
AGREEMENT BETWEEN

THE

GOVERNMENT OF AUSTRALIA

AND THE

GOVERNMENT OF NEW ZEALAND

CONCERNING

ENHANCED INVOLVEMENT OF THE
ROYAL NEW ZEALAND AIR FORCE
SKYHAWK AIRCRAFT IN
AUSTRALIAN DEFENCE FORCE
AIR DEFENCE SUPPORT
FLYING

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The Government of Australia and the Government of New Zealand ("the Parties"),

HAVING regard to the tradition of close and friendly relations between them and the principles of Closer Defence Relations,

TAKING account of the close co-operation between them in defence matters,

DESIRING to enhance this co-operation to mutual advantage through the provision of Air Defence Support Flying for the Australian Defence Force (ADF) by Skyhawk aircraft of the Royal New Zealand Air Force (RNZAF),

HAVE agreed as follows:

PART I**PRELIMINARY****Article 1****DEFINITIONS**

In this Agreement:

- a. "ADF Air Defence Support Flying" means RNZAF flying in support of the ADF and includes Fleet Air Defence Training Support and training with ADF formations, groups and units;
- b. "Conversion Training" means training by the RNZAF of RNZAF and Exchange pilots to fly Skyhawk aircraft;
- c. "Deployment Flying" means:
- (1) RNZAF Skyhawk relocation to bases other than HMAS ALBATROSS or RNZAF Base OHAKEA for the purposes of ADF Air Defence Support Flying; and
 - (2) flying by RNZAF aircraft (including maintenance flying) such as Hercules, Orion and Boeing 727 in support of Deployment Flying by No 2 Squadron and No 75 Squadron within Australia or from RNZAF Base OHAKEA;
- d. "Financial Year" means a year from 1 July in one year to 30 June in the following year and the terms "a given year" and "annually" refer to such a Financial Year;
- e. "Fleet Air Defence Training Support" (FADTS) means RNZAF Skyhawk aircraft operations for the Royal Australian Navy (RAN) in support of ADF Air Defence Support Flying comprising:
- (1) "On Task Flying" which means Skyhawk aircraft operations in support of ADF Air Defence Support Flying from the time of an aircraft's arrival in an exercise area to the time of its departure from an exercise area; and
 - (2) "Transit Flying" which means flying required to position Skyhawk aircraft in or recover Skyhawk aircraft from an exercise area in order to undertake Fleet Air Defence Training Support;
- f. "HMAS ALBATROSS" means the Naval Air Station located at Nowra, NSW;

g. "Maintenance Flying" means the flying necessarily undertaken to deploy or repatriate No 2 Squadron between New Zealand Bases and HMAS ALBATROSS, resupplying No 2 Squadron from New Zealand, and in flying Skyhawk aircraft to and from New Zealand for the purpose of aircraft maintenance. Maintenance Flying includes flying by aircraft types other than the Skyhawk aircraft;

h. "MHQ" means the ADF Maritime Headquarters;

i. "Naval Support Command" means the RAN Command responsible for providing logistic and administrative support to the RAN and which commands associated personnel, naval units and commissioned and non-commissioned establishments;

j. "New Zealand National Task Flying" means flying undertaken by No 2 Squadron and No 75 Squadron other than Fleet Air Defence Training Support and includes Conversion Training, test and administrative flying, No 2 Squadron Flying Training and flying for ceremonial and public exhibitions, and air show purposes.;

k. "No 2 Squadron" means the six RNZAF Skyhawk aircraft and associated personnel and equipment deployed and based in Australia for ADF Air Defence Support Flying pursuant to this Agreement and includes any personnel, aircraft, or equipment on attachment to No 2 Squadron;

l. "No 2 Squadron Flying Training" means flying training for the benefit of No 2 Squadron personnel;

m. "No 75 Squadron" means No 75 Squadron RNZAF normally based at RNZAF Base OHAKEA, New Zealand which from time to time will be deployed in Australia to provide ADF Air Defence Support Flying pursuant to this Agreement;

n. "Operational Command" and "Operational Control" have the meanings defined in Australian Defence Force Publication 101;

o. "RNZAF Air Command" means the Environmental Command Headquarters of the Royal New Zealand Air Force; and

p. "Tactical Fighter Group" means one or more of the following Royal Australian Air Force (RAAF) units or elements thereof; No 2 Operational Conversion Unit, No 3 Squadron, No 75 Squadron, No 77 Squadron, No 25 Squadron, No 76 Squadron, No 2 Control and Reporting Unit, No 3 Control and Reporting Unit and No 114 Mobile Control and Reporting Unit.

