HON RON MARK, MINISTER OF DEFENCE

New Zealand Defence Force: Network Enabled Army Programme: Tranche Two – Release of Cabinet Documents
February 2020

This publication provides papers associated with Cabinet’s July 2019 decision to approve the expenditure for Tranche Two of the Network Enabled Army (NEA) Programme.

The pack comprises the following documents:

- July 2019 Cabinet Government Administration and Expenditure Review Committee minute of decision Network Enabled Army Programme: Tranche Two [GOV-19-MIN-0035]
- The associated Cabinet paper Network Enabled Army Programme: Tranche Two [GOV-19-SUB-0035]

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

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

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

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

Information is also withheld in order to:

- maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials [section 9(2)(f)(iv)].
On 25 July 2019, the Cabinet Government Administration and Expenditure Review Committee:

1. **noted** that the Network Enabled Army Programme modernises the Army’s communications, intelligence gathering, and information management capabilities through successive Tranches;

2. **noted** that Tranche One of the Programme has been underway for four years and is successfully delivering new communications and information management capabilities to the Army;

3. **noted** that Tranche Two builds upon the foundations laid by Tranche One and delivers further benefits in the form of an expanded communications network covering more Army units, new sensor systems, intelligence gathering, and processing capabilities;

4. **agreed** to the inclusion of Tranche Two to the Network Enabled Army Programme with a total capital cost for Tranche Two of $106.481 million and a steady state operating cost of $7.673 million per year, which will be used by the programme to deliver additional communications and network enhancements, as well as new sensor systems, intelligence gathering, and processing capabilities for the Army;

5. **approved** the following changes to appropriations to provide for the decision in paragraph 4 above, with a corresponding impact on the operating balance and net core Crown debt:

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<td></td>
<td>6.538</td>
<td>7.187</td>
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</tbody>
</table>
approved the following changes to appropriations for the Ministry of Defence to commit to the acquisition process associated with Tranche Two of the Network Enabled Army Programme:

<table>
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<tr>
<th>Vote Defence Minister of Defence</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
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<th>2023/24 &amp; Outyears</th>
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<td>Non Departmental Capital Expenditure</td>
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<tr>
<td>Defence Capabilities</td>
<td>22.643</td>
<td>37.175</td>
<td>46.663</td>
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agreed that the changes to appropriations for 2019/20 in paragraphs 5 and 6 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

agreed that the expenses incurred under paragraph 5 above be charged against the Defence White Paper 2016 – Contingent Operating funding for supporting the introduction of new capabilities tagged contingency established at Budget 2017 [CAB-17-MIN-0185.06];

authorised the Secretary of Defence to commit and approve expenditure of public money up to the amount of for the low risk components of Tranche Two of the Network Enabled Army Programme;

authorised the Secretary of Defence to commit and approve expenditure of public money up to the amount of, subject to the Minister of Defence’s approval of a Project Implementation Business Case, for the medium risk intelligence, surveillance and reconnaissance components of Tranche Two of the Network Enabled Army Programme;

noted that the costs in paragraph 6 above are offset by a capital receipt from the New Zealand Defence Force;

noted the following changes to appropriations in accordance with the New Zealand Defence Force – Capital Expenditure PLA authorised by section 24(1) of the Public Finance Act 1989, reflecting the forecast costs of developing the Network Enabled Army Programme, with a corresponding impact on net core Crown debt:

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<td>22.643</td>
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</tr>
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</table>
noted that the changes to appropriations for 2019/20 in paragraph 13 above will be reported and disclosed in the 2019/20 Supplementary Estimates.

Rachel Clarke
Committee Secretary

Present:
Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Kris Faafoi
Hon Ron Mark
Hon Shane Jones
Hon James Shaw

Officials present from:
Office of the Minister of Finance
Officials Committee for GOV

Hard-copy distribution:
Minister of Defence
Chair, Government Administration and Expenditure Review Committee

NETWORK ENABLED ARMY PROGRAMME: TRANCHE TWO

Proposal

1. This paper and accompanying business case describe the Network Enabled Army (NEA) Programme that is transforming the command, control and communications capabilities of the Army. Tranche One of the programme is nearing completion, and Tranche Two is ready to commence.

