allies to help ensure regional peace and stability. The shape of a Defence Force, and subsequently the equipment it employs, flows from the national security outcomes and defence policy; **not** the other way around.

The Committee process has also unfortunately been overly focused on the structure of New Zealand's Defence Force, its suitability for peacekeeping or civil defence duties, and in particular on what equipment it employs. The debate has too often narrowly focused on whether the nation should have a third ANZAC class frigate, or whether an Air Combat Force is affordable if F-16 aircraft replace the A4K Skyhawks. This is putting the cart before the horse.

The Government is committed to a balanced defence force that will provide a range of options to meet foreign policy, security and defence requirements as they arise. The major flaw in the majority report is that, if adopted, its policy proposals would unnecessarily limit the options available. The majority members argue a case on a basis of affordability. Government members believe, however, that this emphasis is based less upon affordability (which includes consequences) and more upon unproven speculation of cost in pure dollar terms, leading down a wrong path. New Zealand already contributes less to defence as a percentage of GDP than Australia,

Singapore, the United States and other friends. We can afford a defence policy based on the world around us, if we choose to do so as a nation.

Government members believe that the present selective balance in our defence force capabilities is both affordable and wise. New Zealand is able to afford a two battalion infantry-based army as proposed in *Army 2005*. It can afford a combat capable navy of three or four surface combat ships and a military sealift capability. And it can afford an air force able to undertake strategic transport, maritime surveillance and air combat. All are set out in the 1997 Defence Assessment.

Of concern, the Committee has displayed a disproportionate focus on the popular tasks of peacekeeping and civil defence, as opposed to the real business of a Defence Force; that being preparedness for conflict; albeit less popular and vote catching. In an early version of its report the Committee rated peacekeeping above the protection of New Zealand's interests and its direct defence which the Government members found disconcerting.

The word ***niche*** is now a conspicuous omission from the Committee's interim report. Nevertheless each of the conclusions and policy emphases that flowed from the notion of niche forces appears unaltered, leading New Zealand down the path towards what has been termed a ***niche Defence Force***; in effect a larger army tailored to a smaller number of tasks supported by a small coastguard navy and air transport service. Virtually no conflict is won without ground forces, the majority of modern wars are fought by a joint force strategy, with air and sea phases preceding and supporting any ground phase. Air and Sea combat power is more - not less - important today, particularly in support of ground forces.

The Government believes that world events on a daily basis such as the Kosovo conflict or the Gulf War should dispel such an idea to even the most untrained of observers. The role of attack helicopters in Kosovo was non-existent, while strike attack aircraft were essential.

The niche concept of reducing combat capability also conflicts with recognition by all members of the Committee that modern military operations require the combat elements of each armed service to work closely and efficiently together in a joint force structure. More importantly, today's war-fighting or peace-making forces are made up of a coalition of like minded nations, often under United Nations sanction or leadership, and require the highest level of preparedness for combat plus equipment and procedures that are interoperable.

Most individuals agree with the premise that they cannot foretell the future, and rather than rely on a crystal ball, choose to have insurance against untoward events. Similarly, any New Zealand Government is unable to foretell the future defence needs of our nation; not many foresaw the collapse of the Berlin Wall or the Asian Economic crisis. What will a well trained army, no matter how capable, be to us if the next conflict is a maritime one and we have relinquished our Naval Combat Force? Should we leave ourselves totally dependent, some would say to bludge, upon the goodwill of our neighbours and allies for our future security?

It is for all these reasons that, whilst the Government members applaud some of the outcomes of the Inquiry, we strongly disagree with the Committee's recommendations to disband or downgrade the air combat force based upon financial grounds, and to reassess the composition of the Navy's combat fleet and essentially downgrade it to two ANZAC frigates.

It will be a poor outcome for New Zealand if fallacious financial considerations are allowed to be the driving force behind the future shape of our nation's Defence Policy and its Defence Force.

Security Requirements

Global

Government members agree with the Committee's listing of national security outcomes; a secure New Zealand, stable South Pacific region, a strong relationship with Australia, a role in the SE and NE Asia regions, and a global approach to collective security and the international community. They are, after all, inherent in the Government's current defence policy.

Government members agree there is no immediate threat to New Zealand. Where we disagree is over what defence capabilities New Zealand should possess against an uncertain future.

The absence of an immediate direct military threat to New Zealand's security should not in itself be the main determinant of New Zealand's defence requirements. While the final report now takes this into account, it nevertheless continues to emphasise low-level threats to New Zealand security as the predominant risk. New Zealand needs to take a longer term view of its defence requirements.

Global security is an overall goal for most countries, and New Zealand, given its size and relative influence in world affairs, has a natural interest in a peaceful and cooperative world order. New Zealand puts a lot of effort towards many aspects of global security through its work on disarmament, peace-support, environmental, humanitarian and human rights issues. The Defence Force has an important contribution to make in many of these areas. We cannot, as suggested by the majority members, rely solely upon regional cooperation and dialogue to ensure our national security.

There will be severely degraded cooperation if others see New Zealand as being unwilling to play our part in defence and security cooperation in the region close to us.

New Zealand's immediate security interests are determined by what is happening in the regions of greatest importance to it. Our economic well-being depends on political and military stability in the regions of the world where we trade. The dynamic of the security situation in those regions, and in the Asia-Pacific region in particular, must be taken into account when planning our defence strategies.

Government members do not believe that New Zealand's interests would be best served by a narrow focus on *"collective defence and peace-keeping"* as described in the majority members report. New Zealand's contributions to multilateral and other peace-keeping operations are recognised and appreciated by others, but such operations are only one aspect of defence cooperation. In some instances, areas where New Zealand can offer to cooperate with its friends and allies extend well beyond the ambit of peace-keeping as generally understood (New Zealand's preparedness to assist in the Gulf, for example).

International Perceptions

Whilst New Zealand's foreign and defence policies are ours to set and represent where we wish to position ourselves as a nation, they cannot be developed in a vacuum that is heedless of our international relationships. Of significant importance to foreign policy and defence planners is how New Zealand is perceived internationally in its efforts to promote regional stability. Unfortunately the Committee's

report does not give enough emphasis to this aspect of foreign policy, and also divorces capability retention from this overall picture.

