

The Implementation Proposition

A short version of Government Proposition No. 55 (2001-2002)



Norway's Future Defence



FORSVARSDEPARTEMENTET

Norwegian Ministry of defence

The way to the new armed forces

On 14 June last year the Parliament made decision on a new defence structure which would ensure a better balance between Norway's defence aims and the funding available and between operating costs and investment in new materiel, while providing flexible and modern armed forces with capabilities matched to the tasks to be carried out. For this overall aim there is, moreover, a broad measure of political agreement. Subsequently it has become evident that the costs associated with the defence structure decided by the Parliament were substantially higher than the best estimate available at the time the political decisions were taken. The challenge now is to obtain majority support for a stable level of defence funding for the future.

The task now facing me as Defence Minister is to work to achieve the soundest possible foundation on which to create and sustain a credible defence capability. The Government is therefore setting out proposals which embody certain adjustments compared with the structure decided last year. In addition, the Government is putting forward a plan for the financing of the new defence structure incorporating these adjustments. The Government is also advocating an increase of several billion kroner in the defence budget during the course of the current parliamentary period. For the present year the Government is increasing the defence budget by NOK 1 bn.

With these increased resources, coupled with sensible and defensible cutbacks in the structure, I am sure that a balance between investment and operating costs can at last be achieved. Something that will strengthen our defence planning capability and be in full accord with the wishes of our top military leaders.

The restructuring will be costly - in money but also in sheer effort, motivation and perseverance. We are facing some daunting tasks. The present level of our defence operating costs must be cut by at least NOK 2 bn. A number of garrisons will be closed

down. The Defence Establishment's building stock will be reduced by some 2 million square metres.

The reorganisation of the Armed Forces will strengthen our capability for strategic planning, command and control. This will be achieved by reducing the top echelons of the strategic leadership by half and by co-locating the Defence Staff with the Ministry of Defence.

In addition, the Peacetime establishment will be reduced by 5,000 personnel compared with the numbers employed as at 1 September 2000. At the same time the Armed Forces must recruit, and retain, critical personnel throughout the period of restructuring. This makes it especially important to focus on the Armed Forces capabilities after the restructuring period. The aim must be to make the Armed Forces a preferred choice for all who want to work in an exciting and challenging environment. Anyone working in Defence must be able to see their own work as an important resource contributing to the wider task of working towards a common goal. The restructuring process implies serious challenges for Defence personnel, and I deeply appreciate the positive approach and the patience shown by all those who work in this field.

Through measures to strengthen the defence budget, proposed changes in the organisation and structure of the Defence Establishment and the production of a financing plan for the period 2002-2005, a balance will be achieved between aims and the funding available. In this way the Government is contributing today to the establishment of an integrated, responsible way ahead that will ensure that Norway's defence will be in good shape to meet the threats and challenges of tomorrow.



Kristin Krohn Devold
Minister of Defence



Costs and budgetary framework

The Government has put forward a Proposition which describes how the restructuring of the Armed Forces is to be implemented. The so-called «Implementation Proposition» is based on the guidelines laid down by the Parliament during its consideration of Government Proposition St. prp. 45 (2001-2002) and the decisions made on 14 June 2001.

The main premise underlying the submission of the Implementation Proposition is that the costs associated with the defence structure made by the Parliament on 14 June 2001 are significantly greater than the Storting could have known at that time. In addition, it had not been possible to reach unanimity on the funding of the structure endorsed or on a stable budgetary framework for the Armed Forces during the period 2002-2005. It was resolved, therefore, that a balance must be achieved between the structure to be adopted and the funding for it. Certain adjustments to the structure are therefore proposed to take account of defence planning needs. These adjustments include measures to reduce the costs of the structure in the longer term. Additionally, an increase is proposed in the funding allocated to the defence budget for 2002 and a financing plan for the period 2002-2005 is also proposed.

The Government is therefore proposing a substantial increase in the defence budget, the largest in percentage terms since the end of the Cold War, in order to ensure the proper financing of the new structure over the period 2002-2005 thus ensuring the possibility of

adopting an integrated and credible defence policy. Through measures to strengthen the defence budget, proposed changes in the organisation and structure of the Defence Establishment and the production of a financing plan for the period 2002-2005, a balance will be achieved between the future defence structure and its financing in the years ahead.

