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Re Updating the 2003 Defence Budget and Policy Letter

## **NEW EQUILIBRIUM, NEW DEVELOPMENTS**

### **Towards future-proof armed forces**

#### **1. INTRODUCTION**

During the discussion of the Defence Budget for 2006 in the House of Representatives, we promised to update the 2003 Defence Budget and Policy Letter. In discussing the budget in the Senate, this wish also emerged. This letter represents our fulfilling that promise. This letter ties in with the 2005 Annual Report received by Parliament on 17 May 2006. Together, the annual report and this update letter offer an opportunity, at the start of the final year of this Cabinet period, to consider what has been achieved to date at the Defence organisation, and on that basis, what will have to be done over the coming period.

So why an update? It is our conviction that the shelf life of our vision on the future of the armed forces has not expired. This vision is encompassed in the Defence Budget and Policy Letter for 2003 and the Personnel Letter from September 2003, and in the Naval Study 2005, in which we also adapted the Navy to today's requirements. In addition, the Defence organisation is gradually reaching the closing phase of the largest reorganisation in its history, which has involved the loss of 11,700 jobs, the closure of bases and the disposal of operational capabilities. Over the last few years, this extensive operation has placed considerable demands on the organisation and the personnel, and over the next months, the Defence organisation will be pulling out all the stops with a view to achieving a new equilibrium between the tasks of the armed forces and the resources available. It is a major challenge, but that new equilibrium will

provide the Defence organisation with a solid basis for targeted further development of its capabilities, over the coming years.

The 2003 Budget Letter therefore remains our starting point. Nonetheless, since 2003, new developments have taken place, and previously recognised developments have moved further than could have been foreseen just three years ago. This in particular relates to the severe demands placed on the armed forces by expeditionary operations such as those in Afghanistan, on the enhancement of deployability, and the sustainability of the armed forces, on the strengthening of the intelligence chain within the Defence organisation, the high demands operating in military networks imposes, and above all on investments in the quality, training and retention of Defence personnel. These and other challenges mean that the targeted strengthening of the armed forces remains essential.

To solve operational bottlenecks, we have recently taken a number of measures such as the procurement of two additional Hercules C-130 aircraft for tactical air transport, the expansion of the number of crews and maintenance staff for Chinook transport helicopters and Hercules C-130 aircraft, and additional protective measures for the Dutch contribution to the ISAF mission in Uruzgan. In this letter, we will explain a number of other measures aimed at solving urgent operational bottlenecks. All these measures have been taken on a neutral budget basis - in other words, within the intended financial frameworks – and will be placed within the budget for 2007.

This spring, the Cabinet made extra funding available for the replacement of one Apache and two Chinook helicopters that were lost. The Cabinet, in the framework of the 'Intensification of Civil-Military Cooperation' (ICMS) project, made additional funding available for the requirement of the civil authorities for support from the armed forces, within the domestic borders. The House has already received a letter on these matters.

Security policy and operational developments, however, are moving apace. Later in this letter, we will therefore be outlining six development directions for all Services of the armed forces, which over the coming years will influence the capacity to implement operations effectively and efficiently. These directions could offer useful guidance in considering the future of the Defence organisation. This outline is, however, not intended to already lay claim to future budgetary resources.

Finally, the developments since 2003 have also led to the level of ambition for the armed forces as formulated in the 2003 Budget Letter being updated, partly on the basis of agreements made in national and international circles, concerning the availability of the armed forces. The updated level of ambition describes more clearly what the armed forces can deliver, if so requested. It is thereby made clear that the agreements reached mean that greater demands can be placed on the armed forces, than intended in the 2003 Budget Letter.

Below, in paragraph 2, we explain how we approached the task of updating defence policy. Subsequently, the following issues are dealt with in this letter:

3. Towards the new equilibrium;
4. Environment analysis; key developments since 2003;
5. Core tasks and level of ambition;
6. Future concepts: six directions for the armed forces;
7. General financial aspects;
8. Conclusion.

## 2. THE UPDATING OF DEFENCE POLICY

In updating our policy, we used three points of departure:

- **involve the world outside the Defence organisation.** First and foremost it was a question of whether important developments have taken place since 2003 which have made adjustments necessary. We further expressly wished to consider expectations in society, in respect of the armed forces;
- **involve Defence personnel from high to low.** Our people are our most important asset. They have a wealth of operational knowledge and experience;
- **opt for an approach across the board within the armed forces.** It is no longer appropriate to view the future separately for each operational command. 'Jointness' and uniformity must be given priority. As a consequence, in this letter we do not present a future vision for each element of the Defence organisation, but have assumed an analysis involving all the armed forces.

Over the last few months, numerous internal and external activities have been undertaken, partly with a view to preparing this letter. To involve the world outside the Defence organisation in updating the Defence policy, we organised an **external consultation round**. In that framework, our personnel held discussions with senior representatives from business and industry, science and culture. Three working conferences were also held. A great willingness emerged to contribute ideas to the Defence organisation, for which we would like to thank the participants. The Advisory Council on International Affairs (AIV) also made a welcome contribution with a recommendation entitled "Society and the Armed Forces". The government is soon to respond to these recommendations.

With an **internal consultation round**, we intended to give Defence personnel from all parts of the organisation the opportunity to contribute ideas to the future of the Defence organisation. Some 700 Defence personnel made contributions, and more than one hundred submissions were received for an essay-writing competition. The commanders of the five commands were also interviewed, and an extensive round of written interviews was organised, in which some thirty commanders from throughout the entire organisation participated, mainly at battalion level. Other specific target groups also contributed to the updating

process, including the Senior Armed Forces NCO, the Young Defence Personnel Organisation and the Advanced Defence Studies and Advanced Defence Management Studies organisations. A NIPO survey was held amongst 400 randomly selected personnel. The various ideas that emerged from the internal consultation round were then analysed in two workshops, supported by TNO.

Partly against the background of the recommendations from the Lemstra Commission (Parliamentary Document 30 300 X, no. 24 dated 8 November 2005), we aimed to maintain the highest possible degree of openness in updating our policy. The first results of the external and internal consultation rounds are therefore also available via the website of the Defence organisation: [www.mindef.nl](http://www.mindef.nl). Not all the opinions which emerged in the two rounds have been included in this letter. However, we certainly did take note of all contributions. Over the coming period, the Defence organisation will be attempting in several different ways to suitably follow up the exchange of ideas about the future of the armed forces.