Article 2**SCOPE**

1. This Agreement sets out the terms on which:
 - a. No 2 Squadron will be located at HMAS ALBATROSS to provide Air Defence Support flying to the ADF;
 - b. No 75 Squadron will provide Air Defence Support Flying to the ADF; and
 - c. Hercules, Orion and Boeing 727 will provide Deployment Flying to the ADF.
 2. This Agreement shall not apply to operations of the RNZAF in support of New Zealand National Task Flying other than those which are specifically defined in Article 1.
 3. Detailed arrangements in implementation of this Agreement, which shall apply to No 2 Squadron and No 75 Squadron, shall be the subject of separate Arrangements between the RAN and the RNZAF.
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PART II

NO 2 SQUADRON

Article 3

OPERATIONS

1. No 2 Squadron shall be located at HMAS ALBATROSS and shall conduct operations principally from HMAS ALBATROSS but in accordance with mutually acceptable arrangements between the ADF and the RNZAF, may operate from other suitable airfields when necessary.
2. Under this Agreement, the primary function of No 2 Squadron shall be to provide FADTS to the RAN. No 2 Squadron shall also conduct other aspects of ADF Air Defence Support Flying, administrative flying, Conversion Training, ceremonial duties, public exhibitions and air show flying.
3. Unless otherwise mutually determined, No 2 Squadron may be tasked to undertake up to 800 hours of On Task Flying, up to 280 hours of associated Transit Flying and any associated Deployment Flying for FADTS each Financial Year. This figure may vary in order to make more efficient use of No 2 Squadron and No 75 Squadron flying hours. Operational procedures for implementing this, including delegations and direct liaison authorities, shall be set out in the Implementing Instructions to be mutually determined by Naval Support Command, MHQ and RNZAF Air Command.
4. Subject to the provisions of paragraph 3 to this Article, the Government of Australia shall provide opportunities for No 2 Squadron to train with ADF formations, groups and units when such training is mutually beneficial and cost neutral to the ADF. Such training shall be arranged between Headquarters ADF, MHQ and Headquarters RNZAF Air Command. As most training opportunities will involve operations with the RAAF Tactical Fighter Group, to facilitate this training, the Commanding Officer No 2 Squadron shall be invited to participate in relevant periodic Tactical Fighter Group programming conferences.
5. The use of Australian weapons ranges for Conversion Training shall be on a cost recovery basis and in accordance with Australian Departmental Finance Instruction No 6/94.
6. The use of Australian airborne target services for Conversion Training shall be on a cost recovery basis and the subject of separate arrangement between the ADF and RNZAF.

7. Operational Command of No 2 Squadron shall be retained by the RNZAF. The Maritime Commander, Australia (MCAUST) shall have Operational Control of No 2 Squadron for FADTS and associated Deployment Flying and Transit Flying in respect of support to the RAN. The RNZAF shall have Operational Control for all other flying. Operational Control may be passed to elements of the ADF as required.

Article 4

ROTABLES AND SPARE PARTS

The Government of New Zealand shall maintain at HMAS ALBATROSS a stock level of spare parts and a selected group of like repairable and serviceable items for specific maintenance operations, to permit the upkeep-by-exchange concept of repair of No 2 Squadron and No 75 Squadron aircraft, at a level and of a type to meet operational requirements under this Agreement.

Article 5

FACILITIES AND TRANSPORT

1. The Government of Australia shall endeavour to supply sufficient facilities, (including aircraft shelters), and services, such as air traffic control, fire services, arrestor gear services, and emergency services (including crane support), to enable FADTS, ADF Air Defence Support Flying and No 2 Squadron training objectives to proceed in a timely manner.
2. The Government of Australia shall endeavour to provide mutually acceptable working accommodation required by No 2 Squadron. Working accommodation shall include aircraft hangarage, office and storage space, tarmac facilities, electricity, gas, solar power, water and telephone, and airfield facilities suitable for Skyhawk aircraft.
3. To support FADTS the Government of Australia shall endeavour to provide, as mutually determined by the RAN and RNZAF, No 2 Squadron with the following vehicles:
 - a. a utility motor vehicle and a liquid oxygen replenishment vehicle to No 2 Squadron for its exclusive use; and
 - b. such other specialist vehicles.
4. The Government of Australia shall be responsible for maintenance of the vehicles provided for the use of No 2 Squadron.

Article 6

POSTINGS AND REMOVALS

1. The Government of New Zealand shall endeavour to post members of the RNZAF to No 2 Squadron for periods of approximately two years and six months and to keep changes of postings to a minimum. The RNZAF shall advise HMAS ALBATROSS of all posting changes of No 2 Squadron members as soon as practicable.