The total funding required for the restructuring period 2002-2005 is estimated to be NOK 123.6 bn. In the Implementation Proposition the Government is proposing savings amounting to NOK 5.6 bn. The total funding required for the period 2002-2005 thus becomes NOK 118 bn.

There is broad agreement that Norway must possess modern, flexible armed forces capable of carrying out a comprehensive range of tasks. In order to ensure this, future defence planning requires a stable and predictable budgetary framework. We have a common political responsibility to ensure that the defence tasks endorsed

Principal aims of the Implementation Proposition

1 provide the best possible integration of defence planning

2 ensure a stable and predictable budgetary framework for further restructuring

3 ensure sufficient capability to prevent, limit and combat terrorism

4 put before the Parliament new measures and follow-up reports to reinforce the process of modernisation and restructuring already under way, and secure endorsement of policy and funding for future investment





by the Parliament are matched by the funding allocated, and that the Armed Forces can plan on the basis of the proposed budget allocations for the period 2002-2005.

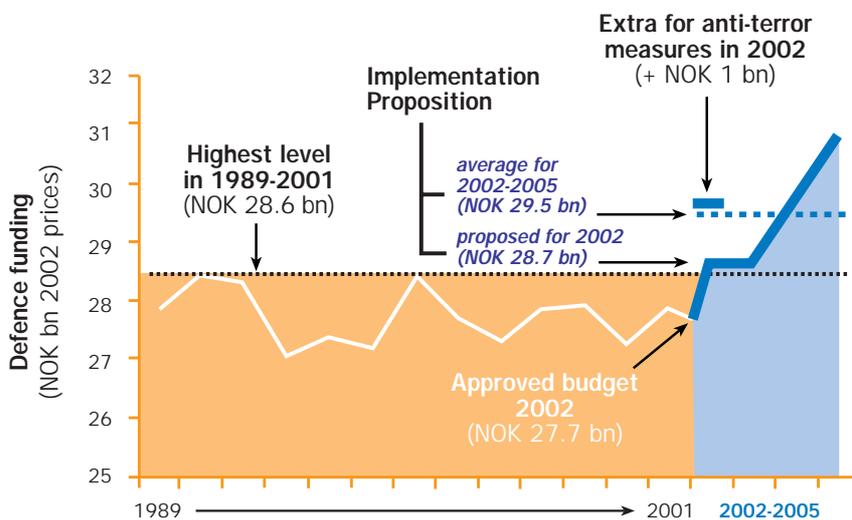
The Government proposes that a total of NOK 118 bn should be allocated to defence over the restructuring period

spend on such operations should be limited to NOK 900 million during this period. The involvement of the Armed Forces in international operations is now greater than ever before. The situation which has arisen in the wake of the terrorist attacks of 11 September requires that Norway fulfils its obligations as a member of the

Norwegian participation in Afghanistan. For 2002, supplementary funding amounting in total to NOK 1 bn is proposed to cover anti-terrorism measures.

In order to meet the need for a stable budgetary framework to cover defence planning over the restructuring period 2002-2005, the Government is proposing an increase in defence funding. For the year 2002, an increase of NOK 1.043 bn compared with original defence budget is proposed. This means an increase in the 2002 defence budget from NOK 27.7 bn to 28.7 bn. This represents an increase of 3.8 percent compared with the figure finally approved. With the proposals in Proposition no. 39 (2001-2002) to the Parliament relating to supplementary funding for anti-terrorism measures, the increase will be 5.7 percent.

Defence funding NOK bn (2002 prices)



2002-2005. This represents average annual defence funding of NOK 29.5 bn. This overall figure covers all defence budget items including the cost of participation in international operations.

It is proposed that the average annual

NATO Alliance. It is important not to cut back Norwegian participation in international operations where this could adversely affect cooperation with our allies or coalition partners.

It is proposed that additional funding should be allocated to cover the cost of

The Government further proposes that the defence budget for 2003 should also be increased to NOK 28.7 bn. The budget for 2004 will be increased to NOK 29.7 bn and that for 2005 increased to NOK 30.9 bn. In percentage terms, the increase in the defence budget from the final figure approved for 2002 to the projected figure for 2005 represents a rise of almost 12 percent. For the period 2002-2005, compared with the last four years, this represents an increase in defence funding of NOK 11.8 bn exclusive international operations. Such an increase represents a shift towards investment in defence of a magnitude not seen since the end of the Cold War period.

