



Civil Aviation Authority of New Zealand

Statement of Intent 2011 - 2014



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Chairman's foreword

The Civil Aviation Authority oversees safe travel by air and provides aviation security services to protect aircraft and the travelling public.

Assurance of safe flight is a critical foundation for our way of life in New Zealand and our ability to connect with the world. People rely on flying to do business across the country and to stay in touch with family and friends. Safe air transport underpins growth in passenger and cargo revenues and enables access to valuable international tourism and commercial markets.

New Zealand has some of the safest skies in the world. But keeping the number of air accidents trending downwards and maintaining an excellent record of aviation security is getting harder.

New Zealand already stands out for the diversity of aircraft on its register, the extent of modification for agricultural and recreation purposes and the fact that general aviation often shares airspace with airlines. This broadens the scope of aviation regulation compared with other countries. Moreover, there is continuing growth in aircraft numbers and movements, pilot licences, domestic and international passengers.

At the same time, it is essential that we keep up with international aviation standards, responding to rapid technological advances in aircraft design, navigation, passenger facilities and security equipment. This is critical for New Zealand to maintain its international reputation for a safe aviation system, and the economic benefits that come with that.

Funding for the CAA has not kept up with the developments and growth in the aviation sector. The last major review was back in the mid-1990s. The CAA has initiated a Funding Review to establish a more resilient model for the future and looks forward to this being completed and implemented by mid-2012.

Recent organisational reviews and monitoring agency findings have identified that the Civil Aviation Authority has fallen behind regulatory best practice. Other aviation regulators have enhanced their capability and improved their responsiveness to advances in technology and industry practices more effectively than the CAA. Opportunities for further operational gains have also been identified in Avsec.

The takeout message from these reviews is that a fundamental change is needed in how the Authority functions as an organisation if it is to maintain the highest standards of regulatory oversight and security services. A major factor in achieving this change will be in enhancing the relationships with all stakeholders in the sector.

The Board has decided that a change programme is needed to transform the organisation. This will drive through the improvement processes already underway and implement other initiatives aimed at developing a clear focus and strategy, a change in culture, and a "fit for purpose" organisational design.

This comprehensive organisational development, funded by an internal transfer of capital reserves, will enable the Authority to achieve its strategic priorities over the next two years.

The CAA will continue its strong focus upon airline operations, working with industry to maintain and enhance strong performance in this public transport sector. It also has dedicated strategies to address identified safety issues in other sectors — such as agricultural aviation and adventure aviation — where safety performance is not on target. These efforts will be strengthened by a major upgrade in safety oversight, including better risk profiling of subsectors and enhanced safety data and analysis.

Avsec will continue to work for increased efficiencies in aviation security services whilst maintaining the highest standards of quality and continued vigilance. In particular in the next few months its staff and systems will be called upon to support the additional security requirements for the Rugby World Cup.

As the incoming Chairman I acknowledge the strong record that has been achieved in aviation safety and security to date. I am committed to ensuring that the necessary step-up in performance is achieved to the satisfaction of all stakeholders. I look forward to working with my fellow Authority members, management and staff, and other stakeholders, to advance the development of an aviation sector that New Zealand can continue to be proud of.

A handwritten signature in black ink, appearing to read 'Nigel Gould', with a large, stylized initial 'N'.

Nigel Gould

Chairman

PART A:

STRATEGIC CONTEXT AND INTENT

Strategic framework

GOVERNMENT'S OVERALL GOAL

Grow our country's economy to deliver greater prosperity, security and opportunities for all New Zealanders

TRANSPORT SECTOR OUTCOMES

*An **accessible and safe** transport system that contributes positively to the nation's economic, social and environmental welfare*

*An **efficient** transport system that supports high levels of economic productivity, provides strong international connections for freight, business and tourism, and meets international obligations*

Safe flight for social connections and economic benefits

CIVIL AVIATION SYSTEM OUTCOMES

New Zealand has a strong international reputation for air safety and security

Low and reducing numbers and costs of air accidents

Prevention of security incidents

People have confidence in the safety and security of air transport

Aviation risks are actively managed by all participants

Industry applies technology & system developments that sustain safety

Sector organisations and personnel act safely, individually and collectively

SYSTEM OUTCOME INDICATORS

AUTHORITY IMPACTS

An effective and responsive regulatory system that assures air safety and security for New Zealand through:

- rules and standards that are clear, timely and internationally aligned
- organisations & personnel who enter the system demonstrating they can operate safely
- the sector having ready access to expert technical guidance
- critical safety information being collected and disseminated
- safety and security issues being identified and effectively resolved
- national plans for aviation safety and security

Development work is underway to evaluate the effectiveness of safety interventions – refer page 15

IMPACT MEASURES

AUTHORITY OUTPUT AREAS

Policy advice
International relations and agreements
Safety rules and standards

Certification and monitoring compliance

Investigation and analysis
Safety promotion and education

Enforcement

Aviation security services

OUTPUT MEASURES
Statements of service performance

Why safe and secure civil aviation is important for New Zealand

Strong safety and security performance yields substantial benefits for New Zealand citizens and businesses.

Safe flight

The need to minimise the accident rate is fundamental. The social costs and reputational impacts of air accidents are significant, particularly for public air transport. Keeping the number of air accidents trending downwards, and maintaining an excellent record of security prevention, are essential for the country.

As well as the intrinsic safety benefits for passengers and other users, safe flight leads to public confidence and a strong international reputation for New Zealand's civil aviation system.

Social connections

Safe and secure civil aviation enables New Zealanders to connect across the country and with the world, for social interaction and commerce.

Aviation improves the quality of life for individuals through increased mobility, better linkages with family, friends and colleagues, and broader work and leisure opportunities. It provides faster emergency medical assistance and better search and rescue operations.

Economic benefits

Participation in the international air transport system brings advantages through:

- access to foreign markets for New Zealand businesses
- opportunities to supply aviation services, such as engine maintenance, design and training, to customers worldwide
- a reliable supply chain, minimising time delays and associated clearance costs for air-freighted exports and imports
- ease of access to New Zealand as a tourist destination.

Assurance of safe air transport underpins growth in passenger and cargo revenues and enables access to valuable international tourism and business markets.

Aviation makes a sizeable contribution to New Zealand's economy through income from operating New Zealand-based aircraft and related training and maintenance industries. Revenues approached \$10 billion in 2010, representing 6.9% of New Zealand's total GDP.¹

Aviation operations support the productivity of primary agricultural and forestry industries. New Zealand also has a significant recreational aviation sector.

New Zealand has a good international safety record and is considered a low risk nation in terms of security. Through this positive standing, the country is able to leverage many economic opportunities internationally.

Tourism, which depends on a reliable aviation system, contributed over \$15 billion to New Zealand's GDP in 2010.²

Having an air freight regime that meets the expectations of the wider international community is critical to the export viability of many high-value perishable goods.

New Zealand's agreements with other countries and their regulatory authorities provide strong cooperative links, particularly with Australia, Canada, the UK and the USA. These are based upon the confidence in the New Zealand regulatory system. Without this, concessionary bilateral arrangements could be removed which would lead to increased costs for New Zealand firms supplying international markets.

¹ New Horizons: A Report on New Zealand's Aviation Industry, New Zealand Trade & Enterprise, 2010.

² Tourism Satellite Account 2010 Report, Ministry of Economic Development.

Environment

The Authority exercises its role in a diverse and dynamic environment, creating a range of challenges.

Current civil aviation system outcomes

NATIONAL AVIATION SAFETY RATING

Based on the most recent (2006) International Civil Aviation Organisation (ICAO) audit of the aviation regulatory framework and the regulatory oversight provided by the CAA, New Zealand scores in the top half of OECD countries for national aviation safety oversight.

