

## HON RON MARK, MINISTER OF DEFENCE

### Protected Vehicle – Medium Procurement

October 2020

This publication provides documents associated with Cabinet's June 2020 decision to approve the acquisition of 43 Thales Bushmaster NZ5.5 Protected Vehicle – Mediums (PV-M) as part of the Protected Mobility Capability Project.

The pack comprises the following documents:

- June 2020 Cabinet Government Administration and Expenditure Review Committee minute of the decision *Defence: Protected Vehicle – Medium Procurement* [GOV-MIN-0020]
- The associated Cabinet paper *Defence: Protected Vehicle – Medium Procurement* [GOV-20-0020]
- The associated A3 document.

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

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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:

- protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied the information [section 9(2)(b)(ii)]
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- enable a Minister of the Crown or any department or organisations holding the information to carry out, without prejudice or disadvantage, commercial activities [section 9(2)(i)]
- enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, negotiations [section 9(2)(j)].

Where information is withheld pursuant to section 9(2), it is not considered that the public interest in this information outweighs the need to protect it.



# Cabinet Government Administration and Expenditure Review Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Defence: Protected Vehicle – Medium Procurement

**Portfolio**                      **Defence**

On 18 June 2020, the Cabinet Government Administration and Expenditure Review Committee:

1                      [REDACTED] s6(a)

2                      **noted** that:

2.1 in April 2019, GOV considered the Protected Mobility Capability Project (PMCP) Detailed Business Case and authorised the Secretary of Defence to:

2.1.1 commit and approve expenditure up to \$18.592 million for the acquisition of [REDACTED] High Mobility Unit Light vehicles, and

2.1.2 negotiate for up to 43 Protected Vehicle – Mediums (PV-M) with a capital cost not exceeding \$101.300 million, with a costed option for up to 15 additional vehicles;

2.2 the PMCP Detailed Business Case outlined a comprehensive plan to upgrade and replace protected mobility over time through a range of complementary procurements with a potential total cost of up to [REDACTED] s9(2)(f)(iv) out to 2028/29;

[GOV-19-MIN-0013]

3                      **approved** the PMCP Implementation Business Case attached under GOV-20-SUB-0020;

4                      **authorised** the Secretary of Defence to sign a contract with Thales Australia for the procurement of 43 PV – M Bushmaster armoured vehicles, training systems, other support equipment, and goods and services as required;

5                      **noted** that:

5.1 the initial capital cost (including contingency) is NZ \$101.300 million and is made up of [REDACTED] s9(2)(b)(ii) to acquire the armoured vehicles, training systems, and support equipment; [REDACTED] s9(2)(i) for infrastructure and introduction into service costs and [REDACTED] s9(2)(i) capital investment contingency;

5.2 an additional NZ \$1.600 million contingency to cover foreign currency risk is also included, bringing the total cost to NZ \$102.900 million;

- 6 **noted** that the NZ \$101.300 million initial capital cost for the Bushmaster armoured vehicles will be funded from Defence Force depreciation reserves;
- 7 **noted** that the foreign exchange contingency will be funded through Defence Force depreciation reserves of up to NZ \$1.600 million to cover the possible costs of foreign currency purchases to a level of NZD/AUD 0.895, if required;
- 8 **noted** that the Bushmaster armoured vehicle capability average annual direct operating costs (excluding depreciation) are estimated to be NZ \$3.309 million in today’s dollars from 2023/24, which is an estimated increase of NZ \$1.119 million compared with the current capability;
- 9 **noted** that as a consequence of the \$102.900 million capital investment in Bushmaster armoured vehicles, Defence Force depreciation expense will increase by s9(2)(f)(iv) per annum at steady state;
- 10 **noted** that:
- 10.1 the capital and operating funding provisions for Defence have been determined using inflation and foreign exchange rates used for the Defence Capability Plan Review Capital Plan 2019;
- 10.2 the Bushmaster armoured vehicles whole of life investment costs have also been calculated using those same inflation and foreign exchange rates;
- 11 **approved** the following changes to appropriations for the depreciation and direct operating costs, to give effect to the acquisition of 43 Bushmaster armoured vehicles, training systems, other support equipment, infrastructure and other components as noted in paragraph 4 above, with a corresponding impact on the operating balance;

	NZD \$M - increase				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	0.000	0.000	s9(2)(f)(iv)		
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	s9(2)(f)(iv)		