### **3. TOWARDS THE NEW EQUILIBRIUM**

The Netherlands Court of Audit recently gave a number of comments on the Defence Annual Report for 2005. Above all in terms of management, improvements can and must be made in a number of areas. The Court of Audit above all blames the problems on the large-scale reorganisation within the Ministry, and we thoroughly agree. It is also worthwhile, in this letter, to carefully consider the scale and complexity of the "New equilibrium" operation. Hardly any part of the Defence organisation has been unaffected over the last few years by fundamental changes, and many personnel have left the Defence organisation, have changed their work place or have had to become used to changing working conditions. In the memorandum "New equilibrium on track" dated October 2005 (Parliamentary Document 30 300 X no. 15 dated 28 October 2005), we were able to produce a positive picture of the state of affairs in the reorganisation. Now, six months before that new equilibrium should have been achieved, the subprojects are generally either on track or already completed. Throughout that entire period, irrespective of the changes, the armed forces at no time failed in their operational tasks. Dutch servicemen and women have undertaken demanding missions outside the Netherlands, but were also ready to support the civilian authorities at home. In other words, the operation 'New equilibrium' did not take place at the expense of the implementation of operational tasks. All personnel of the Defence organisation, both military and civilian, deserve considerable praise for their efforts.

Now the finishing line for the 'New equilibrium' operation is in sight, we will be making a final sprint to actually achieve our objective. In the 2003 Budget Letter, we described that objective as 'a new equilibrium between the tasks of the armed forces and the resources available for them, so that the armed forces remain affordable, and that sufficient room remains for the necessary investments'.

Undoubtedly, as is often the case, the last mile will be the longest, in particular with regard to reducing the size of the organisation by 11,700 jobs. At the end of this year, the size of the organisation, the staffing level and the accompanying financial framework will have to have been harmonised. As we have repeatedly stated, also in the recent quarterly report on migration plans, compulsory redundancies cannot be ruled out. This certainly also applies for the final phase of the reorganisation.

The new equilibrium is of key importance to the Defence organisation. It will provide the armed forces with a stable basis for further harmonising their capability with the tasks to be undertaken over the coming years, through targeted investments.

#### 4. ENVIRONMENT ANALYSIS: KEY DEVELOPMENTS SINCE 2003

The measures in the 2003 Budget Letter were, amongst others, based on an analysis of the international environment (and the role of our country in that environment) and the condition of the armed forces. Partly on the basis of the internal and external consultation rounds, we still consider this analysis to apply today. A number of developments have, however, undeniably continued since the Budget Letter, and new developments have taken place, which demand specific attention. We will describe these developments – the changes as compared with the 2003 Budget Letter – below. We would note that there has been a **broadening** of the deployment of the armed forces, whereby, in practice, it is increasingly a question of more than simply the deployment of military units for crisis management operations and an **increase in the complexity of those crisis management operations**. We would also note that over the last few years, with broad public and parliamentary support, **unrelenting demands have been placed on the armed forces**.

**Security policy developments.** The vulnerability of modern societies in an open world is becoming increasingly clear in a range of fields. This observation was a common thread in the interviews and working conferences, in the external consultation round. Our security involves more than defence against the classic military threat to national and Allied territories. It is also a question of protection against international terrorism, the proliferation of weapons of mass destruction, international human and drug trafficking, piracy, pandemics, digital security threats and climate change. Safeguarding the energy supply, disaster relief and development issues have also acquired an increasingly important security dimension. To an ever greater degree, it is a question of protecting society as well as protecting territory. Almost all threats to our society also have an international dimension. Weak states, for example, form a demonstrable source of a large number of security risks. The broadening of the concept of security and the interwoven nature of contemporary security risks were clearly expressed in the report by the Secretary-General of the United Nations dated 21 March 2005 (In larger freedom: towards development, security and human rights for all) and in

the concluding document of the UN Summit on 24 October 2005 (2005 World Summit Outcome). In many cases, a role has been set aside for the armed forces in tackling these security risks.

The environment in which our security policy is implemented continues to be influenced by geopolitical relations, certainly in the long term. Those relations are undoubtedly undergoing change. Above all, the rapid economic growth in Asia will certainly have consequences for the international balance of power, and hence also for the position of Europe. In particular, the emergence of China and the long-term development of Russia will demand attention. The government will request advice from the AIV on the consequences of the emergence of China, in terms of security policy. In the Middle East, the situation in Iraq, the Israeli-Palestinian conflict and developments concerning Iran's nuclear programme continue to be a source of concern. Iran and the uncertain future of the international non-proliferation system were expressly discussed in the AIV report entitled "The nuclear non-proliferation regime; the importance of an integrated and multilateral approach", published in January of this year.

**NATO, EU, UN.** The defence efforts of our country are clearly taking form within the framework of NATO and the EU. The Alliance and the Union are also attempting to better harmonise the combined capabilities of the Member States, in respect of the developments in the international security environment.

**NATO** is constantly developing further as an Alliance that brings stability far beyond its own territories. Over the last few years, a growth in the number of NATO operations outside Europe has taken place. In particular, the ISAF operation led by NATO in Afghanistan has become far more extensive, since 2003. The Alliance is also making an important contribution in Iraq and in Sudan. Against this background, consultations are taking place within the Alliance concerning an alteration to the NATO level of ambition. The current level of ambition encompasses the capacity to implement simultaneously three major crisis management operations at corps level, across the entire spectrum of force. The altered level of ambition should express the fact that NATO should also be in a position to simultaneously undertake a number of small operations; how many is yet to be specified. The NATO Rapid Response Force (NRF) has taken shape over the last few years. Partly as a result of insistence by the Netherlands, usability targets have also been agreed upon within NATO. Above all, Member States whose performance levels to date have not yet been sufficient are encouraged by means of these targets to improve the usability of their armed forces. These targets mean that forty percent of the land forces of NATO Member States must be suitable for deployment, and that eight percent must be deployed or earmarked for deployment at any given moment. Our country already meets both targets.