2. I am seeking Cabinet approval for the expenditure of up to $106.481 million over three years for Tranche Two of the NEA Programme. This capital is funded from depreciation reserves. New capital is not required.

Executive summary

3. The Strategic Defence Policy Statement 2018 and Defence Capability Plan 2019 have confirmed the need for the Network Enabled Army Programme. Tranche One of the Programme is nearing completion and approval is sought to commence Tranche Two.

4. This Cabinet paper and business case seek the commitment of $106.481 million in capital funds for Tranche Two. No new capital will be required as funding is sourced from the New Zealand Defence Force’s accumulated depreciation reserve. In addition operating funding of $7.673 million at steady state is required to operate and maintain the new capabilities being delivered.

5. The NEA Programme is moving the Army’s planning, intelligence, and communications functions from the old paper-based and analogue systems to modern interoperable digital-based systems that will increase information sharing capabilities between deployed units and the command structure of the Army.

6. This provides commanders and soldiers with the information and communications technologies for improving operational efficiencies and reducing risks to deployed forces. It allows decisions to be made more quickly based on improved access to detailed real-time information, which in turn can be more effectively communicated to deployed units. The new communications capabilities also provide interoperability with other Government agencies and security partners, supporting the Government’s priorities for Community, Nation, and World. It is therefore the New Zealand Army’s highest priority.

7. The Programme is being rolled out through four successive Tranches between 2015 and 2026. Tranche One of the Programme has been underway for four years and is successfully delivering new communications and information management technologies to the Army. The equipment has already been used on exercises such as Southern Katipo.
2017 and Tropic Major 2018, with the Army seeing an increase in its ability to operate at a higher tempo.

9. Tranche Two represents a critical progression from what has been achieved to date through Tranche One. It provides communications and information management systems to deployed logistics and medical units. These will be key units in future disaster relief and humanitarian assistance operations. Tranche Two also delivers the new sensor systems to provide data for its battle management systems.

What the Network Enabled Army does

10. The Network Enabled Army (NEA) Programme is reorganising the way the Army’s planning, intelligence, and communications functions operate, shifting from the old paper-based and analogue systems to modern fast, secure, reliable, and interoperable digital-based systems.

11. It will mean that commanders will be able to make decisions more quickly, based on detailed real-time information. They will be able to communicate effectively with units on operations, other Government agencies, and/or security partners, in New Zealand, the Pacific or further afield.

12. These capabilities are vital for ourselves and our partners. Instant communications and the ability to transmit data and images in real-time reduces risk and increases effectiveness. Digital techniques such as blue force tracking and threat identification ensure that personnel, commanders, and our partners know where each other is, and where threats might be. Intelligence and surveillance systems can quickly transfer information to the personnel who need it.

13. Prior to NEA, the Army used communications equipment and organised itself in ways that were little different from those used in the middle of last century.

How the Network Enabled Army aligns with Government’s policy priorities

14. The NEA Programme closely aligns with Government’s Strategic Defence Policy Statement 2018. It fully supports the ‘Community, Nation, World’ framework, as it provides essential enabling services to Army that increase responsiveness, aid efficiency, and reduce risk.

15. NEA enables the Army to interoperate with New Zealand emergency services when deployed to assist with a civil emergency. This includes connectivity with the Police-led multi-agency Next Generation Critical Communications Programme (Community, Nation). It also provides interoperability for the Army with coalition partner networks and supports essential operational needs such as troop tracking capabilities, information sharing with partners, and communication with coalition assets, such as medical evacuation.