	NZD \$M - increase				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Vote Defence Force</b>					
<b>Minister of Defence</b>					
<b>Departmental Output Expense:</b>					
Army Capabilities Prepared for Joint Operations and Other Tasks	0.000	0.000	s9(2)(f)(iv)		
<b>Total Operating</b>	<b>0.000</b>	<b>0.000</b>	s9(2)(f)(iv)		
<b>Total Capital</b>	<b>0.000</b>	<b>0.000</b>	s9(2)(f)(iv)		

- 12 **agreed** the expenses incurred to 2029/30 above be charged against the Defence Capability Plan 2019 - Contingent Funding to Support the Introduction of New Capabilities tagged contingency established in Budget 2020 [CAB-20-MIN-0155.10];
- 13 **noted** the following balance of the Defence Capability Plan 2019 - Contingent Funding tagged contingency reflecting the decision under paragraph 11;

NZ \$M Increase/decrease	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Current amount remaining in tagged contingency	s9(2)(f)(iv)						
Protected Mobility - Medium							
Consolidated Logistics Project							
<b>Remaining</b>							

- 14 **noted** that Defence will continue to determine with greater certainty the direct operating costs and depreciation and as a result, the costs in paragraph 12 above may change as the transition period gets closer, and Defence may seek changes to reflect that in future Budgets
- 15 **authorised** the Secretary of Defence to commit and approve expenditure of public money up to the amount of NZ \$102.900 million to acquire 43 PV – M Bushmaster armoured vehicles, training systems, support equipment, infrastructure and other components, goods and services, and foreign exchange contingency as required;
- 16 **approved** the following changes to appropriations for the Secretary of Defence to commit to the acquisition process associated with the Protected Mobility – Medium, Bushmaster armoured vehicles;

	NZD \$M - increase			
	2020/21	2021/22	2022/23	Total
<b>Vote Defence Force Minister of Defence</b>				
<b>Non-Departmental Capital Expenditure:</b>				
Defence Capability	s9(2)(f)(iv)			102.900

- 17 **agreed** that should the NZD/AUS exchange rate drop below the rate used for cost calculations between the dates of Cabinet approval to proceed and the purchase of forward cover, to the extent that the difference is greater than the foreign exchange contingency, then Joint Ministers (Finance and Defence) may approve the change to Vote Defence, Non-Departmental Capital Expenditure appropriation above;

- 18 **noted** that the expenditure in paragraphs 14 and 15 above are offset by a capital receipt from the New Zealand Defence Force;
- 19 **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 NZ \$102.900 million cost of developing the armoured vehicle capability;

	NZD \$M - increase			
	2020/21	2021/22	2022/23	Total
<b>Vote Defence Force</b>				
<b>Minister of Defence</b>				
<b>Departmental Capital Expenditure:</b>				
New Zealand Defence Force Capital PLA		s9(2)(f)(iv)		102.900

- 20 **agreed** that the proposed changes for Vote Defence Force and Vote Defence appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Rachel Clarke  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon Grant Robertson (Chair)  
Hon Chris Hipkins  
Hon David Parker  
Hon Ron Mark  
Hon Tracey Martin  
Hon Shane Jones  
Hon Peeni Henare  
Hon James Shaw

**Officials present from:**

Office of the Prime Minister  
Officials Committee for GOV

Released by the Minister of Defence

## DEFENCE: PROTECTED VEHICLE – MEDIUM PROCUREMENT

### Proposal

1. Cabinet is invited to approve the acquisition of 43 Thales Bushmaster NZ5.5 Protected Vehicle – Mediums (PV-M) to replace the Armoured Pinzgauer fleet that have reached their end of life and are unsuitable for modern operational situations.

### Executive Summary

2. Our 'Community, Nation, World' concept for defence requires our service men and women to be able to deploy and undertake a very wide range of missions in a very wide range of environments. Tasks can range from population protection, stabilisation and support through to pro-active peacekeeping. The Thales Bushmaster satisfies all of our requirements to support these tasks.

3. The risks and threat our personnel face are also developing and evolving. Easy access to materials, technology, and information means that we face a greater range of threats than in the past, such as improvised explosive devices (IEDs). Our priority is to ensure our personnel can be transported with appropriate protection in order to undertake their missions. Even missions where the threat seems low can escalate without warning and place our personnel and those we support at risk. The threats we have experienced on operations over the last two decades can be replicated in our own region.