If there is any doubt about how others would see us if we were to move from our present policy stance, it is set out in the reference text **Asia Pacific Security Outlook 1999,** sponsored by the ASEAN Institute for Strategic and International Studies. This states in part about New Zealand's defence policy debate:

On **foreign policy**;

> *".... In the debate over frigates and fighters, the peace movement and the Labour Party have advocated the disarmament of the Royal New Zealand Navy and Royal New Zealand Air Force and the adoption of an essentially* ***isolationist*** *approach, moving away from the concept of collective defence of the country's external interests and towards a focus on the Southwest Pacific and New Zealand. This view is championed in a report of the* ***Parliamentary Select Committee for Foreign Affairs, Defence and Trade****, expected to be released early in 1999...."*

On **relations with Australia**;

> *"..... Nevertheless, should New Zealand renege on its decision to acquire F-16s and should it ultimately not purchase a third frigate, the wider Australia-New Zealand relationship will almost certainly be undermined..."*

An effective commitment to the security of our region requires both an effective airborne and seaborne maritime force. New Zealand has responsibilities reaching as far south as the Antarctic. The guarantees of international conventions have to be able to be enforced by military forces, should the need ever arise. As a nation surrounded by the fourth largest EEZ in the world and dependent for 40% of our income on trade via the sea, it should be self evident to all that New Zealand needs a blue water combat capable navy.

The report would have us believe that through regular threat assessment New Zealand can effectively dispense with or downgrade air and sea combat capabilities but still be ready to cope with changing threats to our nation's security if they arise. This is a dangerous view and would be seen by our allies as somewhat isolationist and naive. It is a fact that the majority of the world's nations recognise that you cannot simply buy a defence capability when you need it the most. Whilst a major threat to global security takes time to eventuate, security situations necessitating a response can develop rapidly in today's open global environment; witness for example the speed of the Gulf War. Once a threat has emerged, or the fighting has begun, it is too late to attempt to recruit, train and equip an air or naval combat force, or perhaps even purchase equipment and munitions in a market where everyone else is after the same.

This kind of misguided approach was behind the horrendous loss of human life at the start of WWII when New Zealand sent ill-trained and poorly equipped servicemen to their deaths because Government at the time was not willing to pay to upkeep a flexible set of defence options. We should not be condemned to repeat the mistakes of history.

Australia

Our most important defence relationship is with our neighbour Australia, yet the report does nothing to enhance this relationship. It does quite the opposite. Government members are concerned that the direction of the report takes New Zealand away from pulling its full weight in the combined defence burden for the security of our region.

What should be clarified is that regarding New Zealand and Australia as constituting a single strategic entity is not intended to mean identical defence policies nor identical strategic assessments, but rather cooperation in preparing to meet potential common threats (as a threat against Australia will also constitute a threat against New Zealand).

Asia

The report acknowledges the importance of the Asian region to New Zealand's economic survival, but concludes that New Zealand should only be involved in preventative diplomacy and regional confidence building because our military resources are financially limited. Government members disagree with this approach. Whilst acknowledging the value of preventative diplomacy, Government members view NZDF personnel and assets as visible signs of the nation's willingness and commitment to assist in promoting stability in the Asia-Pacific region, and many times per year our ships, aircraft and personnel deploy on training and goodwill visits throughout the region. The adages *talk is cheap* and *actions speak louder than words* are appropriate, and our friends with whom we trade accord us some degree of importance because of our demonstrated commitment to regional security.

The discourse on strategic setting establishes quite clearly that the policy line should be outward-looking and, in security terms, should attend to the country's interests. That said, the paper then contradicts this approach by including an argument to say that New Zealand should not even engage in the region, for fear of offending someone and because anything that we might do could not be decisive anyway.

United States

In the last several years, New Zealand forces have been deployed alongside United States forces. It is axiomatic that as you train, so shall you fight. Quite clearly, a closer relationship with United States forces is extremely important in maintaining top line military capability in our forces and if we are to be effective partners in military operations, ways need to be found to enable New Zealand and United States forces to train together.

In the case of relations with the US, recent Government defence procurement decisions are seen by the US Government as an indication that New Zealand is committed to maintaining capability to inter-operate and contribute to collective security arrangements. The Government's recent success in rebuilding the military relationship with the United States are of crucial importance in this and other respects, and are to be commended. We look forward to continuing improvement in the relationship, to the mutual advantage of the forces of both countries.

The report argues that New Zealand should participate alongside the United States as the Asia-Pacific region's pre-eminent military power "*.... to protect the collective interests of like-minded countries in areas of common concern,"* yet the same report seeks to remove key air and sea combat force elements that typically form vital roles in any coalition force and limit our Defence Force almost exclusively to land operations.

Not only is there a practical problem with removing force elements that should be offered to coalition partners if needed, but if we have not retained the right elements for the particular type of conflict then there arises a sovereignty issue in that New Zealand becomes entirely beholden to its allies for security. Once again the Government members see a need for a flexible, combat ready Defence Force, not one that is narrowly focused around the Army and therefore restricted in ability. Whilst our allies and friends do value our contributions to peacekeeping, they are in no doubt that this role is subservient to the need for combat readiness and expect us to understand this fundamental principle of defence policy.

For all these reasons, Government members believe New Zealand should remain committed to a sensibly balanced, flexible Defence Force which can make a meaningful contribution to security in our region in concert with our allies and friends, and as a by-product, perform international peacekeeping, search and rescue and disaster relief. Balanced means having combat capabilities in all three services, trained, equipped and maintained at an affordable level of readiness.

Force Structure and Balance

The report criticises *"The traditional approach of trying to prepare for the widest possible range of military contingencies ...."*; and asserts that the NZDF is too broad in capability and is therefore spread too thinly to be effective. This is simply not true. As just one example of many, in only the air force spectrum, New Zealand does not possess the capabilities of a fighter fleet, reconnaissance aircraft, unmanned aerial vehicles, beyond visual range missiles, airborne electronic warning, air defence guns, air-to air refuelling, air defence systems etc. A quick look at the ORBAT (Order of Battle, capability listing) in the 1998-99 Asian Defence Journal yearbook reveals that our capabilities are indeed very limited in comparison to our regional neighbours.

The Committee's conclusion appears to be that we need to further narrow the focus of the New Zealand Defence Force in order to be effective. We take sharp issue with this faulty premise.

The NZ Defence Force is a diverse organisation and to achieve strength in diversity structural balance is important. The 1997 White paper refers to balance as "careful choice of the range of capabilities and the depth to which they are maintained." A balanced force involves the capability options provided by navy, army and air force elements.

Government members find it inconsistent that an analysis acknowledging our widespread global interests, a regional subset of interests within it and a local subset within that, should propose that our defence needs will be satisfied by an orientation to only land operations. Our commitments to possible regional military operations would be considerably limited. An army with global responsibilities but a navy incapable of effective deployment in a hostile environment and an air force without a combat capability would be unable to fulfill the necessary range of tasks. A clear mismatch between our sovereign defence responsibilities and our usefulness to our friends and allies would result.