Even with this additional investment, the future Armed Forces will reflect some reduction, both structurally and in their supportable level of activity, compared with what was envisaged and decided by the Parliament in June 2001. As mentioned earlier, the defence structure endorsed has proved to be more costly than the Parliament could have known at that time when con-

sidering Government Proposition St. prp. 45 (2000-2001). The structure as then endorsed would have necessitated an annual increase of almost 12 percent in the defence budget from this year onwards.

The financing plan now proposed, together with the changes in structure and organisation now envisaged, provide a much sounder foundation on which to carry through the

a stable and predictable financial framework within which to work from year to year. If the financing plan is not followed there is an increased risk of inappropriate investment and of possible arbitrary cuts in structure and/or activities. Keeping the financing plan and the annual budgetary limits under a process of political review is of critical importance if the restructuring of the Armed Forces is to be successfully carried through.

Breakdown of principal cost elements for the period 2002-2005 (NOK bn)

Year	2002	2003	2004	2005
Overall allocations	28.7	28.7	29.7	30.9
<i>Additional funding of proposals in St. prp. No. 39 (2001-2002) and possible proposals for deployment of F-16 etc.</i>	1.0			
Operating costs	19.9*	18.6	18.8	19.2
- of which restructuring costs	0.6	0.4	0.6	0.6
- of which cost of international operations	1.6*	0.9	0.9	0.9
Investment in materiel	6.8	7.1	7.8	9.1
Investment in property, buildings and installations	2.5	3.0	3.1	2.6

*) Included NOK 0.5 bn pursuant to St.prp.No. 39 (2001-2002)

restructuring process. The overarching aim has been to put forward proposals which will help to create a balance between the activities of the Armed Forces, the essential investment in materiel and the funding allocated for these purposes.

A successful restructuring of the Armed Forces depends on having

Savings objectives

The principal savings objectives include cutting annual operating costs by a minimum of NOK 2 bn, cutting Peacetime Establishment by at least 5,000 and the disposal of about 2 million square metres of defence properties, buildings and installations. These are firm objectives.





It is necessary to consider new measures to enable these overall savings objectives to be achieved and to ensure an adequate degree of modernisation. The measures being proposed will result in savings amounting to approximately NOK 5.6 bn over the restructuring period 2002-2005. Some of the proposed measures have the potential for further savings in the longer term.

The Government will keep progress under review from year to year in order to identify any temporary measures that may be required to ensure that restructuring is successfully carried through. It is planned, for example, that the annual intake of military service conscripts should be temporarily reduced by up to 10 percent for the duration of the restructuring period. Other measures in view include the

level of training and exercising and the maintenance of properties, buildings and installations.

The Government's proposals place emphasis on measures which will yield a rapid and permanent reduction in the need for funding. Simply postponing investment, in materiel for example, until after the period of restructuring, would only exacerbate problems and weaken the capability of the Armed Forces. While the Government is proposing, however, that the payment plan for the new Skjold Class FPBs should be extended somewhat, this is only because the delivery dates for the FPBs will now cover a longer period than previously estimated. The Government is maintaining the planned schedule and it is anticipated that the contract will be signed in 2002 as planned.

Operations

Successful restructuring is vital to the future capability of the Armed Forces to carry out their appointed tasks. Restructuring thus represents a challenge of cardinal importance facing the Armed Forces during this period.

It means, for example, that operating costs have to be brought under control at a level that can be sustained over time. It is also essential that the Armed Forces retain the necessary levels of professional competence and operational capability to enable them to carry out the full spectrum of possible future missions, including a re-expansion of the organisational structure if this should become necessary. Many future tasks may need to be carried out jointly or in close cooperation with allied forces. The Armed Forces must also maintain the force production capability needed to establish the operational structure that has been agreed and to ensure the availability of sufficient personnel with the right levels of professional competence.