4. Protected mobility is essential to our operational capability. We utilise a range of vehicles, from lightweight high mobility types through to the armed and armoured LAV combat vehicle. A Protected Vehicle – Medium category vehicle, which is a four wheeled armoured vehicle optimised for transporting personnel and equipment, is my highest priority vehicle project for the NZDF.

5. The need to upgrade and replace our protected mobility capabilities was acknowledged by Cabinet in April 2019, when the overarching Protected Mobility Capability Project (PMCP) Detailed Business Case (DBC) was approved (CAB-19-MIN-0171 refers).

6. [REDACTED] s6(a)  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

7. As part of the overall PMCP, Cabinet authorised the Secretary of Defence to address this [REDACTED] s6(a) as a high priority and undertake negotiations for the procurement of up to 43 Protected Vehicle – Mediums.

8. The recommended vehicle is the Australian Thales Bushmaster. This vehicle is a proven performer that has seen extensive operational service with the Australian Defence Force and other militaries. A small number are in service with our own Special Operations Forces. Bushmaster has saved lives. It will [REDACTED] s6(a) allow us to retire the current Armoured Pinzgauer.

9. The initial capital investment to purchase 43 Bushmaster armoured vehicles is \$101.300 million, consisting of s9(2)(b)(ii) to acquire the vehicles, training systems, and support equipment, s9(2)(j) for infrastructure and introduction into service costs, and s9(2)(i) capital investment contingency. In addition there is \$1.600 million of foreign currency risk contingency to mitigate any fluctuations in the exchange rate with the Australian dollar prior to hedging.

10. This initial capital investment of \$102.900 million, including contingency and foreign exchange risk, will be funded through accumulated depreciation reserves. The estimated investment whole of life cost (discounted) is s9(2)(b)(ii) and includes initial acquisition, through-life capital investment, and operating costs. Cabinet is asked to approve the drawdown of s9(2)(f)(iv) increase in operating costs to 2029/30 from the tagged operating contingency established as part of Budget 2020. Personnel costs associated with this capability are already incorporated into current and future Army budget projections.

11. I am seeking approval for the procurement of 43 Bushmasters, together with the associated goods and services to train, support, maintain, and operate the vehicles.

## Background

12. The Protected Mobility Capability Project (PMCP) Detailed Business Case approved by Cabinet in April 2019 (CAB-19-MIN-0171 refers) set out a comprehensive plan to upgrade and replace our protected mobility over time through a range of complementary procurements with an indicative cost of up to s9(2)(f)(iv) out to 2028/29. Capabilities were prioritised, and as each major procurement was finalised, a Project Implementation Business Case would be brought to Cabinet.

13. As part of that approval, the Secretary of Defence was directed to procure high mobility light vehicles, and undertake trials, evaluations, risk reduction and other project activities up to a value of up to \$18.592 million. Cabinet also authorised the Secretary of Defence to address the next PMCP capability priority through negotiation for up to 43 Protected Vehicle Mediums (PV-Ms) with a capital cost not exceeding \$101.300 million.

14. Operational mobility is essential for the New Zealand Defence Force. Whilst ships and aircraft provide the lift to get our personnel into theatre, our personnel once on the ground often operate 'dismounted' in that they are usually not tied to specific platforms.

15. This flexibility is crucial to the ability of our service men and women to deliver on our 'Community, Nation and World' concept of defence. The core of our operational capability is people. Mobility allows us to move our people and equipment needed to conduct operations efficiently and rapidly where and when it is needed. From helping out our Pacific neighbours after a disaster has struck and backing up the New Zealand Police in high risk situations, through to population protection and peacekeeping missions around the world, our service men and women depend on mobility to do their job.

16. s6(a)  
[Redacted text block]

17. A range of different vehicle types are needed to provide mobility and protection, from lightweight vehicles that can be easily deployed and operate in the most rugged terrain to well protected and armed vehicles for where our personnel are at high risk. To manage and coordinate our operational mobility needs, Defence has commenced the Protected Mobility Capability Project (PMCP)<sup>1</sup>.