Government members have no argument with the Committee's conclusion that the Army in particular needs urgent attention and resource. The Government recognised this in 1997 and is implementing a comprehensive $500 million programme to mend the shortcomings. In no way, however, do Government members accept the idea that this need be done at the expense of the combat capabilities of the Navy and the Air Force. There would be a grave risk that future generations would again face a national defence crisis unprepared. Government members consider it necessary that the NZDF should continue in its present balance with a deployable operational army, a blue-water frigate-based navy and an air force with a sound combat capability. This is more than a necessity in our view; it is an obligation to the future.

A “Niche Defence Force"

The niche force concept which underlay the interim report remains in all but name in the final report. The emphasis by the majority of placing most of New Zealand’s combat capability in the Army will severely reduce the range of options available to government.

Recent experience, particularly in Kosovo, demonstrates the importance of air power. The majority proposal to eliminate combat air power at the very time when its importance is increasing will be seen as a backward step. Not only does it reduce options available to government, but it will also make it impossible for the Army and Navy to retain knowledge of modern military doctrine. Most operations, whether combat or peacekeeping, require forces to work closely with each other. This is particularly true of modern land operations which invariably rely on the close co-operation of land and air forces.

The government members support a balanced force because it ensures, first that a range of options will be available to government, and second that each part of the armed forces will have a full understanding of joint force operations.

Bad Examples

Some of the examples given to support various claims made throughout the paper are ill chosen, demonstrably wrong or highly arguable. Still others do not support the contention being made, but rather its opposite.

For instance, the examples chosen to illustrate the contention that New Zealand is not a strategic entity with Australia are particularly unfortunate because what they actually do is prove the opposite. It simply cannot be said that the examples chosen of Kuwait and Ireland are not in strategic entity with their geographical settings. In fact, in the case of Kuwait, a major war has been fought to defend Kuwait's right to independence within the strategic entity of which it is a part. Ireland's claimed political neutrality within the strategic entity of the British Isles has brought it advantages that could not have been sustained were it not part of such a strategic entity.

Peace-support and Civil Defence

Government members are in agreement with the Committee on the requirement for the NZDF to be skilled and capable in peace-support operations, and only differ on its relative position within defence prioritisation. We applaud the Committee’s acknowledgment that peace-support training and exercising is not a substitute for conventional military skills, and that peacekeeping is no soft option. Rightly, there is widespread public support for the prevention of conflict by diplomacy. The unfortunate reality is that diplomacy is not always successful, and that whilst peacekeepers require mediation and negotiation skills, they first need to be trained to combat level in order to perform effectively.

The Committee’s recommendations to increase peace-support training for recruits, and investigate peace-support training with international partners, whilst laudable in sentiment, are not borne out by reality. The report does not establish that the current training practices are deficient and by all accounts the field performance of New Zealand peacekeepers, both individually and collectively, is outstandingly good. On occasion the United Nations has made specific requests of New Zealand for that reason. The report’s aims are already de-facto Government policy and met by current NZDF practices.

Regarding civil defence support by the military, much the same applies. The characteristics that the military can bring to community civil defence efforts stem from a disciplined contribution of manpower, machinery and skills. Civil Defence training given before individual and group skills have been acquired, and before the habits of disciplined approach are learned, would have no basis and be wasted

effort. The NZDF has always responded capably to civil defence tasks when called upon and the report gives no evidence otherwise. Once again the unfortunate tendency is for the report to place undue emphasis on a more popular Defence Force secondary task at the expense of its primary function of combat capability.

Defence Policy Formulation

Government members fully agree that defence policy advice should be as transparent and open as possible (within the bounds of national security). We also agree that several sources of input such as that of the Ministry of Foreign Affairs are essential. It was, and still is, the Government's contention that this situation is largely the case already and that there is no need for an additional layer of bureaucracy such as a National Advisory Committee to be established.

The majority report also ignores recent development of the team approach within Ministerial portfolio organisation; specifically the new External Relations Ministerial Team of ten Ministers including Foreign Affairs, Defence and Trade which considers and directs policy in the broader national interest.

Military Capabilities

Revolution In Military Affairs & Technology

The Report dwells upon military trends including the Revolution in Military Affairs, which is pleasing to see. Government members are not convinced, however, that criticism of Defence Force attitudes to the RMA is deserved. The majority members report incorrectly and unfairly states that *"our forces are largely unacquainted with leading edge military technology"* and fails to acknowledge the role that computer simulation, war-gaming and technology has assumed in the NZDF, let alone recognising the existence of the Defence Science and Research Establishment and the roles of the Development Branches of each of the three services.

Government members believe the current defence leadership to be more acutely aware of the RMA and its implications than the Committee acknowledges. We also note that with limited financial resources the NZDF will not be involved in the expensive research, development and testing of such trends, but as a user of new technology must reduce its exposure to risk by carefully selecting fully developed, proven products.

Deliverable Capability

It is disappointing, that following more than two years of inquiry, the report fails to acknowledge the major reforms carried out by the NZDF over the last five years, including the Defence Management Review which is currently saving circa $20m per annum from such initiatives as commercialisation of catering, contracting out aircraft maintenance etc. The report cites the Australian Defence Efficiency Review, which is well behind where the NZDF is, but sadly fails to give the NZDF due recognition.

Setting Priorities

Once again, Government members find fault in the Committee's logic that because of a perception that funding has been insufficient to ensure a range of effective capabilities, then the capabilities need re-assessing. If Government expects certain security outcomes to meet strategic realities, and therefore requires a range of capabilities, then appropriate funding must be put in place.

It is contradictory for the Committee to strongly support the concept of Joint Force operations in one section of the report, yet seeks to prioritise these joint components because of funding shortfalls. If the

whole is required for an effective Joint Force, then Government members argue that prioritisation based solely upon funding restraints is inappropriate and that all composite capabilities should be funded.

Changes in Thinking

Equipment Fit: The NZDF recognises that the world's major powers have generally moved away from applying the *fitted for but not with* philosophy to military equipment, and has followed suit; witness the fitting of the Phalanx Close in weapons Systems to the ANZAC frigates. The majority members report fails to acknowledge this change in NZDF approach.

Joint Force Approach and Review of Headquarters

Rationalisation

The Committee has stated that it does not advocate combining the three services, but seeks to economise via combining staff headquarters, operations headquarters, pursuing joint recruiting and where possible joint training. Joint recruiting and initial recruit training are flawed concepts as each service requires unique personnel attributes and skills. However, the NZDF should be encouraged to continue reviewing logistics support functions and other forms of training with the on-going aim of rationalisation between the services wherever possible.

Without doubt, more attention is required on the part of the NZDF in developing a joint force approach. Government members believe, however, that the present professional leadership of the NZDF is seized of the matter and intends to proceed firmly. Operational effectiveness improvements will result and some efficiencies will also accrue. That said, we doubt that the expectations of resulting absolute savings which thread through the Report are realistic.