Over the last few years, new steps have been taken in developing a **European Security and Defence Policy (ESDP)**. In 2005 alone, seven new ESDP operations were launched. In total, the European Union is currently undertaking one military operation (Bosnia) and nine civilian ESDP missions. A second

military operation (Congo) is currently under preparation. In 2004, the EU decided to establish battlegroups of between 1,500 and 2,000 military personnel which, for example, could be deployed following a request from the UN. At fixed intervals, the Netherlands will be contributing to this rapid-reaction capability, over the coming years together with Germany, Finland and the United Kingdom. Our country will also be contributing between forty and sixty servicemen and women from the Royal Netherlands Marechaussee, to the recently established European Gendarmerie Force (EGF). The establishment of the European Defence Agency (EDA) in July 2004 will also create new opportunities for harmonising national defence efforts, and together with other EU Member States, identifying solutions for military shortfalls.

Partly in response to a Dutch initiative, the concept of the **Stand-by High Readiness Brigade (SHIRBRIG) for United Nations Operations** was adapted in 2005. Instead of a fully deployable brigade, SHIRBRIG will in the future provide the core of a headquarters, with support units and planning capability, for UN missions. Consideration is being given to a rotation scheme for the support units, as a result of which participation will take on a more compulsory character. This new, more modest approach will certainly improve the deployability of SHIRBRIG.

**Interdepartmental developments.** The broadening of the deployability of the armed forces is also expressed in the interdepartmental agreements. These include the guaranteed availability of at least 4,600 servicemen and women in the event of disasters and crises in the Netherlands, for general and specialist support. On the basis of follow-up agreements with the Ministry of the Interior & Kingdom Relations and the Ministry of Justice, the guaranteed contribution by the Defence organisation to security within the national borders will be increased to approximately twenty-five percent of the total number of servicemen and women. We recently sent a detailed letter to the House of Representatives about this intensification of civil-military cooperation.

These and other agreements also imply that there is no differentiation between nationally and internationally deployable military personnel and women and resources. This specifically also applies for the Royal Netherlands Marechaussee which, as one of the four operational commands within the Defence organisation, undertakes a large proportion of its tasks subject to civilian authority. The capabilities of this operational command are also an integral part of a total package, which can be deployed by the Defence organisation for national and international security. Partly in response to the report "Culture and integrity" and the Policy Plan 2010 for the Royal Netherlands Marechaussee (Parliamentary Document 30 176, no. 2), we are currently investigating how the work requirements and the capabilities of the Royal Netherlands Marechaussee can be better harmonised. The House will soon be receiving a report on these investigations. The Marechaussee is a police organisation with military status. The accompanying central management and short chain of command facilitate rapid and flexible deployment both in the Netherlands and beyond. The military

legal position of the personnel, and the military training and education, also contribute.

In the framework of the Memorandum entitled “Reconstruction following armed conflict” (2004–2005; 30 075, no. 1), the Defence organisation is working increasingly closely with the Ministry of Foreign Affairs, the Ministry for Development Cooperation and other Ministries. Since the start of this year, the Defence organisation has been able to call on a pool of sixty military experts for Security Sector Reform (SSR). Thirty of them can be deployed simultaneously for short missions (no more than two months). All elements of the Defence organisation contribute to the growing involvement of the armed forces in this integrated foreign policy.

**Operational developments.** There is a globalisation trend in the deployment of the armed forces. Increasingly, the armed forces must be prepared for operations in distant parts of the world. Since 2003, the area of operations of NATO in Afghanistan has expanded considerably. It is expected that over the next five to ten years, in the framework of this operation, major demands will be placed on the Netherlands. The Defence organisation is also increasingly involved in tackling the serious security problems in Africa. Operational experience in Afghanistan and Iraq make it clear that the complexity of operations is further increasing. The circumstances in which servicemen and women operate are becoming more difficult, because the opponents are using irregular combat methods. Partly as a result, combat and transport helicopters have become an essential part of the equipment of deployed units. More than in the past, a range of specialisations and resources are required, in order to facilitate participation in operational networks, and a good intelligence position is of vital importance for effective operations. Because operations are more often being undertaken far away from the Netherlands, logistic support for missions has become considerably more complex. In addition, on an international scale, more severe demands are being imposed on the rapid deployability of the armed forces. As a consequence of all these operational developments, there is clear evidence of increased costs of operations. Increased wear of materiel and operational losses are a contributory factor, whilst the costs of new materiel continue to increase, in response to the higher technical demands imposed.

## 5. CORE TASKS AND LEVEL OF AMBITION

The reasons for the deployment of the armed forces are summarised in Article 97 of the Constitution<sup>1</sup>. In accordance with this article, three core tasks are identified for the armed forces in the Defence White Paper 2000, namely:

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<sup>1</sup> The article reads: “There shall be armed forces for the defence and protection of the interests of the Kingdom, and in order to maintain and promote the international legal order.”



- (1) protection of the integrity of our own and Allied territories, including the Netherlands Antilles and Aruba;
- (2) promoting the international rule of law and stability;
- (3) supporting the civil authorities in upholding the law, disaster relief and humanitarian aid, both national and international.

These core tasks are also set out in the 2003 Budget Letter and there is no reason to alter these formulations at this point. We do believe, however, that it is necessary to update and clarify the **level of ambition for the armed forces**, which outlines the operational implementation of these core tasks. It is above all a question of describing in more specific terms what the armed forces are capable of providing, on request. This also does justice to the developments described in the previous chapter, and the Naval Study 2005, which is aimed at rendering the naval forces more suitable for supporting land operations. The experiences acquired with operational deployment of the armed forces over the past few years also give grounds to clarify and supplement the level of ambition. It has emerged that our military contributions to crisis management operations are generally comprised of units from various elements of the armed forces, depending on the nature of the task. This can better be expressed in the level of ambition by referring to task groups. The importance of special operations has also increased further over the last few years, both in tackling terrorism and for the evacuation of (Dutch) citizens from hotspots. The armed forces have also been repeatedly called in to make relatively small-scale but nonetheless important contributions to civilian missions and police actions. In many cases, these requests refer to the deployment of scarce senior personnel.