18. [Redacted] s6(a)  
 [Redacted]  
 [Redacted]  
 [Redacted]  
 [Redacted]  
 [Redacted]

19. The LAV is a high performance combat vehicle that provides reconnaissance, fire support through its turret mounted weapons, and capacity for additional personnel transport in addition to its crew of three. [Redacted] s6(a)  
 [Redacted]  
 [Redacted]  
 [Redacted]

20. [Redacted] s6(a)  
 [Redacted] The table below depicts our current protected vehicles – armoured Pinzgauer and LAV. [Redacted] s6(a) [Redacted] a PV-M (in the centre of the table below) is my highest priority vehicle project for the NZDF.



**Investment Objectives**

21. This PV-M Project will contribute to the broader PMCP goal of modernising the current legacy operational vehicle fleets over the next decade. The near term focus is on the Unimog and Pinzgauer (both armoured and unarmoured) fleets. The Investment Objectives for the overall project (of which this PV-M procurement is a subset) are summarised below:

- 21.1 The Defence Force has a strategically mobile and tactically agile Protected Mobility Capability;
- 21.2 The Defence Force has a Protected Mobility Capability with survivability relevant to contemporary and emerging threats;
- 21.3 The Defence Force has a Protected Mobility Capability that enables the [Redacted] s6(a) ability to defeat adversaries;
- 21.4 The Defence Force’s Protected Mobility Capability enables interoperability with partner nations; and

<sup>1</sup> Note that not all operational vehicles are armoured. Many roles are undertaken by unarmoured vehicles. The provision and replacement of these is also within the scope of PMCP.



21.5 Risks posed by the age and technical obsolescence in the existing Protected Mobility Capability are mitigated.

**How Many?**

22. A PV–M provides good flexibility because of its size and protection. It can carry up to 10 personnel, and be fitted with communications and other equipment. It is a size and type of vehicle that can be easily transported by maritime assets (for example, on our logistic ship HMNZS *Canterbury*), and supported on operations.

23. The number of vehicles is based on the need to ‘equip the force’. ‘Equip the Force’ is our current concept of procurement, [redacted] s6(a)  
[redacted]  
[redacted]

24. The number of PV–Ms to be purchased through this procurement is 43. This includes the required variants, such as command vehicles, logistic vehicles and ambulances. [redacted] s6(a)  
[redacted]  
[redacted]

25. [redacted] s6(a)  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

26. [redacted] s6(a)  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

27. In addition to the operational requirement, additional vehicles are needed to provide individual training of crews and maintainers back in New Zealand and allow for the replacement of vehicles if any are damaged or unavailable. [redacted] s6(a)  
[redacted]

28. In total, 43 PV–Ms are needed to give the [redacted] s6(a) capability that the Army can utilise, support, sustain and deploy. This number of vehicles has been factored into Army personnel planning, and can be managed within approved personnel levels. [redacted] s6(a)  
[redacted]

<sup>2</sup> [redacted] s6(a)  
[redacted]

29. The table below summarises the number of each variant that will be procured:

Troop Carrier	Command & Control	Maintenance s6(a)	Logistic	Ambulance
				

### What Type?

30. There is a very wide variety of PV–M vehicles offered by many different manufacturers. Many of these vehicles are not suitable for New Zealand as they are unproven, built to different standards, and do not meet our basic requirements for capacity, protection and performance. Candidate vehicles were assessed against the approved high level user requirements (which set out functional standards) and the project principles that were set out in earlier business cases and are summarised below:

- 30.1 Non developmental;
- 30.2 Interoperable;
- 30.3 Broad utility;
- 30.4 Proven track record; and
- 30.5 Maintenance and support arrangements.

31. Three different PV–M vehicle types that met these criteria were identified, as below:

		
Thales Bushmaster (Australia)	KMW Dingo 6x6 (Germany)	GDLS Eagle 6x6 (Switzerland)

32. These vehicles had similar technical specification and performance, but when assessed against the project's Critical Success Factors of strategic fit, market capability, affordability, efficiency, and achievability, the Thales Bushmaster emerged as the most suitable PV–M for New Zealand.



33. The Bushmaster has been in widespread service with Australia for many years, and recently a small fleet entered service in New Zealand with the Special Operations Forces (NZSOF). It has been exposed to well over 50 blast events – as yet, without a fatality. It has been a very successful vehicle in service. Bushmaster has saved lives.

34. By contrast, neither the Dingo nor Eagle 6x6 has seen operational service<sup>3</sup>. Their actual state of development, technology maturity and performance is not as well understood as Bushmaster. This adds a small risk element, although both manufacturers have good reputations.