In addition, Government members do not believe that a Parliamentary Committee has the necessary detailed military knowledge and skill to attempt to define the exact structure of our military command chain as the report attempts. That process is best achieved by military experts, to be subsequently reviewed and approved by Government.

Procurement Prioritisation

Government members agree with the Committee that an appearance of division has been created in the public arena, by the existence of single service Development Branches and perceptions portrayed in the media of in-fighting between the services over capital funding. NZDF and the Ministry of Defence should be encouraged to seek rationalisation in this area and project a clearer, more unified approach.

Naval Forces

Naval Combat Force

The Committee effectively recommends dropping from a three frigate navy to a two vessel Naval Combat Force following the decommissioning of *HMNZS Canterbury* in 2004/5 (or earlier, condition dependent). Government members strongly disagree.

In simple terms, to drop to two frigates removes the nation’s ability to deploy a vessel at a distance from New Zealand for a sustained period. Ship maintenance, crew rest periods, training and crew work-up phases all combine in a proven *critical mass argument* to determine the numbers of ships required to perform any given task. To deploy at least one vessel internationally at all times requires a four ship navy. It can be partly achieved with three, but is not physically achievable with two. The report’s

recommendation to downgrade the Royal New Zealand Navy is unfortunate, and completely at odds with its laudable theme that New Zealand should play its part on the international scene.

A two ship navy would effectively remove our ability to support our friends and allies and leave us with a one-shot navy, capable only of a single short international deployment. Our navy will be seen as having been relegated from blue water status to that of a coastguard.

Government has commissioned a study into the shape of the Naval Combat Force and its outcome should be awaited prior to any decisions being made on the replacement for *HMNZS Canterbury*.

Naval Support Force

Government members fully agree with the Committee on the need for a Military Sealift Ship (MSS). Government members do not however support the argument for two such ships and the Committee provided no empirical evidence that utilisation rates would justify such a seemingly random recommendation.

In August 2000 *HMNZS Charles Upham* will return from charter, be modified for use by early 2001, and, for the total cost of under $50 million, will provide at least 15 years service. Treasury has undertaken an analysis of the process and concluded that proceeding with the conversion is more economical than purchasing a new military sealift ship.

Government members await details of the Committee's view that a purpose built versatile ice strengthened logistics and combat support vessel can be purchased for circa $55m given that similarly specified ships are costing regional navies in the order of between $100 and $250 million.

Land Forces

Government members agree that the development of a well equipped motorised infantry force is the top priority in the re-equipment of the NZDF. We applaud the development of capabilities as outlined in the *Army 2005/2015* plan by the Chief of General Staff to the Committee. Concepts of rapid movement, integrated firepower, organic reconnaissance, surveillance and targeting assets will lead to a cutting edge NZ Army. The Government is determined to resource that new army properly, both Regular and Territorial Force.

Government has already approved this policy and approved in principle much of the targeted $500 million for funding army projects that have been specified to date. A list of the current purchases is illustrative of the commitment shown by the Government;

- Armoured Vehicles: 102 new Infantry Mobility and Fire Support Vehicles,
- Light Operational Vehicle,
- Mobile Tactical Communications (radios),
- Very Low Level Air Defence weapons,
- Medium Range Anti-Armour weapons,
- Support Weapons (Heavy Machine Guns),
- Support Weapons (Automatic Grenade Launchers).

The only comment we could make is that the timeframe for some of the purchases is quite long. The reality is that the Army need the capability of the Army of 2005 now. We urge the Government to examine whether it would be possible to shorten the time of acquisition. The time that it has taken for the Army to decide on the vehicles to replace the M113 Armoured Personnel Carriers and Scorpion vehicles is unfortunately suprisingly long.

In terms of Land Forces, the difference between the majority and the minority can be seen as regards the excessive trust placed in the utility of the Army. No matter how well equipped it is, either for peace keeping or combat, there will be occasions when it is simply not the right option.

Air Combat Force

In its analysis of military trends the Report makes a mistake, in our view, in underestimating the importance of air combat power. The recent Kosovo operation, and to a certain extent the Gulf War, provide the illustration. In both cases a major concern of the powers involved wa allied casualties. The extraordinary extent of the air action against Iraq before launching the ground assault was an expression of this. /the tactic in Kosovo took it a stage beyond and there is now a widespread expectation that ground troops should not be committed to hostilities until air power has cleared the way.

The committee even suggested that sufficient air combat power might be conferred by armed attack helicopters. The United States did deploy Apache machines to the Kosovo region, but they were not used for exactly the same reason the ground troops were not used in the first instance. The risk in the prevailing ground and low altitude air environment was too high, and could only be countered by aircraft like F-16s.

When the Committee did seriously examine air power requirements, the pervasive anti-combat rationale varied from supporting attack helicopters over fighter aircraft in the belief they could also be used in civil defence roles, through to concern that New Zealand should not possess fighter aircraft as they would have a negative social, economic and environmental effect if ever used in combat over fragile Pacific Island communities. Government members do not support this flawed logic.

Government members view retention of an Air Combat capability as essential to provide future Governments with policy options for meeting a wide spectrum of New Zealand's security requirements. These include protection of our maritime approaches, making an appropriate contribution to our defence relationship with Australia, and promoting and enhancing regional and global security and co-operation.

Government members view the lease of F-16 aircraft to replace the Skyhawk fleet as a sound decision, both in military and economic terms. We would further encourage the Government to accelerate equipping of the F-16s with additional combat necessary capabilities, such as a limited number of targeting pods, so that training for operational readiness can commence immediately following aircraft introduction to service.

The Cost of Defence

Although the Report rightly points to the significant cost of modern defence equipment, nowhere does it establish that the cost is unaffordable. It makes no attempt to achieve a balance between cost and affordability in the light of strategic intent and the cost of failing to provide adequately for security in an uncertain world.

In its assertions that Defence funding is already too high and around 1.7% of GDP, the committee seeks to erroneously include $365 million in Capital Charge (money not issued physically to Defence), $20 million for the Government Communications and Security Bureau (which services many Government departments and is not an arm of the Defence Force), and $100 million in War pensions completely unrelated to current Defence Force activities.

As with any statistics the conclusions can reveal whatever the author desires. Government members simply contend that, for the purposes of comparison with other countries, using the standard NATO definition as set out in the recognised publication **The Military Balance**, New Zealand's defence expenditure was 1.18% of GDP in 1996 and 1.2% in 1997.