Overview of savings objectives (NOK bn)

Cost of agreed structure for the period 2002-2005 123.600

• Armed Forces Task Force -Army included in BRIG 12, parts of present BRIG 12 phased out	- 0.375
• Closure of Haslemoen Garrison	- 0.010
• Establishment of Maritime Surveillance Centre shelved	- 0.054
• Coastal Radar South closed down	- 0.024
• No further participation in Viking project	- 0.047
• Reduced investment and activity in Home Guard through relegation of highest age groups to passive status	- 0.630
• Upper limit on annual funding for international operations (NOK 0.9 bn)	- 1.800
• 20 independent Army field companies disbanded	- 0.102
• Three Landing Vessels deleted from the structure	- 0.036
• No new and enlarged frigate dock at Haakonsværn	- 0.235
• Reduced procurement of base sets for the Air Force	- 0.200
• Investment in BRIG 5 limited to personal equipment during restructuring period.	- 0.500
• Annual intake of military service conscripts temporarily reduced by up to 10% for duration of restructuring period	- 0.469
• Support for Det frivillige skyttervesen (a voluntary body to promote shooting skills) to be discontinued as from 2003	- 0.084
• Payments for Skjold Class FPB procurement to be extended	- 0.995

= Costs for the period 2002-2005 after cuts/reductions 118.039

Average annual funding required 29.510



Selected investment items (NOK bn)

Year	2002	2003	2004	2005
Command and information system	0.90	1.00	0.98	1.01
Leopard II	0.20	0.12	0.24	0.16
Medium Range Anti-tank Missile System	0.03	0.05	0.20	0.52
Frigates (Fridtjof Nansen Class)	1.94	2.09	2.27	2.31
MTVs (Skjold Class)	0.20	0.10	0.26	0.32
Coastal ranger Command	0.02	0.08	0.10	0.05
Combat aircraft (incl. replacement for F-16) and missiles	0.38	0.46	0.94	1.21
Maritime helicopters	0.90	0.16	0.36	0.94
Other projects	2.23	3.04	2.45	2.58
Total	6.80	7.10	7.80	9.10

Investments

The overall budgetary framework for investment over the restructuring period 2002-2005 will be NOK 42 bn. This corresponds to 35.6 percent of overall defence funding for this period, the annual percentage rising from 32.4 percent in 2002 to 37.9 percent in 2005. Increased investment is a key element in the restructuring and modernisation of the Armed Forces. The proportion allocated to investment in materiel amounts to approximately NOK 31 bn. Apart from the new frigates and the procurement of maritime helicopters, there will also be investment in missiles and other equipment which will give the Air Force's combat aircraft a so-called multi-role capability. Procurement of the Skjold Class FPBs will give the Navy a considerably increased operational capability. Substantial capital investment is also planned for the Army and the Home Guard. Investment in real estate, buildings and installations over this

period will amount to NOK 11.2 bn of which something like half is associated with the restructuring process. There will also be substantial investment in command and information systems. Investment in this area is an important aspect of the restructuring and modernisation of the Armed Forces.





Changes in structure and organisation

The Government is proposing measures which will contribute towards reducing the cost of the Defence organisation. This is being done to achieve an overall balance between structure, investment and operating costs, to put the defence budget on a sounder footing and to ensure a sufficient degree of modernisation.

Strategic leadership and command structure

On 14 June 2001 the Parliament made decision to disband HQ Defence Command Norway and to establish a new Defence Staff (FST) to be co-located with the Ministry of Defence (MOD). This change was to be implemented at the earliest possible date and no later than 31 December 2004. The co-location of the Defence Staff with the Ministry of Defence is intended to strengthen the capability of the top echelons of the defence organisation with regard to strategic planning and management. In order to comply with the Parliament's requirements for reductions on the personnel side, the reorganisation of the Ministry of Defence and the top levels of military command must be kept under close and continuous scrutiny.

The Government takes the view that the need for close and frequent contact between the various Government Offices, and with the Storting, should be the determining factor in deciding the best location for the co-located strategic leadership. For this reason it is proposed that the Defence Staff should be co-located with the Ministry of Defence in the Akershus Fortress area.

It is the Government's wish that the Inspectors General should form part of the Defence Staff. This will provide a basis for good strategic leadership capable of balancing conflicting priorities. It will also represent an efficient use of resources while ensuring that the heads of the respective armed services retain a visible role. The Inspectors General will form part of Chief of Defence's Management Group, so sharing responsibility for plotting the strategic way ahead. The Inspectors General will

also retain responsibility for the effective accomplishment of the tasks assigned to their respective service branches.

The Army

Army force structure - Brigade 12

A broadly based assessment suggests that the Army part of the Armed Forces Task Force (FIST-H) should form part of Brigade 12 which is a national independent brigade, so replacing part of today's Brigade 12. This will provide increased opportunities to develop and employ the special operational competence of particular units in the context of both national and international activities. Further work will be done with a view to strengthening the links between the rapid reaction Task Force and an allied unit for international operations. This measure will yield savings amounting to NOK 375 million over the period 2002-2005.