35. Using the same vehicle as Australia means that personnel from both countries know how each other's vehicles operate and what their advantages and limitations are. Support can potentially be shared. Australian experience can be leveraged, and the work Australia is doing on the integration of ancillaries and future potential upgrades (which are an inevitable feature of modern equipment) can be utilised. The vehicle manufacturer is just across the Tasman, rather than on the other side of the world.

36. [REDACTED] s9(2)(b)(ii)

37. Should we need additional vehicles we potentially have access to the Bushmaster fleet operated by the Australian Defence Force, which has around 1,000 in service.

#### **New or Used? Used Bushmasters**

38. Because of the relatively small New Zealand requirement, the Australian Government offered us the opportunity to consider procuring used Bushmaster armoured vehicles from Australian stocks, and refurbishing them to a common contemporary standard. We carefully considered this option, as it was used to procure [REDACTED] s6(a) Bushmasters for the NZSOF.

39. Because Thales would be involved in both options (both supply of new vehicles and refurbishment of used vehicles), probity arrangements were closely examined to ensure we were getting a fair comparison of the options. Thales demonstrated a complete separation between the teams they utilised for each proposition and this was confirmed by an independent probity audit.

40. Investigation of the opportunity revealed that rather than getting effectively unused vehicles from the then latest PP5 production run [REDACTED] s6(a) [REDACTED] for 43 vehicles we would be offered vehicles from earlier production runs. This would mean the vehicles would be of varying condition and build configuration.

41. If used vehicles were acquired the following work would need to be undertaken:

- 41.1 The vehicles would need to be modified to a common baseline configuration;
- 41.2 Vehicles would need to be modified to the variant types we require (if they were not delivered in the variant configuration);
- 41.3 Refurbishment would need to be undertaken to ensure an acceptable level of residual life; and
- 41.4 Such additional modifications as needed to meet the NZDF requirements would need to be done.

<sup>3</sup> Earlier 4x4 variants of both Dingo and Eagle have seen operational service. However, these earlier variants do not have the capacity we need.

42. Refurbishment would have to be undertaken in Australia by Thales (the original manufacturer). Cost estimates for the refurbishment work would be subject to a level of risk depending on the original condition of the vehicle, as the full extent of required work would only be clarified when the vehicle was fully stripped down and prepared for refurbishment.

43. Both our own and Australian technical experts inspected a number of potential surplus vehicles. [REDACTED] s6(a), s9(2)(g)(i)

44. The team also assessed that a higher spares holding would be needed to support the vehicles through their remaining life. Maintenance costs would probably be higher than for new vehicles.

45. Any improvements over the baseline specification, especially for modifications that for technical reasons would best be incorporated as the vehicle is built, could impose further technical and financial risk. Some improvements that would be incorporated into new build vehicles are not able to be retro-fitted onto older vehicles for technical reasons.

### **New or Used? New Bushmasters**

46. Thales established the PP5 configuration in 2012. This was the last production batch for Australia, [REDACTED] s6(a). These vehicles have operational availability of [REDACTED] s6(a).

47. Since then, Thales have been working on various improvements based on experience and to meet future ADF and other potential customer requirements. They have synthesised this experience and recommended the improved NZ5.5 configuration as the new build specification for New Zealand.

48. The major advantages of NZ5.5 over the PP5 configuration include:

- 48.1 Up to 2.5 tonne additional payload;
- 48.2 Anti-lock braking system;
- 48.3 No spare wheel which improves the shape of the armoured hull (the use of run-flat tyres means a spare is not needed on the vehicle);
- 48.4 Side doors in the front of the vehicle which provides greater flexibility for the interior layout and improved escape paths;
- 48.5 Larger rear door allowing faster access and egress, and carriage of bulkier cargo;
- 48.6 Ability to incorporate new technology electronic wiring/computing systems to better support NEA and other equipment; and
- 48.7 Minor differences between each variant can be incorporated on the production line.

49. These incremental changes have taken a well proven design and built on its strengths to improve its capability and performance, whilst preserving the characteristics that have made it a successful vehicle.

## The preferred solution: New Bushmasters

50. Whole of life cost calculations were done for both new and refurbished vehicles, comparing the 30 year future life for both options. Whilst the initial cost of the new vehicles is higher, the need to refurbish, alter and upgrade the used vehicles means the whole of life cost of new vehicles is lower.