2. The Government of New Zealand shall ensure that the removal to and from Australia of members of No 2 Squadron, their accompanying dependants and their personal effects, up to the standard volume entitlement in accordance with standard NZDF rates as promulgated in New Zealand Defence Force Orders for Movement (DFO 36) shall be by RNZAF, ADF or any commercial aircraft, whichever is the most cost effective.

Article 7

RATIONS AND QUARTERS

1. The Government of Australia shall provide sufficient single and married quarters accommodation at or near HMAS ALBATROSS to meet the needs of members of No 2 Squadron and accompanying dependants and shall provide rations for single members of No 2 Squadron accommodated in Service quarters.

2. Quarters provided shall be equipped, by the Government of Australia, with furniture and fittings as the ADF and RNZAF mutually determine in separate arrangements.

3. The Government of Australia shall provide rations and appropriate accommodation to ADF standards for members of No 2 Squadron deployed away from HMAS ALBATROSS in the course of ADF Air Defence Support Flying.

Article 8

MEDICAL AND DENTAL CARE

1. The Government of New Zealand shall ensure that members of No 2 Squadron and their accompanying dependants are medically and dentally fit on arrival in Australia. Comprehensive medical and dental records shall be brought with the members of No 2 Squadron and made available when seeking treatment at HMAS ALBATROSS or privately under the Medicare provisions.
2. The Government of Australia shall provide to members of No 2 Squadron medical and dental services of the same standard and extent provided to members of the ADF.
3. Members of No 2 Squadron and accompanying dependants shall be eligible for Australian Medicare benefits. The Government of Australia shall not be responsible for costs of medical services which exceed Australian Medicare benefits, or for dental services, additional health and ancillary health services.

Article 9

EDUCATION

No 2 Squadron personnel and their accompanying dependants shall enjoy the same eligibility for education during their stay in Australia pursuant to this Agreement as do Australian citizens. The Government of Australia shall not otherwise be responsible for meeting the costs of education of No 2 Squadron personnel or their dependants.

PART III**NO 75 SQUADRON****Article 10****OPERATIONS**

1. No 75 Squadron shall normally be based at RNZAF Base OHAKEA in New Zealand. No 75 Squadron shall conduct FADTS, administrative, ceremonial, public exhibitions, air show flying, and other training with the ADF.
 2. During combined exercises with the ADF, No 75 Squadron shall be tasked to undertake up to 200 hours of On Task Flying, up to 70 hours associated Transit Flying and any associated Deployment Flying for FADTS each Financial Year. This figure may vary in order to make more efficient use of No 2 Squadron and No 75 Squadron flying hours. Procedures for implementation, including delegations and direct liaison authorities, shall be detailed in the implementing instructions to be mutually determined between MHQ and RNZAF Air Command.
 3. Operational Command of No 75 Squadron shall be retained by the RNZAF. The Maritime Commander Australia shall have Operational Control of No 75 Squadron for FADTS and associated Transit Flying in respect of support to the RAN. The RNZAF shall have Operational Control for all other flying. Operational Control may be passed to elements of the ADF as required.
 4. The use of Australian weapons ranges for Conversion Training shall be on a cost recovery basis and in accordance with Australian Departmental Finance Instruction No 6/94.
 5. The use of Australian airborne target services for No 75 Squadron shall be on a cost recovery basis and the subject of separate Arrangement between the ADF and RNZAF.
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PART IV

COMMON ARTICLES

Article 11

JURISDICTION, COMMAND AND DISCIPLINE

1. The provisions of this Article shall be read subject to any status of forces agreement which may be entered into between the Parties.
2. Members of No 2 Squadron and No 75 Squadron shall be subject to applicable Australian laws whilst in Australian territory while performing any obligations under this Agreement, except that members of No 2 Squadron and No 75 Squadron shall not be subject to the Defence Force Discipline Act 1982 (Australia).
3. Members of No 2 Squadron and No 75 Squadron shall remain under RNZAF command at all times, and shall be subject to the Armed Forces Discipline Act 1971 (New Zealand).
4. The Government of New Zealand shall ensure that members of No 2 Squadron and No 75 Squadron shall comply with the laws, regulations, orders, instructions and customs of the ADF in so far as they are appropriate and applicable in the circumstances.
5. If an Australian authority considers that an act or omission on the part of a New Zealand Service member to whom this Agreement applies constitutes an offence against Service Law of New Zealand, that authority shall report the act or omission to the New Zealand Senior National Officer who shall ensure that the matter is dealt with in accordance with the Armed Forces Discipline Act 1971 (New Zealand). Australian authorities may, for good cause, request that a member to whom this Agreement applies be withdrawn from service in Australia.

Article 12

SECURITY

Classified information and material provided or generated pursuant to this Agreement shall be protected in accordance with the Agreement between the Government of Australia and the Government of New Zealand for the Reciprocal Protection of Classified Information of Defence Interest, done at Waiouru on 10 February 1989.