In view of the above, we have reformulated the level of ambition for the armed forces as follows:

### **The level of ambition for the armed forces**

The armed forces guarantee:

- the protection of national and Allied territory, including the Netherlands Antilles and Aruba, if necessary with all available resources;
- an active contribution to the integrated foreign policy of the Netherlands. This includes:
  - high-quality and high-tech military contributions to international operations in all parts of the spectrum of force, also in the initial phases of an operation. This includes:
    - a contribution to the level of ambition of NATO. In that connection, the armed forces will also make a continuous contribution of varying size to the NATO Response Force;
    - a contribution to the level of ambition of the European Union. In that connection, the armed forces will also make a periodic contribution to the rapid-reaction capabilities of the Union, the EU Battlegroups;

- a contribution to the Stand-by High Readiness Brigade (Shirbrig) for United Nations Operations;
- participation for a period of no more than one year in an operation at the higher end of the spectrum of force, with a brigade of land forces, two squadrons of fighter aircraft or a maritime task group;
- simultaneous participation over a longer period of time, in no more than three operations at the lower end of the spectrum of force, with task groups of battalion size or, in the event of air operations and maritime operations, their equivalents;
- participating in land operations as lead nation at brigade level and – together with other countries – at corps level, in maritime operations as lead nation at task group level and in air operations with contributions at levels equivalent to the brigade;
- the implementation of special operations, including evacuation operations and counter-terrorism operations;
- participation in police missions including those of the European Gendarmerie Force, with officers and units of the Royal Netherlands Marechaussee, and small-scale missions of a civil-military nature;
- making available military experts for training and advice to security organisations in other countries;
- providing international emergency aid at the request of civilian authorities;
- contributions within the borders of the Kingdom to the security of our society, subject to civilian authority. These contributions are both structural and incidental in nature. In total, on a rotational basis, approximately twenty-five percent of the military component of the armed forces is guaranteed to be available for the implementation of national tasks. This specifically includes:
  - the implementation of national tasks, such as border security by the Royal Netherlands Marechaussee and the coastguard;
  - military assistance in the criminal enforcement of the rule of law, and in upholding public order and safety, for example with special support units and the explosive ordnance disposal units;
  - military support in the event of disasters and severe accidents.

In principle, military personnel can be deployed both at home and abroad. Within the armed forces, no differentiation is made between resources that are deployable nationally and internationally. It is a single pool of units from which resources may be drawn for all purposes. This is also desirable for reasons of efficiency.

Deployment in a national framework is organised in such a way that the participation in international operations is not hindered. The level of ambition is deliberately not a summing up of capabilities, nor is it restrictive. Equally, the level of ambition in no way prescribes how many military personnel on average should be on missions abroad at any given time. Decisions on the deployment of

servicemen and women in promoting the international rule of law will by definition be taken on a case by case basis, according to the so-called Frame of Reference for Decision-making for the Deployment of Military Units Abroad and in accordance with the memorandum on political principles for deployment policy dated April 2004 (2003–2004, 29 521 no. 1). In that process, the Dutch contributions will as a rule be composed depending on the nature of the mission and the contributions from other countries. Uruzgan is an example. The periods during which the Netherlands will contribute to the NRF and the EU battlegroups will be harmonised in such a way that these rapid-reaction forces do not place huge demands on our armed forces simultaneously.

## **6. FUTURE CONCEPTS: SIX DIRECTIONS FOR THE ARMED FORCES**

Following on from the Naval Study 2005, we promised the House of Representatives, in the framework of the updating of Defence policy, to consider the future of other elements of the armed forces. With that in mind, using **six development directions for the entire Defence organisation**, we will now outline the future of the armed forces. In that connection, we will also deal with the measures we have taken to solve bottlenecks already identified. It is clear, however, that even this is not an end for the armed forces. Over the coming years, those armed forces will undoubtedly be faced with major challenges.

### **I – The implementation of complex operations far away from the Netherlands**

Experiences accrued in Afghanistan and Iraq make it clear that very severe demands are imposed on the actions of the Western armed forces. A modern military cannot perform without the striking power of main weapons systems such as tanks, frigates and fighter aircraft. The Government is striving to ensure that after the 2006 summer recess, a decision will be submitted to the House concerning the Joint Strike Fighter aircraft (JSF) which will contain three elements, namely the choice in principle in favour of the JSF as the successor to the F-16, the signing of the MoU for the production and maintenance of the aircraft, and the purchase of the first three units. From the very beginning, industrial involvement was the most important consideration in participating in the development of the JSF. The Ministries of Economic Affairs and Defence are currently considering how, on the basis of operational requirements of the armed forces, the involvement of the Dutch Defence-related industry in materiel projects in general can be optimised.

Effective expeditionary deployment, however, requires more than just main weapon systems. Over the coming years, the strengthening of the support capabilities of the armed forces – logistics, intelligence, force protection, information, command and control – will remain important focal points. In addition, the distinction between operations low down or high up in the spectrum of force has become blurred. Units are sometimes required to simultaneously be able to offer aid, guarantee security and implement targeted combat operations. In the 2003 Budget Letter, we opted for armed forces with units able to perform both high

up and low down in the spectrum of force. Practice over the last few years has shown that this choice was correct.