51. The improved features of the new build better fit the vehicle for New Zealand's current and future needs. There is less risk with the new build than refurbished, as the overall quantum of work is known in advance. New vehicles will be more efficient in both operation and support, and achievability is de-risked.

52. The capital cost of new vehicles is within the parameters approved in the Detailed Business Case. Given this, combined with the greater benefits and lower risk of a new build vehicle, I am recommending that new Bushmasters be procured.

### How Bushmaster will be introduced into service

53. The Bushmaster will be operated by Queen Alexandra's Mounted Rifles (QAMR), based in Linton, which is the unit in the Army that specialises in the operation of armoured vehicles. The majority of the vehicles will be based at Linton, but some will also be based in Burnham to provide training and support for the units based there, and to ensure that there are protected vehicles available in the South Island should they be required.

54. A comprehensive maintenance and support package from the manufacturer is being procured as part of the contract. This provides for five years of support, with further rights of renewal. Training packages (including desktop simulation) for both operators and maintainers are being procured. The vehicles are covered by a two year warranty.

55. A range of operational equipment that gives the vehicle its full capability is part of the procurement. s6(a)

[Redacted text block]

56. The budget allows for PV-M related infrastructure improvements in Linton. The current infrastructure in Burnham is adequate for this procurement. The current workshops (and eventually the new workshops being built by the Consolidated Logistics Project) will be used to maintain the vehicles.

### Schedule

57. Should this procurement be approved, I anticipate the overall contract with Thales being signed in August 2020. Key milestones are as below:

Milestone	Date
s6(a), s9(2)(g)(i)	

## Consultation

58. The Treasury have been consulted on the Protected Mobility Capability Project. DPMC (Policy Advisory Group), MFAT and MBIE have been informed.

## Financial Implications

59. The initial capital investment (including project contingency) to purchase 43 Bushmaster armoured vehicles is NZ \$101.300 million, consisting of s9(2)(b)(ii) to acquire the vehicles, training systems, and support equipment; s9(2)(j) to bring the vehicle into service including registrations, road user charges, locally supplied equipment and tools, initial training for operators and maintainers, and infrastructure improvements; and s9(2)(i) capital investment contingency. In addition there is \$1.600 million of foreign currency risk contingency for this project.

60. The total capital investment of \$102.900 million (including foreign exchange contingency of \$1.600 million, if required) will be funded through accumulated depreciation reserves, as set out in the table below:

	NZ\$ M			
	2020/21	2021/22	2022/23	Total
Capital Expenditure		s9(2)(f)(iv)		101.300
Foreign Exchange Contingency				1.600
<b>Total</b>				<b>102.900</b>

61. The foreign exchange contingency is to mitigate potential exchange rate fluctuations prior to hedging. This risk only exists for a very short duration, as Defence undertakes hedging immediately following PIBC approval. The bulk of the contract is in Australian dollars, which is maintaining a stable relationship with the New Zealand dollar at the current time.

62. The estimated investment whole of life cost (discounted) over 30 years is s9(2)(b)(ii) and includes initial acquisition, through-life capital investment and operating costs.

63. Through-life capital sustainment costs, which is anticipated to occur in s6(a) are estimated to be s9(2)(f)(iv). This upgrade will enable the vehicles to have a 30-year service life. A decision on this investment will be covered by a separate business case.

64. The Bushmaster vehicle operating costs are estimated to be NZ \$3.309 million per annum, \$1.119 million higher than current baseline funding of NZ \$2.190 million once the vehicles become fully operational. This increase is due to higher maintenance costs that includes engineering support from the supplier Thales.

65. Personnel costs associated with this capability are already incorporated into current and future Army budget projections.

66. The New Zealand Defence Force will require a depreciation baseline increase of s9(2)(f)(iv) at a steady state to reflect the value of the Bushmaster assets.

67. Operating baseline movements are set out in the table below.

	NZD \$ M - increase				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating cost baseline movement	0.000	0.000	s9(2)(f)(iv)		
Depreciation baseline movement	0.000	0.000			
<b>Total baseline movement</b>	<b>0.000</b>	<b>0.000</b>			

68. These costs are within the parameters advised in the detailed business case.

69. Approval is requested for the Operating Baseline uplift to be funded from the Defence Capability Plan 2019 tagged contingency established at Budget 2020.

### New Zealand Industry Involvement

70. There will be local industry involvement in the supply of support and maintenance, locally furnished equipment and provision of infrastructure.