16. These attributes are why the NEA Programme is Army’s first priority for investment and development. The Chief of Army has emphasised the importance of NEA in being the foundation of a flexible, versatile, and deployable service across the full range of missions and tasks that the Army supports. The full NEA Programme has been incorporated in the just announced Defence Capability Plan 2019 (CAB-19-MIN-0171 refers).
The Network Enabled Army Programme structure

17. The NEA Programme is being rolled out through four successive overlapping tranches between 2015 and 2026 (as outlined in Annex 1). Delivering the capability in tranches provides the time and scope for the Army to train, adapt, absorb, and fully realise the benefits of the new systems. It also allows Cabinet to consider the Programme at each stage, and be updated on the progress of earlier tranches before approving the next ones.

Tranche One progress

18. Tranche One of the Programme has had the following main areas of focus:

a. Integration, testing, evaluation and training – to ensure that equipment and services were fit for purpose, compatible with other NZDF and partners equipment, could be supported and assimilated;

b. Headquarters equipment and full network software – to provide the operational nexus of the NEA capability;

c. Mobile satellite terminal, routers and servers – to provide a robust and deployable ‘backbone’ over which the network would run;

d. Mobile tactical radios – the soldier devices that would allow them to access the network (and automatically provide real time information such as ‘blue force tracking’, which allows commanders to digitally view the location of friendly forces); and

e.  

19. Tranche One has been under way for four years and is successfully delivering against the capabilities summarised above. It has been utilised in operations including NZDF Humanitarian Assistance activities in the South Pacific and Army Engineer tasks, and tested in major exercises such as Southern Katipo 2017 and Exercise Tropic Major.

20. Key capabilities delivered during Tranche One include:

<table>
<thead>
<tr>
<th>Tranche One</th>
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<tbody>
<tr>
<td>Electronic maps, Information loaded in real time, range of inputs (e.g. partners), continuous updates</td>
</tr>
<tr>
<td>New command posts enable automated and rapid collection and distribution of information</td>
</tr>
<tr>
<td>New comms devices enable troops to be tracked automatically in real time (also threats, hazards etc)</td>
</tr>
</tbody>
</table>
21. The major priority with Tranche One has been putting the basic network in place – a combination of hardware (servers, routers, long distance communications links) and software (such as the battle management system that enables all the functions across the network). This ‘backbone’ is now in place, including the key technical relationships that provide the industry specialist support.

<table>
<thead>
<tr>
<th>Deployed headquarters on exercise</th>
<th>Opening of the NEA engineering centre (Trentham) in 2018</th>
</tr>
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</table>

22. Setting up the testing, experimentation, and evaluation capabilities has been another key priority, as this allows both a ‘try before buy’ approach to hardware and software, ensures that it integrates with other NZDF systems and is compatible with our partners. New facilities to support this have been built in Trentham.

23. With these fundamental systems in place, the Tranche One focus is now on procuring the digital communications and other systems that equip the individual soldiers and dispersed command elements. The key technical partner has been engaged and deliveries of communication and other devices are underway.

24. Tranche One has also delivered the planned Special Operations Forces capability upgrades.

25. The approval to undertake the next stage of Tranche One (procurement of radios and associated equipment and software for the Mobile Tactical Command System capability) was given in July 2017. The forecast for the completion of Tranche One is now December 2021.
26. Roll out of this system, including the bulk of the digital radios, is now well underway. In part, the rate of progress is governed by the training and organisation of the receiving personnel and the support arrangements rather than the acquisition of equipment.

27. With these priorities now well in hand, the time is right to commence Tranche Two, which has been delayed until Tranche One has sufficiently advanced.

**Tranche Two**

28. Tranche One has laid the foundations for the Network Enabled Army and delivered capability to the highest priority personnel. It has also undertaken the trialling and evaluation necessary to expand the reach and look at further tools for the network such as tactical surveillance and intelligence which represents a critical progression from what has been achieved to date through Tranche One.

29. Delivering Tranche Two balances further communications network investment with acquiring new sensor systems and intelligence gathering and processing capabilities. In particular, Tranche Two equips important support elements to front line soldiers, such as logistics and medical units.

30. Tranche Two also extends the capability through adding new sensor systems and intelligence gathering and processing capabilities utilising a combination of hardware, software, and ability to access wider sources (such as partners information) that leverage the digital radio networks and information management systems delivered under Tranche One.