The Coalition Agreement of the current Cabinet contains an intensification process with a view to improving the deployability of the armed forces for crisis management operations. The majority of the measures in the Budget Letter also relate to this objective. Partly thanks to the increase of the investment percentage, major steps forward have been taken in this Cabinet period. Also in the framework of preparations for the NATO mission in Uruzgan, measures have also been taken to enable the armed forces to implement this highly demanding operation as effectively as possible. Further strengthening of the armed forces will however remain necessary, over the coming years. In particular, the following items are relevant:

- unmanned aerial observation systems for establishing a picture of the situation on the ground and at sea are of vital importance for military operations. They also promote the safety of our own units. We have therefore decided to purchase **Medium Altitude Long Endurance Unmanned Aerial Vehicles (MALE UAV)** and smaller (tactical) unmanned observation systems. The Netherlands will also be contributing to the combined **Allied Ground Surveillance** capability of NATO. Strengthening these capabilities was already announced in the 2003 Budget Letter, but the systems are more expensive than expected, and without additional financial resources, it will not be possible to implement them simultaneously, according to the proposed timetable. The House of Representatives will soon be receiving a list of requirements for these systems;
- helicopters have become essential for the deployment of the armed forces in crisis management operations. These are valuable means of transport and create mobility, reconnaissance capability, mobile fire power and medical evacuation capabilities. To replace the Lynx helicopters, the Defence organisation will be purchasing twenty NH-90 helicopters, eight of which are suitable for transport over both sea and land. The Defence organisation is making preparations for the procurement of two additional **Chinook helicopters**, to replace units lost in Afghanistan. The decision had already been taken earlier to purchase four new aircraft. The introduction of the new aircraft will require considerable efforts, also in financial terms. Whatever the situation, the higher costs per helicopter will mean financial problems for the Defence organisation. Nonetheless, there is still a requirement for three additional Chinook helicopters and two additional NH-90 helicopters, in the transport version. The House of Representatives was previously informed of these needs in the Helicopter Study (Parliamentary Document 29 800 X, no 3 dated 29 October 2004);
- given the globalisation of the deployment of the armed forces and the increased importance of rapid deployment, suitable strategic and tactical transport equipment will be vital over the coming years in providing logistic support. In relation to the 2003 Budget Letter, the Defence organisation has already decided to expand its own airlift capability with the addition of two extra

Hercules C-130 aircraft to replace the four Fokker F-60 aircraft which are less suitable for long-distance transport. Since the start of this year, the Netherlands has also been a participant in the multinational Strategic Airlift Interim Solution agreement (SALIS) for the leasing of civilian aircraft of the Antonov type. The Defence organisation will also be acquiring a Bare Base capability, with to which primitive or damaged airfields can rapidly be made operational, using a mobile control tower and radar systems. In accordance with the Naval Study 2005, the successor to the supply ship Zuiderkruis will be suitable for strategic transport by sea.

Nonetheless, there is still room for improvement in this situation. This applies in particular for **strategic airlift capabilities**. There is an urgent international shortage of aircraft capable of carrying large loads and equipped with the necessary self-defence equipment, which can operate from less modern or damaged airfields. In the NATO and EU context, important initiatives were recently undertaken to remedy this shortfall. Studies have shown that in the light of its level of ambition, the international shortfalls and the developments since 2003, the Defence organisation will need a capability of at least one aircraft of the C-17 type. The Defence organisation will also be investigating the possibilities of increasing airlift capabilities through international cooperation. On an international scale, opportunities are arising for improving strategic sea transport capability. For the time being, the financial resources for implementing these improvements are not available.

- in 2003, the decision was made to divest six **Apache combat helicopters**, in order to create sufficient space for the maintenance and the modernisation of the remaining 24 aircraft. At the time, this measure was based on target reductions and it cannot be reviewed within the current budgetary framework. Since 2003, the Apache has more than proven its operational value. One aircraft lost during operations has already been replaced by one of the aircraft intended for divestment. If additional financial capacity is made available for this purpose, it should still be possible to consider keeping on the remaining five Apaches. This will lead to an increase in operating costs and current and future modernisation costs, as well as a fall in income generated by sales.
- we wish to protect our servicemen and women deployed on missions as well as possible. As a consequence of the increased range of threats, investments in **security measures** continue to be necessary. These range from improved operational concepts and the improvement of personal equipment through to physical protective measures for vehicles and accommodation. The threat from improvised explosive devices (IEDs) also demands specific attention. Against this background, the decision has been made to appoint a Counter-IED Task Force. The Defence organisation has also taken the initiative to improve protection against mortar attacks;
- to facilitate the integrated deployment of a range of military resources during operations, operational support with **a single operational network and**

**information structure** is of increased importance. Our main Allies are also investing in this aspect. On an international scale, these resources are identified as network-enabled capabilities (NEC). Given the fundamental character of this development, it will be discussed separately below (see development direction V);

- **the improvement of the sustainability of units which are much in demand** requires specific attention. Certain units are subject to excessive deployment requirements, which can result in the departure of personnel who are difficult to replace. Last autumn we decided to recruit and train additional personnel for the Chinook helicopters and the C-130 transport aircraft. In the budget for 2007, we will also be taking measures to solve personnel bottlenecks within several other units. These involve more personnel for the acquisition of human intelligence, for information operations and for civil-military cooperation (Cimic). In these areas, secondary tasks will be upgraded to full-time positions. In total, 60 jobs will be freed up for these tasks next year. In the future, similar measures will be necessary to improve the deployability of helicopter types such as the Apache, the Cougar and (in the longer term) the transport version of the NH-90;
- participation in complex operations of an irregular nature, in combination with the sometimes very tough geographical and climatological conditions has important consequences for the **training and instruction** of servicemen and women. All military personnel or units eligible for land operations must be capable of defending themselves under the most severe conditions. The consequences for the required military skills and for the equipment of above all (combat) support units will therefore be investigated. Greater attention will also be focused on military operations in built-up areas. By offering military personnel more broad-based training instruction for general crisis management operations, deployability will be further improved. The consequences, for example additional training time and extra training and instruction resources, will also be investigated.

## **II – From island to archipelago (towards an integrated approach)**

Security risks are increasingly less affected by the boundaries between countries, departments and services, and therefore require a broader, more integrated approach and closer cooperation between departments and services. On a national scale, over the last twelve months, much work has been undertaken in shape form to these new types of cooperation. Examples are the establishment of a national coastguard, the agreements on civil-military cooperation (CMBA), the intensification of civil-military cooperation (ICMS) and the establishment of the Special Interventions Service (DSI) for counter-terrorism activities. In this way, the Ministries of the Interior & Kingdom Relations, Justice and Transport, Public Works & Water Management can now be sure of the Defence efforts on which they can rely. Not only the scale but also the nature of the resources to be made available has changed. In addition to general support with personnel and materiel, the Defence organisation has now also made high-quality, specialist capabilities

available for example for tackling (the consequences of) chemical and biological attacks, the protection of ports and the monitoring of properties. In addition, in support of the civil authorities, the Defence organisation is undertaking more and more domestic tasks, for example in the framework of border control, the Coastguard and explosive ordnance disposal. In particular the role of the Royal Netherlands Marechaussee in guarding the border and properties can be even further developed over the coming period, in consultation with the relevant ministries.