Throughout the report the committee states that the upgrade of the Army, purchase of a third ANZAC class frigate, F-16 aircraft, and C-130J Hercules are not mutually affordable and consequently New Zealand needs to re-define its defence policy. Not only is this logic flawed, but no evidence is given beyond a simple statement that "*this is treasury's view*". The defence capital plan has not been examined. Financial issues such as land rationalisation sales and lease of equipment have not been considered in detail by the committee, yet it makes damning statements about the affordability of defence.

The committee's attempt to benchmark defence outputs against those of Overseas Development Aid could be seen as somewhat offensive. The committee once again have missed the point that the NZDF exists to provide combat capability if necessary in defence of New Zealand and its interests.

Government members believe that the present selective balance in our Defence Force capabilities is both affordable and wise. New Zealand is able to afford a two battalion infantry-based army as proposed in Army 2005. It can afford a combat capable Navy of three or four surface combat ships and a military sealift capability. And it can afford an Air Force able to undertake strategic transport, maritime surveillance and air combat.

Government members believe that there is a price to pay for a nation's defence. The price of not being prepared is even higher; New Zealanders ignore this at their peril.

Summary

Whilst much of the majority report is laudable, on the critical issue of defence capabilities there is no consensus in the report. The sharp difference between the minority members and the majority is that we believe a balanced force is essential to New Zealand's long term security needs. Recent history clearly demonstrates the necessity of embedding combat capability in each of the three services. A focus on the Army, no matter how well equipped, to the exclusion of retaining combat capability in the Navy and the Air Force, will drastically reduce the options available to government.

Government members believe that we should not compromise the security of future generations of New Zealanders.

Recommendations: Agreement.

The Government members agree with the following Committee report recommendations, with any limited reservations as specified, or note that some of these are already current Government policy and under action.

Recommendation 1: That New Zealand develop closer defence relations with Fiji and the French forces in the Pacific.

Government members agree this is a worthy aim given our joint Pacific interests. In effect, the increasing defence and foreign affairs contacts at both formal and informal levels (referred to in the report) are encompassed.

Recommendation 2: That New Zealand develop closer defence relations with Malaysia and Singapore.

Once again, Government members agree this is a laudable aim given our joint regional interests and both Malaysia and Singapore's determination to see a stable, prosperous regional environment. Members note that current formal Defence Co-ordinating Group (DCG) meetings, bilateral exercises

and personnel exchanges ensure this aim is accomplished. Government members also note that warm, close relations with these nations have been in effect for many years under the terms of the Five Power Defence Arrangement (FPDA).

Recommendation 3: That there be no change to the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987.

This is already current Government policy.

Recommendation 9: NZDF personnel planning and retention should be focused to meet the requirements of combat capability.

This is already current government policy. This recommendation stems from the Committee's genuine concerns over the current shortages of specialist NZDF personnel. Government members note that the development and retention of specialist personnel will always be subject to market forces. NZDF management is well aware of the shortfalls and has embarked on several initiatives under programmes such as Service 21 to redress this problem with a "tail to teeth" focus.

Recommendation 8: Transfer evaluation of operational preparedness to the Ministry of Defence.

Government members believe that evaluating military operational preparedness simply cannot be done by civilian staff and should the function devolve to the Ministry of Defence, without question military personnel will need to be seconded there to carry it out. The existing arrangement under the Memorandum of Arrangement currently achieves the purpose consistent with the Defence Act. However, we see merit in reviewing its location and control and therefore support a review of the operational assessment function.

Recommendation 16: Government to provide full costs of F-16 programme, including upgrade to F-16 C/D status.

This has already been provided under Official Information Act requests for all cabinet papers on the F-16 lease. Initial project capital, lease, and operating costs were provided to the Committee in the Government's response to the interim report, or were released to the public following last November's defence procurement announcements. It is expected that further transparency will be provided to the F-16 programme as the Government receives full cost data and approves expenditure. Majority members are incorrect in their statements on F-16 upgrades. There has never been any Government or NZDF intention to upgrade the New Zealand F-16 A/Bs to C/D models, which would be technically difficult, highly expensive and without defined need. As publicised, the F-16 A/B models will eventually receive a planned mid life upgrade (MLU), provision for which was included into the NZDF Capital plan.

Recommendation 23: Government to examine the balance of resources afforded to Defnece in context with whole of Government foreign relations policies.

This is already government policy. Government members agree that any review of defence policy must take account of all foreign policy interdependencies. The established, proven and legislated format for such a review is within the framework of a national defence Assessment which should be carried out during 2000.

Recommendations: Disagreement.

The Government members disagree with the following Committee report recommendations:

Recommendation 3: NZDF recruits to receive more civil defence and peacekeeping training prior to military training.

Government members believe that the existing NZDF training and employment regimes provide personnel capable of meeting the peace support operations and civil defence tasks. The Committee gave no example of where the NZDF has ever failed to assist in civil defence tasks, or where its peace support personnel failed in their duties due to a lack of preparation and training. Government members also note that current changes to the structure of the Territorial Force will further enhance community linkages and civil defence preparedness. The committee has failed to recognise that civil defence and peace support tasks are by-products of a well trained and equipped combat capable New Zealand Defence Force, not the reason for its existence.

Recommendation 4: Develop peacekeeping training and interoperability with a wider range of partners.

Government members believe that current peace support pre-deployment training meets United Nations and coalition needs. We also note that whilst the NZDF already works with wide range of nations to improve its interoperability, it is constantly seeking new partners and training opportunities in recognition of the increased levels of peace support tasking. Once again the Committee gave no evidence of a failure in the existing procedures.

Recommendations 5 & 6: Amend the Defence Act 1990 to require a whole of House of Representatives approval before approving operational deployments of NZDF personnel and for approval of associated expenditure.

Such a move would likely end in paralysis of any government at a time when decisive action is most often required. Political consensus prior to operational deployment is not common practice internationally. Government has always reserved the executive authority to commit forces to war or warlike action, along with the necessary financial appropriations, and will continue to do so.

Recommendation 7: Government to establish an Advisory Committee on National Security

Government already receives an extremely wide range of advice from many internal and independent external sources from which to assess national security issues as a core government function. Additional committees are not required.

Recommendation 10: Adopt a stepped procurement policy to avoid block obsolescence.

The stepped purchasing favoured by the committee is not supported by the Government members, nor is it common commercial or military practice internationally. Operating several different variants or models of an equipment type and progressively calling for repeated updates costs vastly more than buying in economies of scale. The way to overcome block obsolescence is simply to ensure that capital funding streams match equipment replacement programmes. This was not done correctly in the defence portfolio in the 1980's.

Recommendation 11: Cancel the Naval Combat Study and subsume it within the next Defence Assessment.