31. The major systems and services to be procured in Tranche Two consist of:

<table>
<thead>
<tr>
<th>Capability</th>
<th>Tranche Two deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding communications</td>
<td>Further high capacity communications systems (such as satellite communication terminals) and the associated computer equipment and software to support deployed headquarters and Special Operations Forces</td>
</tr>
<tr>
<td>Introducing intelligence, surveillance and reconnaissance tools</td>
<td>Sensors for reconnaissance and surveillance tasks.</td>
</tr>
<tr>
<td>Extending the range of users</td>
<td>The radios required to connect reconnaissance teams to the communications network</td>
</tr>
<tr>
<td>Providing tracking services to more personnel</td>
<td>Personnel locator devices and communications equipment for the staff from the Deployable Joint Forces Headquarters</td>
</tr>
</tbody>
</table>
32. The communications components of Tranche Two build on work already undertaken in Tranche One and are assessed as low risk. The intelligence, surveillance and reconnaissance (ISR) portion is still in the definition phase. The systems being procured have yet to be identified and market engagement is not expected until later this year. This part of Tranche Two is assessed as medium risk.

33. To effectively manage this risk, the final authority to release the funding for the ISR component of Tranche Two will be contingent on the approval of a project implementation business case for the ISR portion of Tranche Two by the Minister of Defence. The capital cost for the ISR portion is included in the overall $106.481 million being sought for Tranche Two.

34. Tranche Two enables the NZDF to deploy a Light Task Group to the South Pacific and beyond, undertake operations encompassing humanitarian assistance, and participate or lead stability and support operations as part of a coalition.

**Why Tranche Two now?**

35. The Defence Capability Plan 2019 confirmed that Tranche Two remains a critical investment priority. Given the current progress on Tranche One, the time is now right to commence Tranche Two as the continuation of the overall NEA programme. The overlap
between the tranches will not impact the programme, as the completion of Tranche One is complementary to that required to commence Tranche Two.

36. Commencing Tranche Two now preserves the resources built up for experimentation, testing and evaluation, and lets them continue the foundation work for the introduction of expanded capabilities, such as surveillance and intelligence. It also provides continuity in the key industry partner relationships, so that planning over the next few years can be done against certainty of programme continuation.

37. Tranche Two also extends the current NEA benefits across a wider range of Army units and capabilities, especially supporting capabilities such as medical and engineering. These capabilities are important enablers across a broad range of Army missions, especially in support of disaster relief and Pacific aid.

38. Progressing to Tranche Two would also keep up the impetus of training and skills development across ever widening components of the Army, and provide confidence that the overall networking objectives and benefits will be supported and realised as planned, rather than abandoned part way through. It also sends a positive signal to both other New Zealand agencies which are also improving their communications capabilities.

Financial Implications: Capital

39. Since the development of the Single Stage Business case, further engagement with the market and further refining of the projected capital costs has set the planned capital allocation for Tranche Two as $106.481 million between 2019/20 and 2021/22 as per the table below:

<table>
<thead>
<tr>
<th>Network Enabled Army Programme Tranche Two Capital Investment ($m)</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranche Two Projects: Communications Network</td>
<td>s9(2)(i)(iv)</td>
<td></td>
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<tr>
<td>Tranche One Upgrade of Special Operations Forces’</td>
<td>s6(a)</td>
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<tr>
<td>Total Tranche Two Capital Investment</td>
<td>22.643</td>
<td>37.175</td>
<td>46.663</td>
<td>106.481</td>
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</table>

40. This capital cost projection is within the estimate for Tranche Two included in the Defence Capability Plan 2019. The capital cost of the project will be funded from depreciation reserve with no new capital injection required.

41. As noted above, the authorisation for this capital is being split. Defence is seeking authorisation for the Secretary of Defence to commit and approve expenditure of public money up to the amount of s9(2)(i)(iv) for the non ISR portion of the project s6(a).

Release of the balance of s9(2)(i)(iv) will be contingent on approval by the Minister of Defence of a project implementation business case for the remaining ISR components of Tranche Two.