The years to come will be hallmarked by the operationalisation and further elaboration of the cooperative ventures outlined above. The intensification of operational cooperation with the civilian authorities should be improved on a decentral level, by linking the Regional Military Commands with the brigade staffs of the Royal Netherlands Army Command. This will not only facilitate improved support in the elaboration, exercising and implementation of contingency plans, but also offers possibilities for further improving the training and deployability of the National Reserve battalions. The Royal Netherlands Marechaussee will, over the coming period and in consultation with the security partners, be focusing on further positioning and professionalisation in the spectrum of force between police and other components of the armed forces. With this in mind, they will be investing in cooperation with the various partners which are active in the field of security both in the Netherlands and internationally. Together with the ministries involved, we are also investigating other forms of cooperation in such areas as early warning, national threat analyses, the suitability of military command and control concepts for civilian crisis control, the utilisation of centres of expertise and national ICT support. Finally, there are further possibilities for improving national cooperation between intelligence services (see also development direction IV).

For the deployment of the armed forces abroad, interdepartmental cooperation has taken clearer form. Security and reconstruction go hand in hand in conflict areas and high-risk countries. Not only do they serve the international rule of law and the protection of human rights, but they also favour our own national security. In this way, security risks such as terrorism, drug trafficking, immigration flows and cross-border crime will be tackled closer to the source. Combined implementation, support, reporting and monitoring will be given greater attention. In addition, experiences accrued with the integrated approach in the framework of Provincial Reconstruction Teams (PRTs) in Afghanistan will be further utilised.

Also this year, military advisers from the SSR pool will be deployed for security sector reform in other countries. At the end of this year, we will launch an initial evaluation of the performance of this pool and the interdepartmental SSR team responsible for identifying projects. In that process, a determination will be made as to whether servicemen from the SSR pool should continue to occupy regular positions. In a broader sense, we will also be investigating whether the officer-heavy nature of smaller, often civil-military missions gives grounds for additional measures. Demand for the deployment of Marechaussee-type forces is increasing on an international scale as well. The problems in failing states increasingly

require the expertise of police officers with a military background. This is reflected, for example, in the establishment of the European Gendarmerie Force (EGF). Through more intensive training and the harmonisation of operational procedures, investments are being made in military knowledge and experience. The establishment of a deployment pool is an important step in the professionalisation of the deployment of the Marechaussee abroad. The pool consists of approximately 230 Marechaussee personnel, of whom between 40 and 60 will be made available to the EGF. In addition, the job places which are released by the reduction in the number of brigades will be used for expanding the available capability for crisis management operations, international police missions and SSR.

### **III – From individual armed forces Services to all-Services**

In the 2003 Budget Letter, we attributed considerable importance to a defence-wide approach, in which 'jointness' and uniformity of all the elements of the Defence organisation are the central feature. The operational capability for combined deployment is, after all, of essential importance for modern armed forces. The interconnections between units of different armed forces components are becoming increasingly close, also further down in the organisation.

In the wider context of the Budget Letter, over the last few years, major additional steps have been taken towards the move from focusing on individual armed forces Services, to an all-Services approach. This is about much more than reordering command structures, discontinuing the position of commander-in-chief and establishing of operational commands. For example, cooperation between the Marine Corps, 11 Air Manoeuvre Brigade and the Commando Corps has been intensified. A number of training programmes have been amalgamated and during the operation Enduring Freedom in Afghanistan there was a combined command and control structure for the implementation of special operations by marines and commandos. The number of all-Services capabilities has also increased. Important specialisations which were previously developed by each armed forces Service individually are now brought together across the entire Defence organisation. The Defence Explosive Ordnance Disposal Service (EODD), the Joint Nuclear, Biological & Chemical Centre of Expertise (JKCNBC), the Defence Institute for Security and Intelligence (DIVI) and the recent decision to establish a single Defence Helicopter Command are clear examples.

The cultural change towards all-Services cooperation is fully underway and enjoys broad-based support, as clearly identified in the internal consultation round. A balance must be established between this, however, and the essential individual identities of the various elements of the Defence organisation. Those own identities are, after all, determining factors for the armed forces and as such they represent an essential binding and recruiting factor.

Over the coming years, alongside the organisational switch to a more joint approach, we also expect a strengthening of the modular character of the armed forces. There is, after all, no standard recipe for the deployment of military units.



Threats, risks and circumstances can change quickly, and call for flexible tailor-made solutions. The recent deployments of units in Iraq and Afghanistan once again show the need for a modular approach. Deployed units are tailor-made from smaller components from the various Services. At increasingly lower levels, commanders must be able to cooperate in an international environment. This modular approach, however, also has its limits and must not be at the expense of the required expertise and internal coherence within the units. In crisis circumstances, servicemen and women must be able to perform as a single team, and trust one another blindly. This is possible by having organic units of battalion size operate as a sort of parent unit, and supplementing these units in a modular form, with specialist building blocks such as intelligence, helicopters, engineers, air defence and logistics.