### Legislative (and other) Implications

71. There are no legislative or regulatory implications. No impact analysis is required. There are no human rights, gender or disability implications.

### Publicity

72. I plan to publicly announce this procurement when the contract is signed.

### Proactive Release

73. This paper and other relevant papers relating to this procurement will be proactively released (with appropriate redactions) once the contract is signed

### Next Steps

74. Defence will contract for the procurement of the PV – Ms.

### Recommendations

75. I recommend that the Committee:

1. s6(a);
2. **note** that Protected Mobility Capability Project (PMCP) Detailed Business Case approved by Cabinet in April 2019 outlined a comprehensive plan to upgrade and replace our protected mobility over time through a range of complementary procurements with a potential total cost of up to s9(2)(f)(iv) out to 2028/29 (CAB-19-MIN-0171 refers);
3. **note** that the Secretary of Defence was directed to procure high mobility light vehicles (the first tranche of which has been delivered) and other project activities up to a value of \$18.592 million, and address the next priority through undertaking negotiations for Protected Vehicle – Mediums (PV – M) to the value of \$101.300 million;
4. **authorise** the Secretary of Defence to sign a contract with Thales Australia for the procurement of 43 PV – M Bushmaster armoured vehicles, training systems, other support equipment, and goods and services as required;

5. **note** that the initial capital cost (including contingency) is NZ \$101.300 million and is made up of s9(2)(b)(ii) to acquire the armoured vehicles, training systems, and support equipment; s9(2)(j) for infrastructure and introduction into service costs and s9(2)(i) capital investment contingency. An additional NZ \$1.600 million contingency to cover foreign currency risk is also included, bringing the total cost to NZ \$102.900 million;
6. **note** that the NZ \$101.300 million initial capital cost for the Bushmaster armoured vehicles will be funded from Defence Force depreciation reserves;
7. **note** that the foreign exchange contingency will be funded through Defence Force depreciation reserves of up to NZ \$1.600 million to cover the possible costs of foreign currency purchases to a level of NZD/AUD 0.895, if required;
8. **note** that the Bushmaster armoured vehicle capability average annual direct operating costs (excluding depreciation) are estimated to be NZ \$3.309 million in today's dollars from 2023/24. This is an estimated increase of NZ \$1.119 million compared with the current capability;
9. **note** that as a consequence of the \$102.900 million capital investment in Bushmaster armoured vehicles, Defence Force depreciation expense will increase by s9(2)(f)(iv) per annum at steady state;
10. **note** that the capital and operating funding provisions for Defence have been determined using inflation and foreign exchange rates used for the Defence Capability Plan Review Capital Plan 2019. The Bushmaster armoured vehicles whole of life investment costs have also been calculated using those same inflation and foreign exchange rates;
11. **approve** the following changes to appropriations for the depreciation and direct operating costs, to give effect to the acquisition of 43 Bushmaster armoured vehicles, training systems, other support equipment, infrastructure and other components as noted in recommendation 5 above, with a corresponding impact on the operating balance;

	NZD \$ M - increase				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Operating Balance Impact	0.000	0.000	s9(2)(f)(iv)		
<b>Total</b>	<b>0.000</b>	<b>0.000</b>			

Vote Defence Force Minister of Defence	NZ \$M - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Departmental Output Expense:</b>			s9(2)(f)(iv)		
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	0.000	0.000			
<b>Total Operating</b>	<b>0.000</b>	<b>0.000</b>			
<b>Total Capital</b>	<b>0.000</b>	<b>0.000</b>			



12. **agree** the expenses incurred under recommendation 11 to 2029/30 be charged against the Defence Capability Plan 2019 - Contingent Funding to Support the Introduction of New Capabilities tagged contingency established at Budget 2020 [CAB-20-MIN-0155.10];
13. **note** the following balance of the Defence Capability Plan 2019 - Contingent Funding tagged contingency reflecting the decision under recommendation 12;

NZ \$M - increase/(decrease)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Current amount remaining in tagged contingency	s9(2)(f)(iv)											
Protected Mobility - Medium	s9(2)(f)(iv)											
Consolidated Logistics Project	s9(2)(f)(iv)											
Remaining amount	s9(2)(f)(iv)											