Army force structure - 20 field companies

The Government proposes that the establishment of 20 mobile field companies, as decided by the Parliament on 14 June, should not be implemented. The consequence will be that Home Guard units will form the territorial defence forces. This measure will result in annual savings of approximately NOK 102 million over the period 2002-2005.

Army force production - Haslemoen

As a consequence of the decisions made by the Parliament on 14 June 2001, it is proposed that Haslemoen Garrison should be closed by 31 July 2004. The closing of Haslemoen will result in savings both over a 4-year period and in the longer term.

The Home Guard

The Home Guard force structure will continue to be based on a staffing level of 83,000. The Government proposes, however, that the upper age groups should be relegated to a passive status



and that greater use should be made of existing materiel and of personnel who have already undergone military training. This will allow flexibility to call up the older age groups if it should become necessary. This measure will result in savings of approximately NOK 630 million over the period 2002-2005.

Plans are being prepared for a significant modernisation of the Home Guard through investment in new equipment, buildings and installations amounting to approximately NOK 775 million over the restructuring period. As an additional measure, other equipment, buildings and installations to a total value of at least NOK 1 bn will be transferred to the Home Guard from other parts of the defence organisation over the period to 2005. This includes communications equipment, personal equipment and weapons. The training garrisons at Værnes, Heistadmoen, Porsangmoen and Dombås will remain in use as at present.

The Navy

The existing Hawk Class and the new Skjold Class FPBs will be administered and operated from Haakonsværn Naval Base. Naval Base Olavsvern will continue to operate under Haakonsværn.

The Government proposes to decommission and dispose of three landing vessels. The phasing out of these vessels will yield savings of about NOK 36 million over the period 2002-2005.

The Government is not planning to upgrade the Coastal Radar Chain in South Norway and the intention is to close down the radar chain in the course of 2003. Nor is the Government now planning to establish a Maritime Surveillance Centre.

New Fast Patrol Boats (The Skjold Class)

On 14 June 2001 the Storting endorsed the procurement of six new Skjold Class FPBs. The intention is to finalise the contract during the fourth quarter of 2002 and for building to start early in 2003. Delivery to the Navy is due to take place over the period 2005-2009.

The Air Force

The Government will be establishing studies to identify operationally satisfactory but cost-effective solutions that will satisfy the Armed Force's overall requirement for air lift capacity.

The need for tanker aircraft will be considered in conjunction with the future air lift requirement. The aim will be to cover this need, in the short and medium term, through bilateral or multilateral cooperation.

In conjunction with its study of possible solutions to meet the need for future air lift capacity, the Government will be evaluating the arguments for and against the possible closure of Gardermoen Air Station and transferring 335 Squadron's transport aircraft to another base elsewhere.

Replacement of combat aircraft now in service (F-16 MLU)

From 2010 the Air Force's F-16 Mid-Life Update combat aircraft will reach the end of their operational life. The introduction of a replacement aircraft type must start as soon as possible after that.

On 14 June 2001 the Storting endorsed a defence structure which included 48 combat aircraft. The decision was also taken that preparations should be made for the procurement of new combat aircraft. It was emphasised that the defence authorities must, in the near future, make recommendations for the way forward with regard to the procurement of new combat aircraft





from 2010 onwards.

The Government is currently considering two alternative ways of preparing for the replacement of the F-16 MLU aircraft. These are: **a)** to participate, or continue to participate, in one or more collaborative projects, or **b)** not to participate in a collaborative project now but to purchase a fully developed aircraft later.

The possible collaborative projects relate to the Joint Strike Fighter, Eurofighter Typhoon and Rafale.

The ability of the Armed Forces to operate jointly with NATO allies or other partners in peacetime as well as in war would be enhanced if Norway were to collaborate in the development of a future combat aircraft. Apart from the possible financial advantages, participation in such development projects brings substantial industrial and technological benefits.

The work of preparing for the procurement of the next generation of combat aircraft is continuing. The Government will make a decision during the course of 2002 as to which development programme Norway should participate in.