In the framework of this development direction we are considering the follow-up measures outlined below:

- The integration of ground-based air defence of the army and air forces within a single **ground-based air defence command** which will be accountable to a single operational command. The Joint Air Defence Centre in De Peel will also be included. The new command will operate various different types of air defence systems, and must be in a position to direct the implementation of air defence tasks ranging from protection against long-range ballistic missiles through to the protection of deployed units against close-range targets. In the short term, in other words before the budget discussions this year, we will be informing the House further on the positioning of this command.
- A clustering of capabilities for processing operational intelligence within a single **all-Services intelligence unit**, which will deploy the various tactical intelligence resources, and analyse, in conjunction, the resulting information. The existing operational intelligence capabilities of the Intelligence Surveillance, Target Acquisition and Reconnaissance (ISTAR) battalion and the Reconnaissance Intelligence Centre will be the most important components. The necessary strengthening of the operational intelligence capability should also be achieved within this unit (see development direction IV).
- The **role of the Directorate of Operations of the Defence Staff** in the coordination of preparation and support for operations will be further increased. This will involve expanding on the results achieved over the last few years, in the centralisation of operational control. One of the options currently being investigated concerns the development of the Defence Operations Centre into a permanent headquarters.
- The **brigade staffs will be given a multifunctional and modular character**. The brigade is no longer a fixed component in deployment. By including expertise from the navy and air force in the brigade staffs of the Army Command, we can guarantee that the brigade will be able to bring together a range of functions from air, land and sea operations. In addition, task groups can then be compiled and prepared for the implementation of complex operations. A similar approach for the task group staff of the Navy Command

should have the same positive effects. To implement this modular approach, specialist capability will be concentrated in the brigade staffs. These are specialists in the field of such activities as CIMIC, reconstruction and psychological operations, necessary with a view to the increased complexity of military operations. The specialists can train battalions, maintain contacts with government bodies and non-governmental organisations and will be part of a pool of units for deployment. Over the coming period, the Defence organisation will be further examining the number and types of brigade staffs for the land forces.

- Practically every type of deployment requires support from **logistics, transport, engineering and NBC protection**. To avoid the further fragmentation of the scarce capabilities, our goal is to organise these forms of support jointly.

#### **IV – Intelligence**

The security policy and operational developments described in paragraph 4 also have consequences for the Military Intelligence and Security Service (MIVD) and operational intelligence and security at the Defence organisation. The importance of up to date intelligence has further increased over the past few years. The greater complexity of operations and the globalisation of the deployment of the armed forces also impose higher demands on intelligence provision. The intelligence and security organisations of the Defence organisation are therefore to an increasing degree faced with requests for analyses and investigations.

These developments call for a strengthening of the entire intelligence chain within the Defence organisation. This year, two studies were undertaken into the resources and authorities of the intelligence and security services within the Defence organisation. The external Defence Intelligence and Security Inquiry Group (OIVD), under the chairmanship of C.W.M. Dessens (*mr. drs.*), investigated the legality, effectiveness and efficiency of the intelligence and security capability within the Defence organisation, and of the MIVD in particular. Attention was also focused on the organisations outside the Defence organisation with which the MIVD cooperates, and the way in which this cooperation takes form, for example, with the General Intelligence and Security Service (AIVD) in the establishment of the National Sigint Organisation (NSO) and in the AIVD-MIVD covenant, and with the National Coordinator for Counter Terrorism (NCTb). The Defence organisation also carried out an internal investigation into the operational intelligence chain within the armed forces, including operational support by the Military Intelligence and Security Service. This study resulted in specific recommendations and intensification of the operational intelligence chain, and as such complements the final report of the OIVD.

In interdepartmental consultation, the recommendations of the OIVD and of the internal study will be assessed over the coming months, and processed in a plan of action. For example, a structured strengthening of the intelligence and security chain and cooperation with partners will be guaranteed. At the end of 2008, an evaluation will take place. The recommendations of the commission on

cooperation between the AIVD and the MIVD will be processed over the coming months, in consultation with the Ministry of the Interior & Kingdom Relations, in a new covenant between the two services. We recognise the necessity of strengthening the intelligence and security chain and will review the pace and scale of investments. A step-by-step expansion would seem logical, since overly rapid implementation would result in excessive demands on the chain, for training and instruction. The supply of intelligence and security products, and improving the quality thereof, must have priority in connection with the safety of the personnel. We underline the conclusion of the OIVD that in designing the intelligence and security chain, that design must tie in with the principles of the administrative evaluation commission of the AIVD (the Havermans Commission). Legitimacy, confidence, legality, effectiveness, clear management and far-reaching control are, after all, of essential importance. Clear priorities and requirements, objectiveness and professional independence must be the starting point for any activity within the intelligence and security chain. It is clear that putting these and other principles into practice in a changing environment will impose severe demands on the organisation, the cooperation in the chain and the adaptive capacity of the personnel. Whatever the case, cooperation within the chain with other intelligence and security services in the Netherlands and beyond and with the NCTb must be improved. With that in mind, the MIVD has also signed a covenant with the NCTb.

#### **V – From technology to information and innovation**

In the 2003 Budget Letter, we noted that for operations in all parts of the spectrum of force, the Netherlands must continue to focus on high-quality and often also high-tech military contributions. An important example is the development of 'networked' information provision, identified in international terms as **Network Enabled Capabilities** or NEC. This development is of essential importance to ensure interoperability with Allied partners and the modular deployment of units and resources from the various armed forces Services. Together with the Ministry of the Interior & Kingdom Relations, the Defence organisation is investigating whether the NEC concept can also be used on a national scale.

NEC is all about the ability to access and share information via an Internet-like construction. Sensors, weapon platforms and units are part of a single network, and in the future can be linked together on an almost random basis. A patrol commander can, for example, then see around the corner of the next street using sensors on an unmanned aircraft. The individual serviceman on the ground can make use of information from the air or sea, and vice versa, even if the units involved are of different nationalities. In this way, a network environment offers the possibility of acting in smaller groups, whilst still making use of the striking power of other capabilities. These capabilities may be stationed elsewhere in the area of operations (for example Apache helicopters, self-propelled howitzers or special forces) or even operating outside the area of operations (for example F-16s and cruise missiles). In this way, striking power and mobility of the armed forces can be considerably expanded and vulnerability and physical presence restricted to a minimum. By integrating the information from a range of sensors into a single sea,

land and air picture, commanders at all levels can be provided with a timely, accurate and joint picture of the environment.

NEC also offers the armed forces important social added value, since the concept fits in with the national goal of a **knowledge economy** with a considerable innovative capacity. With this in mind, the Defence organisation must increasingly position itself as a 'smart user' of knowledge often developed in civilian research. This calls for a balance between the technological expertise at the Defence organisation itself, and the expertise acquired for the Defence organisation by external institutes. The Defence organisation no longer needs to duplicate the expertise available on the market or with other government bodies, unless there is an operational necessity to do so.