42. The overall Network Enabled Army Programme across all four Tranches has a planned total capital expenditure out to 2026/27 of s9(2)(i)(iv). The cost of all Tranches remains within the scope of the Programme Business Case and were confirmed under the Defence Capability Plan 2019. Tranches Three and Four are not yet approved and will be the subject of future Single Stage Business Cases that will be considered by Cabinet at the time.
43. Each Tranche of the Network Enabled Army programme provides a capability step in its own right. No one Tranche is dependent on future Tranches to provide capability, although the full networking of the entire Army will not be achieved until the overall NEA programme is delivered.

**Financial Implications: Operating**

44. The implementation of Tranche Two will lead to a rise in operating expenses as the project progresses. This is largely due to the introduction of new capabilities, especially the intelligence, surveillance and reconnaissance functions. Specific cost drivers include:

   a. Additional applications for the Battle Management System software, which is the heart of the network;

   b. Additional licences as the number of personnel who need access to the applications expands (as with commercial software, military software uses a licence model to empower users);

   c. New software to support new intelligence, surveillance, reconnaissance and electronic warfare functions;

   d. Logistic support for systems (inherent in the NEA concept is that the whole network must be fully functional and supportable when deployed to remote locations beyond conventional support and connectivity methods); and

   e. An increase in civilian staff based in New Zealand to support capability development and integration.

45. The need for increases to operating funding to support the overall Network Enabled Army Programme has already been recognised. The Cabinet approval of Tranche One included a steady state baseline appropriation of $13.9 million per year (Cab Min (15) 11/7 refers).

46. In addition to that appropriation of $13.9 million per year, Tranche Two will also increase operating funding. Tranche Two operating expenses transition to an ongoing steady state of $7.673 million per year from 2021/22 as indicated in the following tables:

<table>
<thead>
<tr>
<th>Network Enabled Army Programme Tranche Two Operating Investment ($m)</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
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<tr>
<td>Tranche Two Projects Communications Network</td>
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<tr>
<td>Total Tranche Two Operating Investment</td>
<td>6.538</td>
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<tr>
<th>Operating baseline movements associated with Tranche Two ($m)</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24 &amp; Outyears</th>
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<tr>
<td>Operating cost baseline movement</td>
<td>5.938</td>
<td>6.587</td>
<td>7.073</td>
<td>7.073</td>
<td>7.073</td>
</tr>
<tr>
<td>Personnel cost baseline movement</td>
<td>0.600</td>
<td>0.600</td>
<td>0.600</td>
<td>0.600</td>
<td>0.600</td>
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47. The additional expenses incurred in the above table will be met from tagged contingency Defence White Paper 2016 – Contingent Operating funding for supporting the introduction of new capabilities established at Budget 2017 and continued at Budget 2018.
48.  

49. The depreciation funding requirements for this project will be managed at a portfolio level, with any additional funding to be sought through the annual Budget initiative process. Although this has been the historical practice, recent Treasury guidance is that all costs associated with an investment (including depreciation) should be recognised and provided for at the point of the investment decision. In the interim, Treasury has agreed to the continuing of recent practice as a pragmatic solution to addressing the depreciation costs associated with Defence investments.

50.  

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Consultation

51. The Network Enabled Army Tranche Two business case has been through The Treasury’s business case clinic process. The Ministry of Business, Innovation and Employment, State Services Commission, Department of the Prime Minister and Cabinet (Policy Advisory Group) and the Department of Internal Affairs have also reviewed and had input into the overall Network Enabled Army Programme and Tranche Two.

New Zealand Industry Involvement

52. New Zealand industry is contributing to the project through strategic relationships with key partners, involvement in the supply of hardware and software development, support and maintenance, and modifications required for specialised tasks.

Proactive Release

53. I propose to release this paper proactively, subject to redaction as appropriate under the Official Information Act 1982.