At the end of 1998 the Government undertook to research all options for a replacement for HMNZS Canterbury when it is retired in 2004/2005. As lad times on ship replacement programmes are in order of years, the NCS was initiated and should not be delayed. The NCS is broad in scope and should continue, if for no other reason than to eventually become a subset of the next defence assessment.

Recommendation 12: State Service Commission to review NZDF pay and conditions of service.

The Chief of Defence Force is required in law to set proper conditions. Adequate legal authorities and the machinery already exist for the State Service Commission to participate in the processes (Defence Act S.45). Recent and ongoing conditions of service initiatives now need time to mature.

Recommendation 14: Conduct a Machinery of Government study into effectiveness of the current NZDF and Ministry of Defence Structure.

In the 10 years since the split of responsibilities between NZDF and MoD, as legislated for under the Defence Act 1990, the two organisations have continued to reviewed their structure and efficiency. The NZDF Defence Management Review has removed headquarters units and realised significant savings and efficiency gains. Government members believe there is merit in continued internal review of the effectiveness of the structure, with particular focus on such areas as policy development, audit and evaluation, and corporate and support services. No unique study is required as continual review is the responsibility of respective Chief Executives.

Recommendation 15: Convert once company of each battalion to a reconnaissance unit, maintained at 28 days notice for medium level conflict interoperable with Australia, and maintain one battalion at 60 days notice for peacekeeping duties.

Government members disagree with the Committee's attempt to define specific military force preparedness levels without any detailed military knowledge or review of the employment tasks, concepts, threat etc. For the record:

- The need for increased reconnaissance assets is being studied, as outlined by the Chief of General Staff to the Committee in the Army 2005 concept, which is now government policy.
- All NZDF equipment acquisition specifications formally include consideration of interoperability with Australian Forces.
- Peace-support operations are by-products of the Army's capability and readiness to perform its real roles of: Defence of New Zealand, Collective Regional Security, Protection of New Zealand's interests, UN assistance, and Aid to the Civil Power. They are not the defining rationale for equipping and maintaining battalion level forces.
- Degrees of Notice (DON) are, understandably, kept classified. However Government members understand that the 28 day and 60 day standards are likely to be being met, or exceeded already.

Recommendation 17: Replace the Air Combat strike force with well [Harpoon?] missile equipped Orion Aircraft for the unlikely event of maritime strike.

Any decision to conduct a maritime strike operation is one for the Government of the day. As no-one can predict the future, New Zealand should maintain a flexible Defence Force for a range of possibilities, particularly including maritime strike, given that we are a remote island nation dependent upon sea trade for economic survival. The Committee has done itself a disservice by implying that Orion maritime patrol/anti-submarine warfare aircraft are air combat aircraft to be employed in the roles of ground support and interdiction; they are not. Orions typically employ stand-off weapons for maritime strike (anti surface and anti submarine) or perform aerial command and control functions at a distance from the threat until it can be neutralised. Combat aircraft like Skyhawks and F-16s support ground forces (close air support) and carry out precision air strikes into unfriendly territory (interdiction). The Committee was provided with the comprehensive Air Combat Study chaired by Sir Wilson Whineray against which this recommendation is completely incongruous.

Recommendation 18: Replace the Air Combat strike force with missile equipped Orion aircraft and attack helicopters.

Refer Recommendation 17. Attack helicopters can only perform the close air support role, not maritime strike or interdiction. Compared to combat aircraft they are limited in range and function, and vulnerable as demonstrated in Kosovo. Inclusion of a recommendation to employ attack helicopters

again does the committee a disservice and shows a lack of understanding of air power and that the Air Combat Study was not fully comprehended.

Recommendation 19: Disband or downgrade the Air Combat Force because it is too expensive.

An Air Combat capability is essential to provide future governments with policy options for meeting a wide spectrum of New Zealand's security requirements including protection of our maritime approaches, making an appropriate contribution to our defence relationship with Australia and promoting and enhancing regional and global security and cooperation. Government members acknowledge that New Zealand faces a financial challenge to re-equip its Defence Force as block obsolescence of major assets occurs. However, financial constraints are not a valid reason for changing national defence policy and force structure. The overall cost of F-16s is about the same, or a little higher than for Skyhawks, so the argument is specious.

Recommendation 20: Effectively downgrade the Naval Combat force to two frigates and increase the Naval Support Force from one Logistics Support ship to two.

Government members believe that the nation should be able to deploy a frigate to international security operations and sustain it for up to a year. Such commitment requires a navy of three combat vessels. No evidence was given of the need for a second sealift ship, nor was any validation of the figure of $55 million provided.

Recommendation 21: Greater transparency is recommended towards real estate rationalisation.

Government members are concerned that this recommendation is included as it also reflects a lack of understanding of statutory procedures. The Chief of Defence Force is responsible for NZDF assets; internal advice or consultants' reports on land disposals are not for wider public comment until they form part of a formal proposal for government consideration. Major real estate rationalisations will always be submitted for approval by government.

ALLIANCE (MINORITY) REPORT

The Alliance supports the recommendations in this report with the exception of that part of Recommendation 1 which relates to the development of closer defence relations with French forces in the Pacific, and all of Recommendation 2, on developing closer defence relations with Malaysia and Singapore.

Appendix 1

Abbreviations

A4(K)	A4 Skyhawk combat aircraft (with Kahu modification)
ANZUS	Australia New Zealand United States (collective security treaty)
APC	armoured personnel carrier
APEC	Asia Pacific Economic Cooperation (group)
ASEAN	Association of South East Asian Nations
CAS	Chief of Air Staff
CDF	Chief of Defence Force
CDR	Closer Defence Relations (with Australia)
CGS	Chief of General Staff
CNS	Chief of Naval Staff
DA	*Defence Assessment* (1997)
DAC	Development Assistance Committee (of OECD)
DCDS	Deputy Chief of Defence Staff
EEZ	Exclusive Economic Zone
F-16	F-16 combat aircraft
FPDA	Five Power Defence Arrangements
GV	government valuation
GDP	gross domestic product
HQ	headquarters
HMNZS	Her Majesty's New Zealand Ship
JOC	Joint Operational Commander
LSV	limited service volunteer
MAP	Mutual Assistance Programme
MOD	Ministry of Defence
MSI	Military Studies Institute
NATO	North Atlantic Treaty Organisation
NGO	non-governmental organisation
NZDF	New Zealand Defence Force
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPRES	Operational Preparedness Reporting System
PACDAC	Public Advisory Committee on Disarmament and Arms Control
RMA	revolution in military affairs
RNZAF	Royal New Zealand Air Force
SAS	Special Air Service
UN	United Nations

Appendix 3

Section 5 of the Defence Act 1990

5. Power to raise armed forces - The Governor-General may from time to time, in the name of and on behalf of the Sovereign, continue to raise and maintain armed forces, either in New Zealand or elsewhere, for the following purposes:

(a) The defence of New Zealand, and of any area for the defence of which New Zealand is responsible under any Act:

(b) The protection of the interests of New Zealand:, whether in New Zealand or elsewhere:

(c) The contribution of forces under collective security treaties, agreements, or arrangements:

(d) The contribution of forces to, or for any of the purposes of, the United Nations, or in association with other organisations or States in accordance with the principles of the Charter of the United Nations:

(e) The provision of assistance to the civil power either in New Zealand or elsewhere in time of emergency:

(f) The provision of any public service.