14. **note** that Defence will continue to determine with greater certainty the direct operating costs and depreciation. As a result, the above may change as the transition period gets closer, and that Defence may seek changes to reflect that in future Budgets;
15. **authorise** the Secretary of Defence to commit and approve expenditure of public money up to the amount of NZ \$102.900 million to acquire 43 PV – M Bushmaster armoured vehicles, training systems, support equipment, infrastructure and other components, goods and services, and foreign exchange contingency as required;
16. **approve** the following changes to appropriations for the Secretary of Defence to commit to the acquisition process associated with the Protected Mobility – Medium, Bushmaster armoured vehicles;

Vote Defence Minister of Defence	NZ \$M – increase/(decrease)			Total
	2020/21	2021/22	2022/23	
Non-Departmental Capital Expenditure: Defence Capability	s9(2)(f)(iv)			102.900

17. **agree** that should the NZD/AUS exchange rate drop below the rate used for cost calculations between the dates of Cabinet approval to proceed and the purchase of forward cover, to the extent that the difference is greater than the foreign exchange contingency, then Joint Ministers (Finance and Defence) may approve the change to Vote Defence, Non-Departmental Capital Expenditure appropriation above;
18. **note** that the expenditure in recommendations 15 and 16 above are offset by a capital receipt from the New Zealand Defence Force;

19. **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 NZ \$102.900 million cost of developing the armoured vehicle capability;

Vote Defence Force Minister of Defence	NZ \$M – increase/(decrease)			Total
	2020/21	2021/22	2022/23	
<b>Departmental Capital Expenditure:</b> New Zealand Defence Force Capital PLA		s9(2)(f)(iv)		<b>102.900</b>

20. **agree** that the proposed changes for Vote Defence Force and Vote Defence appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Authorised for lodgement

Hon Ron Mark  
Minister of Defence

Released by the Minister of Defence

## Annex 1: Financial Tables

### Capital Cost

Protected Vehicle - Medium (All figures in NZ \$ Million)	Total
43 Vehicle (5 variants)	s9(2)(b)(ii)
Training, Support and Delivery	
Operational equipment	
Simulators	
<b>Total Prime Contract (Thales)</b>	
Government Furnished Equipment + Introduction into Service	s9(2)(j)
Infrastructure	
<b>Initial Capital Investment (excluding contingency)</b>	s9(2)(i)
Initial capital Investment contingency	
<b>Total Initial Capital Investment (including contingency)</b>	<b>101.300</b>
Foreign exchange contingency	1.600
<b>Total Initial Capital Investment (including contingency and foreign exchange contingency)</b>	<b>102.900</b>

Released by the Minister of Defence

# Bushmaster NZ5.5

## New Zealand's Future Protected Vehicle – Medium Capability



### How Bushmaster supports the Community, Nation and World

- Improves our ability to undertake population support and peacekeeping missions
- Better protection for our personnel
- More space to carry people and supplies in places where there is risk
- Interoperable with our partners
- Provides a flexible and versatile capability that is suited to a wide range of deployments
- Can be fitted with a broad range of equipment to meet our current operational requirements
- Is proven over years of operational service – Bushmaster has saved lives.

### Bushmaster NZ5.5 Specifications

Gross Vehicle Mass	17,000 kg
Overall length	6,720 mm
Engine	Caterpillar 7.2 litre turbocharged diesel
Speed	100 km/h (governed)
Payload*	Up to 5,200 kg
Crew	2 (driver & commander)
Passengers*	Up to 8 in rear

\* (depending on configuration)



Procuring Bushmaster will allow us to retire our current 60 Armoured Pinzgauer. Key advantages of Bushmaster compared to Pinzgauer are summarised below:

**Bushmaster**

Bushmaster better protects personnel against threats eg improvised explosive devices than Armoured Pinzgauer.

Bushmaster carries up to 10 personnel/5.2 tonnes of load – Armoured Pinzgauer is limited to 1 tonne or up to 6 personnel.

Bushmaster comes in a wider range of variants than Armoured Pinzgauer.

**Armoured Pinzgauer**



How Many?	43 Bushmasters in the following variants: s6(a) Troop Carriers; s6(a) Command + Control; s6(a) Ambulance; s6(a) Logistics; s6(a) Maintenance Support.
How Much?	Capital cost \$102.9 million (inc. FX contingency).
What are we getting?	Vehicles, spares, support, training, simulation, and infrastructure upgrades.
Where will they be based?	They will be operated by Queen Alexandra's Mounted Rifles and based at Linton and Burnham.



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