Human Rights, Legislative, Regulatory Impact, Gender or Disability Implications

54. There are no implications in respect of the considerations above.

Publicity

55. No publicity is planned other than market interactions through Tranche Two acquisition activities through for example, the Government Electronic Tenders Service.
Recommendations

As the Minister of Defence, I recommend that the Committee:

1. **note** that the Network Enabled Army Programme modernises the Army’s communications, intelligence gathering, and information management capabilities through successive Tranches;

2. **note** that Tranche One of the Programme has been underway for four years and is successfully delivering new communications and information management capabilities to the Army;

3. **note** that Tranche Two builds upon the foundations laid by Tranche One and delivers further benefits in the form of an expanded communications network covering more Army units, new sensor systems, intelligence gathering, and processing capabilities;

4. **agree** the inclusion of Tranche Two to the Network Enabled Army Programme with a total capital cost for Tranche Two of $106.481 million and a steady state operating cost of $7.673 million per year. This funding will be used by the programme to deliver additional communications and network enhancements, as well as new sensor systems, intelligence gathering, and processing capabilities for the Army;

5. **approve** the following changes to appropriations to provide for the decision in recommendation 4 above, with a corresponding impact on the operating balance and net core Crown debt:

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<td>Departmental Output Expense:</td>
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<tr>
<td>Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)</td>
<td>6.538</td>
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6. **approve** the following changes to appropriations for the Ministry of Defence to commit to the acquisition process associated with Tranche Two of the Network Enabled Army Programme:

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7. **agree** that the proposed changes to appropriations from 2019/20 under recommendations 5 and 6 be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

8. **agree** the expenses incurred under recommendation 5 be charged against the Defence White Paper 2016 – Contingent Operating funding for supporting the
introduction of new capabilities tagged contingency established at Budget 2017 [CAB-17-MIN-0185.06];

9. $m – increase/(decrease)

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10. **authorise** the Secretary of Defence to commit and approve expenditure of public money up to the amount of $m – increase/(decrease) for the low risk components of Tranche Two of the Network Enabled Army Programme;

11. **authorise** the Secretary of Defence to commit and approve expenditure of public money up to the amount of $m – increase/(decrease) contingent on the approval of the Minister of Defence to a Project Implementation Business Case, for the medium risk intelligence, surveillance and reconnaissance components of Tranche Two of the Network Enabled Army Programme;

12. **note** that the costs in recommendation 6 are offset by a capital receipt from the New Zealand Defence Force;

13. **note** the following changes to appropriations in accordance with the New Zealand Defence Force – Capital Expenditure PLA authorised by section 24(1) of the Public Finance Act 1989, reflecting the forecast costs of developing the Network Enabled Army Programme, with a corresponding impact on net core Crown debt:

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14. **note** that the changes to appropriations for 2019/20 in recommendation 13 will be reported and disclosed in the 2019/20 Supplementary Estimates.

Authorised for lodgement

Hon Ron Mark  
MINISTER OF DEFENCE
Annex 1: Network Enabled Army Programme Tranches 1 to 4

- **Tranche One (April 2015 to December 2021)**. A new communications network for a regular Army infantry company and a Battalion headquarters (the essential elements of a Light Task Group); new command capabilities for the Special Operations Forces; and the training, testing, evaluation, and configurations management services to underpin the Programme.

- **Tranche Two (July 2019 to June 2022)**. Extends the communications and command capabilities across more of the Army and adds new networked sensor systems for improved intelligence gathering and processing.

- **Tranche Three** \(s6(a)\). Extends the communications and sensor systems to Light Armoured Vehicles, artillery, engineers and logisticians.

- **Tranche Four** \(s6(a)\). Completes the communications network and sensor systems development. A Combined Arms Task Group can be sustained and supported on a long-term deployment.
An Army for the 21st Century

Network Enabled Army is a programme to modernise the Army’s command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) capability. It replaces paper-based planning and analogue communications systems with fast, secure, reliable, and interoperable digital-based systems.