Article 13

COST RECOVERY

1. The costing of the arrangements covered by this Agreement shall be as detailed at Annex A and Annex B and, where not otherwise specifically provided for, in accordance with the arrangements between the Parties on costing policy and cost sharing arrangements for Closer Defence Relations (CDR).
2. Subject to paragraph 3 of this Article, each Party to this Agreement shall be responsible for meeting any and all costs incurred by that Party in the course of meeting its obligations under the Agreement (including costs relating exclusively to that Party's national tasks) which are not specifically included in the cost recovery arrangements detailed in Annex A and Annex B.
3. Prior to the commencement of a Financial Year and subject to paragraph 1 of this Article the Parties may review and mutually determine elements of the cost recovery arrangements to apply to the year under review as follows:
 - a. the planned number of hours to be flown by the RNZAF on activities falling within the scope of this Agreement;
 - b. amendments to the costings arising from new, additional or redundant costs;
 - c. amendments due to changes in asset valuations and unit rates of cost; and
 - d. amendments to the costings arising from the completion of the RNZAF Skyhawk Life Of Type study subject to RAN endorsement of the methodology and outcomes. Amendments under this sub-paragraph shall be retrospective to 1 July 1996 and thus may include a re-assessment of any relevant costs paid prior to the receipt of the Life Of Type data.
4. Once mutually determined between the Parties, all cost recovery arrangements derived in accordance with paragraph 3 of this Article shall remain fixed for the duration of the year under review, with the exception of those cost recoveries which it is mutually determined shall be effected on the basis of actual cost such as aviation fuel prices.

Article 14

BILLING

1. Each Party shall render to the other Party a quarterly account for payment of costs incurred in accordance with this Agreement. Accounts shall cover the quarters ending on the last day of September, December, March and June, and shall be rendered in each case no later than the last day of the month following.
2. Accounts shall be fully itemised and accompanied where appropriate by adequate supporting documentation. Actual costs (where called for in terms of this Agreement) shall be used where they are available. Failing actual figures, indicative costs as endorsed by the Parties for planning purposes prior to the commencement of each year of the Agreement shall be used.
3. The billing of costs based on indicative costs shall be regarded as provisional only until such time as actual figures are available. Previously billed provisional sums shall be taken into account in determining amounts payable once actual costs become known.
4. Quarterly billings for costs based on the number of hours flown shall be based on the actual hours flown for the quarter. Where the Agreement calls for the same task to be shared between the Parties, such as No 2 Squadron FADTS hours, the full-year sharing arrangements outlined in Annex A shall apply to the quarterly total of hours flown.
5. Final billings for each Financial Year (namely those for the June quarter) shall be reconciled so that total billings for the year comply with the arrangements outlined in Annex A and Annex B.

Article 15

PAYMENTS

1. Payment of accounts shall be made in the same currency as that in which the account is rendered. The Party making payment shall thus accept the exchange rate risk. That is, accounts for payments to be paid by the Government of Australia shall be rendered to the Government of Australia expressed in New Zealand Dollars. Accounts for payment to be paid by the Government of New Zealand shall be rendered to the Government of New Zealand expressed in Australian Dollars.

2. The Parties may mutually determine to vary the preceding clause to permit offset arrangements where there is a financial or administrative benefit to be gained by doing so, and may jointly determine a basis for fixing an exchange rate if necessary to facilitate such arrangements.
3. Payment for accounts shall be effected within 30 days following receipt of correct and duly authorised invoices. No claim for payment shall be delayed whilst accounting records are verified. Instead, post verification of accounts shall be undertaken and subsequent adjustments made to the next quarterly account.
4. Any balances owing from offset arrangements shall be billed in the currency of origin of the net cost.

Article 16

VERIFICATION AND AUDIT

1. All claims for costs incurred and expenditures made by either of the Parties on each other shall be supported by documents and records which, on request, shall be made available for verification purposes by representatives of the reimbursing Party. In addition, documents and records forming the basis for claims made shall be sufficiently comprehensive for an audit trail and be retained for six years after their inception. Access to such documents and records shall be facilitated to the internal and external auditors of the respective Parties.
2. Copies of documents of pre-purchase procedures, 'best value for money' decisions, invoices and payment records shall be made available to the representatives of either Party for scrutiny and acceptance.