Appendix 7

Criteria for Assessment of
Proposed Contributions of New Zealand Personnel to
Peacekeeping, Peacemaking and Peace Enforcement Operations
Pursuant to Security Council Mandates

While each request is to be considered on its own merit, the cumulative impact of growing peacekeeping demands is such that New Zealand must make choices regarding its involvement. Difficult balances will need to be struck regarding the nature and level of contributions based on an assessment of benefits and costs involved. The guidelines set out below will help to ensure more fully considered and consistent choices.

1 National Considerations

Does the option:

a enhance security in a region of strategic or economic interest to New Zealand?

b from New Zealand's perspective represent a desirable contribution to collective security?

c support humanitarian objectives?

d enhance New Zealand' s multilateral or bilateral relationships?

e offer a distinctive role for New Zealand?

2 Achievability

a Does the political framework of the mandate suggest a reasonable chance of success?

b Does that mandate establish achievable objectives, while allowing an opportunity for any changes required by developing conditions?

c Is the operation based on a sound plan and does the operational concept offer a reasonable chance of success?

d Is there effective direction and control of military operations by appropriate authorities, including provision for suitable in-place civilian components?

e Are there adequate provisions for humanitarian assistance?

f Is there sufficient international support and commitment to both mount and sustain the operation?

3 Acceptability

a Would the proposed New Zealand contribution:

i be nationally identifiable and fulfil a useful role?

ii be acceptable to the protagonists?

iii be able to operate effectively with other elements of the force?

iv be of a nature and size that is consistent with and appropriate for the benefits and costs?

v demonstrate a willingness to accept a fair share of risk?

vi be likely to result in benefits which are acceptable in the light of the risks to NZDF personnel?

vii be able to be mounted and sustained without serious degradation of NZDF capabilities raised for other Defence tasks?

b Is there public support for participation and is the support sustainable should New Zealand suffer or inflict casualties?

c Is the commitment finite and are there adequate provisions to review and terminate participation if conditions change to the extent that costs and risks outweigh the benefits?

d Do the resultant limitations to New Zealand's ability to respond to other situations represent an acceptable risk?

e Would an early offer provide a better chance of securing agreement to New Zealand's preferred contribution, and would an early offer permit New Zealand's objectives to be met with a smaller-sized contribution than otherwise would be the case?

Appendix 8

Stand-by Arrangements for United Nations Peacekeeping Operations

Headquarters

Up to five personnel, including three officers (lieutenant colonel equivalent rank or above), as a contribution to a multinational peacekeeping headquarters, to be available in 60 days for deployment.

Up to 15 personnel for a National Headquarters, as may be needed to exercise national command if a significant NZDF force is deployed on international peace support operations, to be assembled ready for deployment within 60 days.

Navy

One frigate with embarked helicopter ready to deploy within 60 days, and HMNZS *Endeavour* ready to deploy in support within 60 days, to contribute to off shore patrols, monitor mercantile traffic, or enforce blockades, including boarding and searching, for up to six months. (Deployment of a frigate, but not *Endeavour*, may need to be sustained for up to one year.)

A clearance diving team based on the Operational Diving Team possibly utilising HMNZS *Manawanui*, ready for deployment within 60 days, to assist with coastal and harbour survey, clearance and salvage tasks, for up to six months.

Army

A field Artillery battery, with two gun sections (up to six guns), ready for deployment by sea within 60 days, to contribute to the protection of an international force involved in peace support operations, for up to 12 months.

An APC Troop capable of providing an infantry company lift, equipped with modified M113 APCs and specialist logistic vehicles, able to deploy within 60 days of receiving an official request to provide armoured mobility for infantry elements of a peacekeeping force, for up to 12 months.

An Engineer Field Squadron of two Field troops and a Support troop (mechanical plant), ready for deployment within 60 days, to undertake minor construction and field engineer tasks within a mission area for a peace support force, for up to 12 months.

Up to a battalion of infantry (non-mechanised) on normal scales, ready for deployment by sea and air within 60 days, to contribute for up to 12 months to an international force for peace support operations.

A Signals Squadron, ready for deployment within 60 days, to provide secure communications and despatch services support within a peace support mission area, for up to 12 months.

A transport unit with up to 20 medium and heavy general-purpose vehicles and drivers, first and second line maintenance, and administrative staff, ready for

deployment within 60 days, to provide second line transport support within a mission area, for up to 12 months.

A Medical Support Team with a Field Surgical Team, Medical Ward, Field Treatment Centre, and dental, health and diagnostic support sections. To be ready for deployment within 60 days, prepared to provide up to Level 2 and 3 medical care within a mission area, for up to 12 months.

An Ordinance Support Group equipped with suitable storage and handling equipment, ready for deployment within 60 days, to store and distribute general stores for a peace support force, for up to 12 months.

Up to two Explosive Ordnance Disposal Teams of four personnel with specialist equipment and a vehicle, ready for deployment within 60 days, to undertake its specialist role within a mission area for a peace support force, for up to 12 months.

A Field Workshop element equipped to provide field repair and light recovery only, ready for deployment within 60 days, to provide field level repair support within a mission area for a peace support force, for up to 12 months.

A Military Police element (of about 15 personnel) with role equipment, ready to deploy within 60 days, to provide Military Police support within a mission area for a peace support force, for up to 12 months.

An Army Intelligence detachment capable of supporting a formation-sized headquarters, ready for deployment within 60 days, to provide intelligence support to a headquarters involved in peace support.

Army/Air

An Army/Air Fire-Fighting Section with specialist equipment and vehicles, ready for deployment within 60 days, to provide fire-fighting services at one location in a mission area, for up to 12 months.

Air Force

A fixed wing and helicopter tactical Air Transport Flight of two Hercules and up to six Iroquois helicopters, ready for deployment within 60 days as part of an international force involved in peace support operations, for up to 12 months. These deployed aircraft would require to be supported from appropriate bases.

A Strategic/Tactical Air Transport Flight[18] of two Hercules[19] and a Mobile Air Terminal Unit, ready to deploy within 60 days as part of a multinational peace support force, for up to 12 months. The deployed unit would need to be supported from an appropriate base.