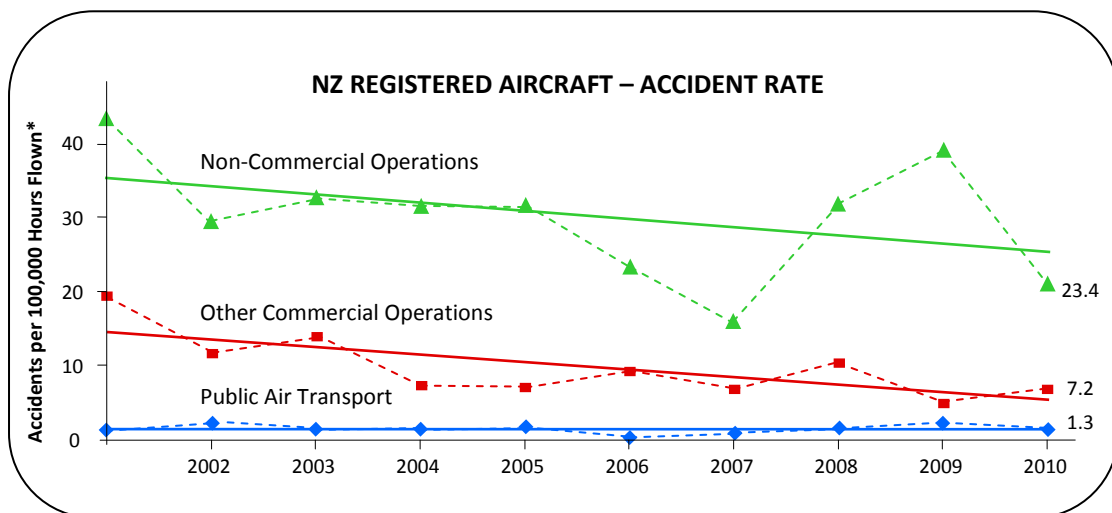
ACCIDENT RATES

New Zealand has a good aviation safety record. There has not been a fatality in the commercial airlines sector since the 2004/5 year and fatalities have averaged around one person a year since the Authority was established. The safety performance of large airlines (counting for 96% of travel on New Zealand aircraft) is on a par with that of international counterparts.

The overall trend in the general aviation sector also points to declining numbers of fatalities and fewer aircraft accidents per 100,000 hours flown. However there are some parts of the sector where safety outcomes need to improve – namely agricultural, adventure and sport and recreational aviation.

SECURITY OUTCOMES

The civil aviation system has strong security performance and operates with acceptable levels of risk. In 2008 there was an attempted hijacking on a non-screened flight in New Zealand. In the areas that Avsec is responsible for there have been no in-flight nor airside security failures that have compromised safety.



*The accident rate per 100,000 hours flown is an international standard measure, allowing for comparison between different airline sectors. A detailed breakdown of accident numbers is provided as Appendix 1.

Sector profile and growth

The New Zealand civil aviation system encompasses a wide range of aircraft that are used for commercial and personal travel, air freight, sport, recreation and agriculture.

The CAA classifies aircraft operations into three broad groups:



Public Air Transport – airline operations in large, medium and small aeroplanes and helicopters.



Other Commercial Operations – by aeroplane and helicopter and including agricultural aviation.



Non-Commercial Operations – private aeroplanes, helicopters and sport aircraft.

The lowest accident rates are in the Public Air Transport group which accounts for 96% of seat hours flown. The highest accident rates are in the Non-Commercial Operations group which covers 95% of the aircraft on the register but represents less than 3% of activity.

Civil aviation in New Zealand has grown significantly in the last five years.

AVIATION REVENUES

→ 9.5% annual growth rate from 2005 to 2010.³

FLIGHTS, PILOTS AND PASSENGERS

(Bracketed figures show growth from 2005 to 2010)