Article 17

CLAIMS

Until the entry into force of a status of forces agreement between the two Parties providing for the settlement of claims:

- a. each Party shall waive all its claims against the other Party for injury (including injury resulting in death) suffered by its personnel, servants or agents or for damage to or loss of property owned by it and used by its Defence Force, if such injury, death, damage or loss was caused by acts or omissions of the other Party, its personnel, servants or agents in the performance of official duties in connection with this Agreement;

- b. the Government of New Zealand shall indemnify the Government of Australia, its personnel, servants or agents against any actions, proceedings or claims which may be brought or made by third parties arising out of any negligent acts or omissions of members of No 2 Squadron or No 75 Squadron done in the performance of official duty;
- c. the Government of Australia shall indemnify the Government of New Zealand, its personnel, servants or agents against any actions, proceedings or claims which may be brought or made by third parties arising out of any negligent acts or omissions of members of the ADF done in the performance of official duty; and
- d. the Parties shall consult in relation to the handling of any third party claims arising out of this Agreement.

Article 18

SETTLEMENT OF DISPUTES

Any disputes in relation to the interpretation or implementation of this Agreement shall be resolved by consultation or negotiation between the Parties.

Article 19

REVIEW

The Maritime Command, Naval Support Command and RNZAF Air Command representatives shall meet in alternate countries to review implementation of this Agreement annually or at other times at the request of either Party.

Article 20

AMENDMENT

This Agreement may be amended by written agreement of the Parties.

Article 21

TERMINATION

1. The Parties may agree to the termination of this Agreement at any time.
2. This Agreement may be terminated by either Party giving the other written notice of its intention to terminate it in which case the Agreement shall terminate:
 - a. six months after the giving of such notice; or,
 - b. without notice if the Party wishing to terminate determines that its essential national interests do not allow the giving of six months notice of termination.
3. The provisions of this Agreement concerning costs, security, claims and settlement of disputes shall remain in force notwithstanding termination or expiration of the Agreement.
4. In the event of termination of this Agreement, the Parties shall consult to achieve an equitable reconciliation of costs incurred.

Article 22

ENTRY INTO FORCE

This Agreement shall enter into force on an exchange of notes confirming that each Party has completed its domestic requirements to give effect to this Agreement and shall have effect for a period of five years commencing on the 01 July 1996 unless extended by agreement of the Parties expressed in writing.

IN WITNESS WHEREOF the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

DONE in duplicate at CANBERRA on the 9TH day of OCTOBER 1996.



FOR THE GOVERNMENT OF
AUSTRALIA:

FOR THE GOVERNMENT OF
NEW ZEALAND:



**COST RECOVERY ARRANGEMENTS RELATING TO OPERATIONS OF
NO 2 SQUADRON**

Definitions

1. In this Annex:
 - a. "Annual Operating Cost of Maintaining No 2 Squadron" means the estimated annual cost in New Zealand dollars of operating and maintaining No 2 Squadron in Australia as mutually determined by the RNZAF and RAN taking into account the following:
 - (1) salaries and allowances;
 - (2) Skyhawk maintenance;
 - (3) Skyhawk depreciation;
 - (4) accelerated depreciation;
 - (5) Skyhawk capital charge; and
 - (6) detachment costs.
 - b. "ADF Flying Hour Cost of No 2 Squadron" means the hourly rate in New Zealand dollars derived by dividing the sum of:
 - (1) the Annual Operating Cost of Maintaining No 2 Squadron less Accelerated Depreciation multiplied by the Australian No 2 Squadron Flying Hour Proportion; and

 - (2) accelerated depreciationby the ADF Share of No 2 Squadron FADTS Flying;
 - c. "ADF Share of No 2 Squadron FADTS Flying" shall be the Total FADTS Flying Hours Required by the ADF less the Training Hours of Benefit to No 2 Squadron from FADTS Flying;

- d. "Total FADTS Flying Hours Required by the ADF" shall be the annual number of flying hours of No 2 Squadron, including the Training Hours of Benefit to No 2 Squadron from FADTS Flying, required by Australia to provide FADTS and shall consist of On Task Flying hours plus Transit Flying hours calculated at a rate of 35% of On Task Flying hours. Unless the RNZAF and RAN mutually determine otherwise, the Total FADTS Flying Hours Required by the ADF shall be 1080 hours annually;
- e. "Training Hours of Benefit to No 2 Squadron from FADTS Flying" shall be the annual number of flying hours required by New Zealand to maintain the operational efficiency of No 2 Squadron and shall consist of On Task Flying hours plus Transit Flying hours calculated at a rate of 35% of On Task Flying hours. Unless the RNZAF and RAN mutually determine otherwise, the Training Hours of Benefit to No 2 Squadron from FADTS Flying shall be 540 hours annually;
- f. "Hourly Marginal Rate per Flying Hour of No 2 Squadron Skyhawk Flying" means the hourly rate in New Zealand dollars computed by:
- (1) multiplying the annual operating cost of the Skyhawk maintenance referred to in the definition of "Annual Operating Cost of Maintaining No 2 Squadron" by the Australian No 2 Squadron Flying Hour Proportion; and
 - (2) dividing the result by the ADF Share of No 2 Squadron FADTS Flying;
- g. "Planned New Zealand National Task Flying Hours" means the annual number of flying hours of New Zealand National Task Flying which, unless the RNZAF and RAN mutually determine otherwise, shall be 628 hours;
- h. "Total Annual Operating Costs of HMAS ALBATROSS Attributable to No 2 Squadron" shall be the cost in Australian dollars derived by applying the proportions mutually determined by the RNZAF and RAN to the following annual costs of HMAS ALBATROSS:
- (1) base salaries and allowances;
 - (2) maintenance;
 - (3) directly attributable base support;
 - (4) depreciation; and
 - (5) capital charge;