Within NATO and the EU, NEC is high on the agenda and the concept is undergoing rapid change. The European Defence Agency (EDA), for example, has initiated the establishment of a European strategy for defence research and technology (R&T). The Netherlands is in favour of more European cooperation in the field of R&T, in particular where this cooperation ties in with important shortfalls in capability areas. Over the past few years, the Defence organisation has made a number of important steps forward. Examples in the field of communication technology are the introduction of the 'Link 16' data system for fighter aircraft and maritime units, and of TITAAN, a system whereby the armed forces are able to create and link ICT networks in various areas of operations. Command and control systems such as the Battlefield Management System and the Soldier Modernisation Programme offer commanders at all levels an insight into the situation, and make it possible to make adjustments almost 'online'. Over the coming years, the NEC concept will be introduced further on a step-by-step basis in order to establish a single operational network and information structure. Alteration and strengthening of command and control capabilities for mobile and expeditionary deployment, network capabilities, satellite communication and personal information systems are essential. In the budget for 2007, the following measures have therefore been provided for:

- the procurement of data communication for mobile operations. This project is necessary in order to provide mobile units with a combined picture of the environment;
- the early replacement of subsystems of TITAAN. The Defence organisation is using civilian technology that can be purchased off-the-shelf. The technological developments are, however, taking place rapidly so that after only five years it will be necessary to replace subsystems.

On a national scale, too, the NEC concept will be given greater priority within the Ministry of the Interior & Kingdom Relations and the NCTb. Together with this Ministry, the Defence organisation is investigating whether NEC offers opportunities for also improving multidisciplinary cooperation in national crisis management, and the first results are promising. In the letter on the intensification of civil-military cooperation, it was announced that the concept will be further

elaborated and that it will be tested operationally at all levels in the next national contingency planning exercise Voyager 2007.

#### **VI – From jobs to the people doing them**

The quality of military and civilian personnel remains an important aspect for the Defence organisation, in which constant investment remains necessary. Over the next few years, the composition and quality of the personnel complement will be further adjusted to the requirements imposed by the new organisation.

For that reason, for civilian personnel, the focus of attention will be on the intensification of mobility policy and personal development of personnel. In respect of military personnel, from 2007 onwards, investments will be made in the introduction of the new flexible personnel system. This system is focused on controlling and managing the composition of the personnel complement in such a way that the required tasks can be implemented professionally. In addition, using this system, the further rejuvenation of the personnel complement and the balanced personnel structure can be achieved, necessary for ensuring the ability to continue to implement operational tasks of the armed forces, now and in the longer term. Considerable demands are placed on our personnel and above all in the bottleneck categories, deployment pressure is even today sometimes considered excessive. The new personnel system should alleviate this situation, too.

The flexible personnel system offers the military personnel greater freedom of choice in determining their own careers, supported by a range of training opportunities. It is not all about job and career training, but also about training focused on personal development. In this way, the serviceman will be put in a position to invest in his own career at the Defence organisation, or be supported in finding a job on the civilian labour market. We recently sent you a Training Memorandum dealing with these aspects in detail.

By broadening the deployment of the armed forces, military personnel must not only be prepared for complex operations of an irregular nature, but also for the implementation of national security tasks, offering emergency aid or participating in civil-military (police) missions in weak states. In certain job areas, this broad-based and multifaceted activity by the armed forces is imposing ever higher demands on the individual skills of the serviceman. For this reason, investments will be necessary in further broadening the training and development and hence the deployability of military personnel. This will also have consequences for the structure of the training organisation, the training time available and the qualities of instructors and supervisors.

### **7. GENERAL FINANCIAL ASPECTS**

As you are aware, the cutback target in this Cabinet period, of in total approximately EUR 380 million, is a structural component of the total cutback in

the annual defence budget of EUR 715 million. This large-scale cutback, which necessarily led to reduction of operational capabilities and infrastructure, has helped to reduce operating costs and make those costs more manageable, whilst increasing the investment percentage from 16.1 in 2003 to 19.9 in 2005. The conclusion is therefore justified that through the interventions in the 2003 Budget Letter, the budgetary situation at the Defence organisation has been put in order.

In the budget for 2007, we will be including a number of further measures which were announced at the start of 'New equilibrium' in 2003, and which have now been decided upon. In particular, these refer to the procurement of resources for air-to-ground observation. In addition are the measures we have explained in this letter, aimed at solving recent operational bottlenecks:

- the procurement of two additional extra Hercules C-130 aircraft for tactical transport (the House of Representatives has already been informed of this procurement by letter);
- the procurement of a bare-base capability to still make it possible to use airfields in primitive or poor condition;
- more crews and maintenance personnel for Chinook helicopters and C-130 transport aircraft;
- the procurement of equipment for force protection for the Uruzgan mission;
- the procurement of resources for data communication for mobile operations;
- early replacement of parts of the TITAAN communication system;
- extra training places for intelligence personnel, information operations and CIMIC;
- the expansion of the order of four to six Chinooks, to replace the two aircraft lost.

To solve these bottlenecks, we have had to introduce shifts in the long-term investments.

The budgetary frameworks laid down in this Cabinet period determine the financial boundaries within which the renewed equilibrium must be implemented. We feel it is important to underline that these frameworks are clearly under pressure. Such pressure is not by definition undesirable, since shortage encourages efficiency and prioritisation. At the same time, achieving the political ambitions of our country calls for sufficient financial capacity for the armed forces, to be able to respond to new developments. We would note that this is no sinecure.

## **8. CONCLUSION**

The 2003 Budget Letter was hallmarked by a new equilibrium between the tasks of the armed forces and the resources available, to keep the armed forces affordable, and guarantee sufficient room for investments. This led to the start of the largest reorganisation in the history of the Defence organisation. This operation has undeniably placed huge demands on the organisation itself and the personnel.

And we still have some way to go; over the next six months, the Defence organisation will do everything in its power to achieve the intended new equilibrium. The efforts are focused on creating a stable basis for the Defence organisation, so that the capabilities of the armed forces can be effectively developed further over the coming years. In that situation, our country will be able to call upon balanced and future-proof armed forces, capable of providing what is demanded of them, and making optimum use of the budget available.

THE MINISTER OF DEFENCE

THE STATE SECRETARY FOR DEFENCE