Defence Logistics Organisation (FLO)

The Norwegian Defence Logistics Organisation (FLO) will, during the course of 2002, have established a common management structure to coordinate resources on a joint service basis. It is recommended that Phase 2 of the project, to establish a joint investment and development organisation (FLO/IUO), should be accelerated by one year to complete by 31 December 2002. It is further recommended that there should be no immediate change to the constitutional form of FLO but that studies to decide its final form should be instituted without delay. It is also recommended that a strategic assessment should be carried out to determine the extent of the information, communication and technology (IKT) activities to be covered in the Armed Forces before embarking on the reorganisation of FLO/IKT in Phase 3 of the FLO project.

The Government will use the outsourcing of certain defence activities, including some areas for which FLO is responsible, as one of the means of achieving the restructuring and modernisation of the Armed Forces. The concept of outsourcing as applied to defence activities, and the methods to be adopted, will be introduced during 2002.

Training and live fire area in Central Norway

New costings were carried out for the Training and live fire area during the period 1999-2001. Additional costs due to factors including changes in the VAT regulations were taken into account and the overall cost estimate revised. The project has been subjected to external quality assurance. The overall project is now being put forward with a cost limit of NOK 1.879 million.

Anti-terrorist measures

Immediate measures have been put in hand to improve the ability of the Armed Forces to help prevent, combat and limit the effect of terrorism. These measures should be seen in the context of the White Paper prepared by the Ministry of Justice and the Police, and the Government Proposition concerning supplementary funding for 2002 to cover additional resources required for civil defence, emergency planning and the police.

The restructuring of the Armed Forces will give increased flexibility and adaptability in the anti-terrorist context. The availability of the new forces will be markedly improved as a result of their degree of readiness, rapid reaction capability and mobility. The Armed Forces will also be much better equipped to operate jointly or in concert with allied forces.

Building up competence and capability in the anti-terrorism field is an important requirement for the future and priority will be given to the necessary investment. The continuing work within NATO on adjustments in the Alliance's force planning serves to reinforce the need to adapt the Armed Forces accordingly.



Challenges in the longer term

Seen in conjunction with the decisions made by the Parliament on 14 June 2001, the structural adjustments and financial measures described in this Proposition provide a sound basis on which to implement the restructuring of the Armed Forces over the period 2002-2005. The financial resources that the Government proposes to allocate to the defence budget in future years imply a very substantial investment in the Armed Forces. It must be said at the same time, however, that the challenges facing Norway's Armed Forces in the longer term are themselves highly demanding.

Challenge 1

The overall savings objectives for restructuring

A reduction of some 5,000 in defence manpower, disposal of 2 million square metres of real estate, buildings and installations and the reduction of annual operating costs by a minimum of NOK 2 bn are the principal savings objectives. Even with the measures sketched out in this Proposition, this does not mean that every necessary saving has been identified. In other words, the successful completion of the proposed restructuring will require the identification and implementation of yet further new measures.

Challenge 2

Resources needed by the Armed Forces after the restructuring period

Even given the substantial increase in defence budget allocations recommended in this Proposition, the Armed Forces will need to persevere with the process of modernisation for a number of years to come. This reflects the extraordinary measures that have to be taken over the current 4 year period of restructuring. Items of capital investment that have been postponed will have to be restored sooner or later. Furthermore, the underlying rate of inflation is higher for those goods and services on which the Armed Forces depend than it is for prices in general. These factors taken together mean that further supplementary funding will be required in 2005 and beyond if our defence structure is to be operated and renewed as envisaged. In addition there is the project for the replacement of the Air Force's fighter aircraft from 2010 onwards which will certainly require extraordinary funding measures.

Challenge 3

The need for further development of the Armed Forces' force structure

The constant development of military technology means that modern defence forces must also evolve to meet new threats and challenges if they are not to be left behind. If Norway is not to become a third rank military power the Armed Forces must consist of flexible military forces with modern equipment and highly trained and professionally competent personnel.

Unless these three challenges can be met in full, and the difficult choices made in good time, it is inevitable that the Armed Forces will once again slip back into a situation involving new imbalances.

Such a situation would be unacceptable to the Government. The structural, organisational and financial measures set out in this Proposition represent measures that are essential if a sound foundation is to be laid for the responsible and predictable development of the Armed Forces to meet the challenges they face both now and in the longer term.

At the same time, the structure and organisation of the Armed Forces must be the subject of a further review with a view to still further modernisation and rationalisation in due course. The main focus at the next crossroads will be on the rationalisation of the Armed Forces' production processes so that a larger part of the resources of the Armed Forces can be put to use in the running and renewal of operational units.



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