- i. "RNZAF Flying Hour Cost of HMAS ALBATROSS" means the hourly rate in Australian dollars derived by dividing:
 - (1) the Total Annual Operating Costs of HMAS ALBATROSS Attributable to No 2 Squadron multiplied by the New Zealand No 2 Squadron Flying Hour Proportion;
 - (2) by the sum in hours of the Training Hours of Benefit to No 2 Squadron from FADTS Flying and Planned New Zealand National Task Flying Hours;

- j. "Hourly Marginal Rate of HMAS ALBATROSS Operating Costs" means the hourly rate in Australian dollars derived by dividing:
 - (1) the maintenance costs referred to in the definition of Total Annual Operating Costs of HMAS ALBATROSS Attributable to No 2 Squadron multiplied by the New Zealand No 2 Squadron Flying Hour Proportion;
 - (2) by the sum in hours of the Training Hours of Benefit to No 2 Squadron from FADTS Flying and Planned New Zealand National Task Flying Hours; and

Fixed share Percentages for cost recovery

2. The fixed share percentage for annual cost recovery arrangements by each Party for No 2 Squadron shall be:

- a. for New Zealand, the proportion referred to as the "New Zealand No 2 Squadron Flying Hour Proportion" derived by dividing:
 - (1) the sum of Training Hours of Benefit to No 2 Squadron from FADTS Flying and Planned New Zealand National Task Flying Hours;
 - (2) by the sum of the Total FADTS Flying Hours Required by the ADF and Planned New Zealand National Task Flying Hours.

- b. for Australia, the proportion referred to as the "Australian No 2 Squadron Flying Hour Proportion" derived by dividing:
 - (1) ADF Share of No 2 Squadron FADTS Flying;
 - (2) by the sum of the Total FADTS Flying Hours Required by the ADF and Planned New Zealand National Task Flying Hours.

Australian Share of Fleet Air Defence Training Support

3. The Government of Australia shall pay the Government of New Zealand the ADF share of costs of FADTS by No 2 Squadron which shall consist of:

- a. half the Total FADTS Flying Hours Required by the ADF (or such lesser number of hours should No 2 Squadron be unable to provide that number and this inability does not result from the failure of the Government of Australia to provide the necessary facilities or opportunity) multiplied by the ADF Flying Hour Cost of No 2 Squadron; and
- b. the hours of Fleet Air Defence Training Support by No. 2 Squadron in excess of the Total FADTS Flying Hours Required by the ADF multiplied by the Hourly Marginal Rate per Flying Hour of No 2 Squadron Skyhawk Flying.

Australian Share of Deployment Costs

4. The Government of Australia shall pay the Government of New Zealand the following costs of deployment of No 2 Squadron to or within Australia:

- a. the Australian No 2 Squadron Flying Hour Proportion of the actual deployment and redeployment costs, except emergency and reunion travel, between New Zealand and Australia for No 2 Squadron personnel and accompanying dependants, including trans-Tasman fares when Service transport cannot be arranged, packaging and removal of personal effects, storage of household effects in New Zealand, and transit or temporary accommodation and meal allowances at NZDF rates up to a maximum of seven days per family per removal. The Government of Australia shall not be responsible for any share of the cost of return transfers in excess of 106 members of No 2 Squadron with their dependants over the five year term of this Agreement;
- b. ~~the Australian No 2 Squadron Flying Hour Proportion of incidental~~ allowances at ADF entitlement rates to No 2 Squadron personnel deployed away from HMAS ALBATROSS on ADF Air Defence Support Flying; and
- c. the Australian No 2 Squadron Flying Hour Proportion of aircraft deployment costs attributable to ADF Air Defence Support Flying. These costs shall be based on the actual hours flown and shall be computed on the basis of the cost in flying hours, as mutually determined by the RNZAF and RAN, of Deployment Flying.