The Programme is being rolled out in four tranches. **Tranche Two** will connect more of the Army to the communications networks and information management systems created in Tranche One, as well as providing deployable intelligence processing, exploitation and dissemination functions. New sensor systems will also be established to provide timely information for the battle management systems. This enables NZDF to:

- Reduce the level of risk to troops from threats and hazards
- Share information and make faster, more effective decisions
- Be interoperable with coalition partners

The Programme will also improve the operational effectiveness of the Army’s Land Forces and Special Operations Forces.
Defence employs a portfolio approach for delivering the Defence Capability Plan, the interrelated projects, and for managing the capital spending profile. This supports the delivery of a coherent Defence Force with a range of capabilities that would allow it to undertake the tasks set out in the last Defence Capability Plan Review 2019. Defence Capital Plan investment out to 2035 will allow Defence to continue to effectively respond to events in New Zealand, the South Pacific and the Southern Ocean, and make credible contributions to global coalition operations. This A3 situates the Network Enabled Army, Tranche Two project within the wider portfolio, and the Defence Capability Plan force structure.

WHERE DOES THE INVESTMENT FIT

The Network Enabled Army Tranche Two is a high priority for investment within the portfolio, as it delivers a digitised Army that is capable of serving New Zealand’s interests in the 21st Century. Network Enabled Army will improve a broad range of scenarios, including those where:

- New Zealand is called upon to provide humanitarian aid and disaster relief, particularly in the South Pacific. These efforts rely on being able to create and sustain communications and information gathering systems in remote locations.
- New Zealand is required to meet its security agreements with coalition partners, including in maintaining international order. This requires New Zealand to play an ongoing role in regular partner exercises, ensuring deployed units are equipped to operate in a multi-national digital environment.

HOW WILL THE INVESTMENT BE RUN

The management methodology applied to Network Enabled Army Tranche Two reflects a risk based approach to deliverables. The communications components of Network Enabled Army Tranche Two leverage off work completed in Network Enabled Army Tranche One. Intelligence, surveillance and reconnaissance deliverables will alternatively have an additional approval gate due to the project’s relative unfamiliarity with this area.

DEFENCE CAPABILITY PLAN REVIEW:

IMPROVING THE FORCE AS A WHOLE

The Network Enabled Army Programme enhances communication between force elements; including land forces, ships and aircraft, as well as with command headquarters. A complete view of where all defence assets are allows the effective coordination of an integrated force. The intelligence, surveillance and reconnaissance capabilities introduced will increase situational awareness, and this knowledge can also be easily transferred to command elements which makes it a key element in delivering a capability portfolio that makes sense when viewed as a whole.

AFFORDABILITY WITHIN DCP19

Tranche Two is seeking capital funding of $106.5 million between the financial years 2019/20 and 2021/22. This will be funded from NZDF’s accumulated depreciation. No new money is forecast to be required. To sustain the new capability, Tranche Two requires an addition to the current NZDF steady state operating expenditure baseline of $7.7 million per year. Defence is seeking to fund this additional expenditure by drawing against the Operating Contingency Funding approved by Cabinet. This is on top of the original steady state baseline appropriation of $13.9 million per year approved for Tranche One by Cabinet.

CAPABILITY INVESTMENT DECISION TIMELINE

Tranche One of the Network Enabled Army Programme has established the conditions to make the successful delivery of Tranche Two possible. Undertaking Tranche Two now provides continuity to the Network Enabled Army Programme and ensures the skills and capabilities built up during Tranche One are strengthened and extended.

The timing of the investment has been planned with cognisance of capability needs, Defence’s capacity to resource the project, and the requirements of other projects to align with Network Enabled Army Tranche Two deliverables and allow progressive building on Tranche One.

Major projects scheduled to follow Network Enabled Army Tranche Two for Cabinet consideration:

<table>
<thead>
<tr>
<th>Capability Investment</th>
<th>Business Case Stage</th>
<th>Cabinet Committee Date</th>
<th>Capital Cost ($M)</th>
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<td>Network Enabled Army Tranche Two</td>
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<td>Project Implementation</td>
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<td>Joint Intelligence Project</td>
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<td>Cyber Security and Support Capability</td>
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