---

[18] Notwithstanding that the responsibility to transport forces and equipment provided in response to United Nations requests remains with the UN, it could reasonably be expected that the UN would seek to sub-contract this responsibility to the RNZAF.

[19] A Boeing 727 may also be available to the UN to assist with strategic transportation for limited periods.

An Air Attack Force of up to ten Skyhawk aircraft for maritime strike, close air support, or interdiction operations, as part of a multinational peace support force. This force will be ready to deploy within 60 days and be maintained in theatre for up to 12 months in situations of short warning conflict. The deployed Skyhawks would need to be supported from an appropriate operating base.

A Long Range Maritime Patrol Flight of up to two Orions ready to deploy within 60 days on maritime air operations as part of a multinational peace support force, for up to 12 months in situations of short-warning conflict. These deployed Orions would need to be supported from appropriate bases.

Appendix 10

Committee Personnel, Terms of Reference, List of Submissions

Approach to this inquiry

We met 51 times between 21 August 1997 and 26 August 1999 to hear evidence (25 hours and 10 minutes) and to consider and deliberate (35 hours 45 minutes). In addition, members spent five days on a study tour of the Australian defence establishment, and visited NZDF camps, bases, exercises and operations on several occasions during the course of the inquiry.

Committee Members*

Hon. Derek Quigley (Chairperson)
Hon. Marie Hasler (Deputy Chairperson)
Geoff Braybrooke
Dr Wayne Mapp
Ron Mark (from February 1998)
Rt Hon. Mike Moore
Matt Robson
Annabel Young (from May 1998)

***** Rick Barker, Dianne Yates (in 1998) and the Hon. Phil Goff (in 1999) were substitute members during the inquiry.

Ron Mark replaced the Hon. Brian Donnelly and Annabel Young replaced Murray M^{c}Lean.

Advisers

Dr Robert Ayson (until May 1998)
Dr Malcolm M^{c}Namara (from June 1998)

Committee staff

David Sanders
Lyn Main

Committee terms of reference

As per the provisions of Standing Orders 192(2) and 193(4), the Foreign Affairs, Defence and Trade Committee can consider bills, petitions or other matters referred to it by the House or otherwise under Standing Orders and may examine matters related to customs, defence, foreign affairs and trade.

Inquiry terms of reference

The Foreign Affairs, Defence and Trade Select Committee intends to consider options for the development of New Zealand's defence policy, structure and capabilities beyond 2000 with reference to:

(i) Defence strategy and defence policy goals

(ii) Areas of defence activity requiring particular emphasis

(iii) The range and nature of defence capabilities and equipment required

(iv) Structural options, planning and organisation for an appropriate and effective defence establishment

(v) Resource needs and options available within defence for redirecting resources to enhance military capabilities

Submissions

The following witnesses appeared before the Committee:

Dr Ron Smith
Howard Scott
The Religious Society of Friends (Quakers) in New Zealand
Dr Jim Rolfe
Campaign for Nuclear Disarmament (Wellington) Incorporated
Asia 2000 Foundation of New Zealand
Dr David Dickens
Dr John Henderson
Joe Buchanan
David Moloney
Foundation for Peace Studies
Waiwhetu - Lower Hutt Peace Group
John Urlich
Dr R E White
Evan Black, The New Zealand Army Association (Incorporated)
Maire Leadbeater (East Timor Independence Committee)
Robert Miles
Terence O'Brien
New Zealand Korea Veterans' Association
G A Rodley
New Zealand Forum for United Nations Renewal
International Physicians for the Prevention of Nuclear War, New Zealand Branch
Chris King, Abolition 2000
Dunedin North Labour Electorate Committee
New Zealand Returned Services Association (Incorporated)
Defence Industry Committee of New Zealand
Public Service Association
Grant John Crowley
Stuart Boag
Matthew Jansen
Dr Anthony Smith

Barry Gustafson
Royal Aeronautical Society
Commodore J A B Lewis
Brian Monks
Bret Bestic
Secretary of Defence/Chief of the Defence Force
David McGregor
Professor Alan Poletti
Richard Jackson
Roger Mortlock
A M Hayward
John Boot
John Scott Thomson
Chief of General Staff
Chief of Naval Staff
Chief of Air Staff
Stephen Boyd
John Terris, Lower Hutt City Council
Associate Professor Stephen Hoadley
Jim Turner
Alex Sie
John S Pallot

Written submissions were received from:

W J Foote
Chris King
National Consultative Committee on Disarmament
Martin Van Ginkle
Dr Stewart Woodman
National Council of Women
Jeremy Meates
M J & C R Palmer
Sumner Peace Group
Glen Thomas Callanan
Ex-Royal Naval Men's Association of New Zealand (Inc)
The New Zealand Futures Trust
New Zealand Campaign Against Landmines
Andrew Renton
Bryce Harland
Dame Laurie Salas

Appendix 11

Time-Line For Inquiry

Submissions called for inquiry into *New Zealand's Place in the World*
April 1997

Submissions called for inquiry into *New Zealand's Role in Asia-Pacific Security*
April 1997

Meetings to hear and consider submissions to *New Zealand's Place in the World* and *New Zealand's Role in Asia Pacific Security* inquiries
24 April to 11 December 1997

Submissions called for inquiry into *Defence Beyond 2000*
August 1997

Meetings to hear and consider submissions to *Defence Beyond 2000* inquiry
11 September 1997 to 23 November 1998

Committee visit to Canberra and Australian Defence Force bases in Sydney, Northern Territory and Queensland
22 to 26 June 1998

Committee visit to RNZAF Base Auckland, Whenuapai; New Zealand Special Air Service Group, Hobsonville; and Maritime Command, Devonport
30 July 1998

Military Studies Institute Conference on *New Zealand's Strategic Environment*, Massey University
15 to 16 August 1998

Committee visit to Headquarters 2 Land Force Group, Linton; RNZAF Base Ohakea; and Army Training Group, Waiouru
8 to 9 October 1998

Presentation of the Interim Report on the *Defence Beyond 2000* inquiry
24 November 1998

Government Response published
22 February 1999

Further submissions from the public invited
February 1999

Further meetings to hear and consider new submissions to *Defence Beyond 2000* inquiry

25 March to 26 August 1999

Round-table discussion on *Defence Beyond 2000* inquiry at Centre for Strategic Studies, Victoria University of Wellington

15 April 1999

Defence Working Group meeting on the *Defence Beyond 2000* inquiry, Waikato University

1 to 2 May 1999

Visit to Exercise Tropic Twilight, Solomon Islands

14 to 16 May 1999