New Zealand Share of HMAS ALBATROSS Operating Costs

5. The Government of New Zealand shall pay the Government of Australia the following share of HMAS ALBATROSS operating costs:
- a. the RNZAF Flying Hour Cost of HMAS ALBATROSS multiplied by the Training Hours of Benefit to No 2 Squadron from FADTS Flying or such lesser number of hours if the RNZAF is unable to fly the Training Hours of Benefit to No 2 Squadron from FADTS Flying as a result of the failure of the Government of Australia to provide the facilities or opportunity necessary for the RNZAF to fly them;
 - b. the RNZAF Flying Hour Cost of HMAS ALBATROSS multiplied by the Planned New Zealand National Task Flying Hours or such lesser number of hours if the RNZAF is unable to fly the Planned New Zealand National Task Flying Hours as a result of the failure of the Government of Australia to provide the facilities or opportunity necessary for the RNZAF to fly them; and
 - c. in the event that No 2 Squadron flies more hours per Financial Year on New Zealand National Task Flying than the Planned New Zealand National Task Flying Hours, the number of those additional hours multiplied by the Hourly Marginal Rate of HMAS ALBATROSS Operating Costs.

New Zealand share of goods and services provided by Australia

6. The Government of New Zealand shall pay the Government of Australia the following costs of goods and services provided to No 2 Squadron:
- a. aviation fuel, oil, lubricant and gas:
 - (1) if drawn for flying throughout Australia as part of , the Total FADTS Flying Hours Required by the ADF or the Planned New Zealand National Task Flying Hours, the New Zealand No 2 Squadron Flying Hour Proportion of the actual cost up to the amount of fuel required for the sum of the Total FADTS Flying Hours Required by the ADF and the Planned New Zealand National Task Flying Hours;
 - (2) if drawn for flying throughout Australia on New Zealand National Task Flying in excess of the number of hours referred to in subparagraph 1g of this Annex, the actual cost except that a 10% on-cost shall apply if drawn from ADF locations other than HMAS ALBATROSS; and

- (3) if drawn by No 2 Squadron and other RNZAF supporting aircraft for the purpose of trans-Tasman deployment, the actual cost except that a 10% on-cost shall apply if drawn from ADF locations other than HMAS ALBATROSS.
- b. The New Zealand No 2 Squadron Flying Hour Proportion at ADF entitlement rates of the cost of rations and quarters provided to single No 2 Squadron personnel falling within the planned number of No 2 Squadron detachment personnel as mutually determined by the RNZAF and RAN.
- c. The full cost of rations and quarters provided to single No 2 Squadron personnel beyond the planned number of No 2 Squadron detachment personnel which, unless mutually determined otherwise by the RNZAF and RAN, shall be 53 personnel in each of two detachments during the five year term of this Agreement.
- d. The New Zealand No 2 Squadron Flying Hour Proportion of the market rates applicable to ADF personnel as advised by the Personnel Support Office, HMAS ALBATROSS, (except utility charges for water, gas, electricity, and telecommunications connections and calls which shall be met directly by the No 2 Squadron detachment personnel) of rented married quarter accommodation provided to No 2 Squadron personnel falling within the planned number of No 2 Squadron detachment personnel.
- e. The cost of rations and accommodation at ADF entitlement rates, provided to No 2 Squadron personnel deployed away from HMAS ALBATROSS for the purpose of New Zealand National Task Flying or for other New Zealand national purposes.
- f. The New Zealand No 2 Squadron Flying Hour Proportion of the actual cost of medical and dental care provided to personnel of No 2 Squadron at HMAS ALBATROSS and other ADF establishments.

Variation in Flying Hours

7. Notwithstanding paragraph 4 of Article 13, the RNZAF and RAN shall review the amount payable under this Annex in the event that, as a result of circumstances beyond the control of either Party, the flying hours of No 2 Squadron which have been or are likely to be flown are significantly different from the number provided for in this Annex.

**COST RECOVERY ARRANGEMENTS RELATING TO OPERATIONS OF
NO 75 SQUADRON**

Definitions

1. In this Annex:
 - a. "Total Supplementary Hours of FADTS Flying Required by ADF" shall consist of On Task Flying hours plus Transit Flying hours calculated at a rate of 35% of On Task Flying hours. Unless the Parties mutually determine otherwise, the Total Supplementary Hours of FADTS Flying Required by ADF shall be 270 hours per Financial Year apportioned equally between RAN Fleet Concentration Periods 1 and 2 or other exercises as mutually determined by MHQ and RNZAF Air Command;
 - b. "Training Hours of Benefit to No 75 Squadron from FADTS Flying" shall be the annual number of flying hours required by New Zealand to maintain the operational efficiency of No 75 Squadron and shall consist of On Task Hours plus Transit Hours calculated at a rate of 35% of On Task Hours. Unless the RNZAF and RAN mutually determine otherwise, the Training Hours of Benefit to No 75 Squadron from FADTS Flying shall be 147 hours;
 - c. "ADF Flying Hour Cost of No 75 Squadron" means the hourly rate in New Zealand dollars mutually determined by the Parties. It shall be based on the Total Supplementary Hours of FADTS Flying Required by ADF taking into account hourly rates for:
 - (1) No 75 Squadron personnel;
 - (2) No 75 Squadron Skyhawk maintenance;
 - (3) No 75 Squadron Skyhawk depreciation; and
 - (4) No 75 Squadron Skyhawk capital charge; and
 - d. "Hourly Marginal Rate per Flying Hour of No 75 Squadron Skyhawk Flying" means the hourly rate in New Zealand dollars for No 75 Squadron Skyhawk maintenance referred to in the definition of ADF Flying Hour Cost of No 75 Squadron.

Fixed Share Percentages for Cost Recovery

2. The fixed share percentage for annual cost recovery arrangements by each Party for No 75 Squadron shall be:
- a. for New Zealand, the proportion referred to as the "New Zealand No 75 Squadron Flying Hour Proportion" derived by dividing the Training Hours of Benefit to No 75 Squadron from FADTS Flying by the Total Supplementary Hours of FADTS Flying Required by ADF; and
 - b. for Australia, the proportion referred to as the "Australian No 75 Squadron Flying Hour Proportion" derived by dividing:
 - (1) the difference between the Total Supplementary Hours of FADTS Flying Required by ADF and the Training Hours of Benefit to No 75 Squadron from FADTS Flying;
 - (2) by the Total Supplementary Hours of FADTS Flying Required by the ADF.

Australian Share of Fleet Air Defence Training Support

3. The Government of Australia shall pay to the Government of New Zealand the ADF share of supplementary flying costs of Fleet Air Defence Training Support by No 75 Squadron which shall consist of:
- a. the Total Supplementary Hours of FADTS Flying Required by ADF less the Training Hours of Benefit to No 75 Squadron from FADTS Flying (or such lesser number of hours should No 75 Squadron be unable to provide that number and this inability does not result from a failure of the Government of Australia to provide the necessary facilities or opportunity) multiplied by the ADF Flying Hour Cost of No 75 Squadron; and
 - b. the hours of Fleet Air Defence Training Support by No 75 Squadron in excess of the Total Supplementary Hours of FADTS Flying Required by ADF multiplied by the Hourly Marginal Rate per Flying Hour of No 75 Squadron Skyhawk Flying.

Australian Share of Deployment Costs

4. The Government of Australia shall pay the Government of New Zealand the Australian No 75 Squadron Flying Hour Proportion of aircraft deployment costs attributable to ADF Air Defence Support Flying. These costs shall be based on the actual hours flown and shall be computed on the basis of the cost in flying hours, as mutually determined by the RNZAF and RAN, of Deployment Flying.

New Zealand Share of Goods and Services Provided by Australia

5. The Government of New Zealand shall pay the Government of Australia the following costs of goods and services in Australian dollars provided to No 75 Squadron:

- a. aviation fuel, oil, lubricant and gas:
 - (1) if drawn for Fleet Air Defence Training Support, the New Zealand No 75 Squadron Flying Hour Proportion of the actual cost up to the amount required to meet the Total Supplementary Hours of FADTS Flying Required by ADF;
 - (2) if drawn for New Zealand National Task Flying, the actual cost except that a 10% on-cost shall apply if drawn from ADF locations other than HMAS ALBATROSS; and
 - (3) if drawn by No 75 Squadron and other RNZAF supporting aircraft for the purpose of Deployment Flying, the actual cost except that a 10% on-cost shall apply if drawn from ADF locations other than HMAS ALBATROSS;
- b. the New Zealand No 75 Squadron Flying Hour Proportion, at ADF entitlement rates, of the cost of rations and quarters provided to No 75 Squadron personnel whilst engaged in support of Fleet Air Defence Training Support on deployment in Australia;
- c. the actual cost of rations and quarters, at ADF entitlement rates, provided to No 75 Squadron personnel whilst engaged in support of New Zealand National Task Flying on deployment in Australia;
- d. the actual cost of medical and dental care associated with New Zealand National Task Flying; and
- e. ~~cost of associated support services such as buses and Hercules.~~

Variation in Flying Hours

6. Notwithstanding paragraph 4 of Article 13, the RNZAF and RAN shall review the amount payable under this Annex in the event that, as a result of circumstances beyond the control of either Party, the flying hours of No 75 Squadron which have been or are likely to be flown are significantly different from the number provided for in this Annex.