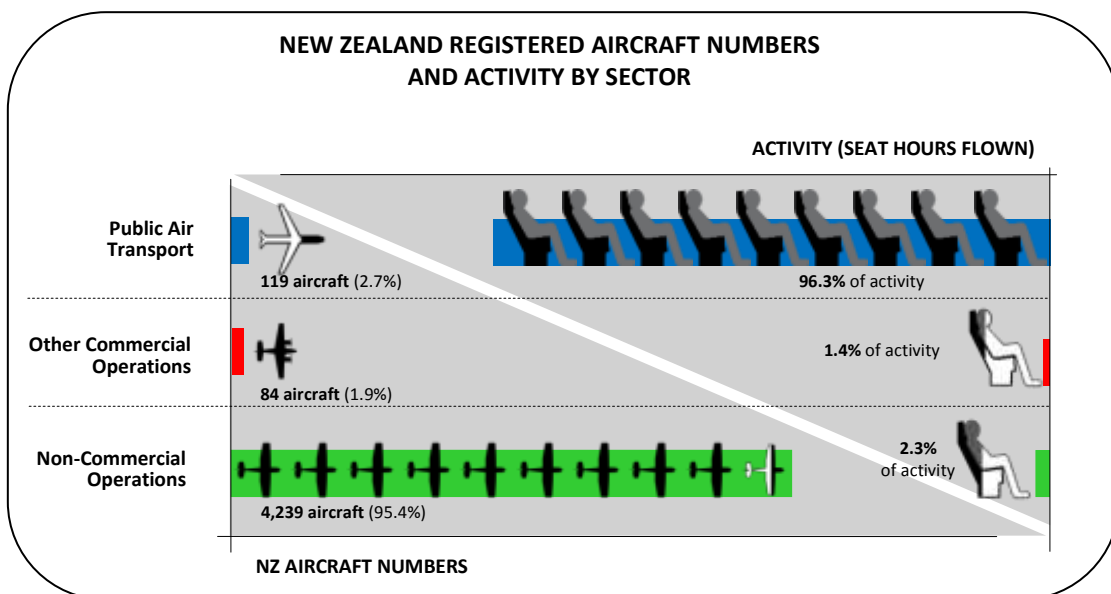
- 1.1 million aircraft movements (+6%)
- an estimated 958,000 hours flown (+12%)
- 4410 commercial pilots (+25%)
- 3767 private pilots (+2%)
- 4.5 million international passengers (+4%)
- 9.2 million domestic passengers (+7%)
- 10.2 million screened passengers.

REGISTERED AIRCRAFT

- Overall, 14% growth in the total aircraft fleet in the last five years (4,442 aircraft on the register as at 31/12/2010)
- Specifically, 20-30% growth in numbers of large and medium aircraft, helicopters and sport aircraft from 2005 to 2010.

CONTINUING GROWTH TRENDS

The growth trends of the last five years in passenger volumes, participant numbers, aircraft registrations and movements are expected to continue for the foreseeable future. The Authority's plan is preceded on this basis.



³ New Horizons: A Report on New Zealand's Aviation Industry, New Zealand Trade & Enterprise, 2010.

Unique features

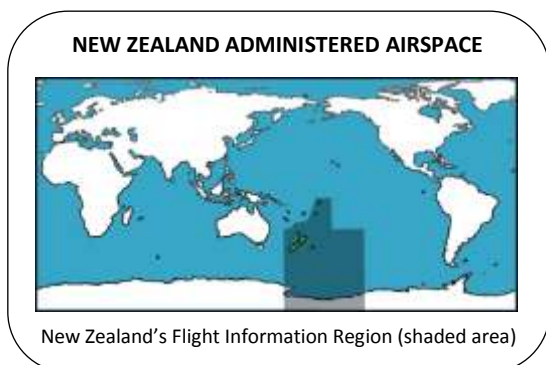
There are some distinctive features about the New Zealand environment that make the Authority's job more difficult.

Air travel is viewed as an ordinary and affordable mode of transport for most of the population. Air transport is the main business travel system, and also used extensively for social journeys. And because New Zealand is an island country, it is the predominant form of international travel.

New Zealand has one of the highest per capita ratios of private pilots in the world. The size of our commercial general aviation sector, the range of registered aircraft and the extent of adaptation also stand out compared to other countries. In addition general aviation aircraft frequently use the same airports and share the same airspace as domestic and international airline operations.

New Zealand has physical features that influence how aircraft are used. The country's geography necessitates many short haul flights with frequent take-offs and landings, resulting in aircraft suffering fatigue more rapidly than in other environments. New Zealand's terrain is varied, rugged and mountainous, and aviators need to cope with rapidly changing weather patterns.

New Zealand's domestic aviation operates over a land area of 269,000 square kilometres. The wider Flight Information Region allocated to New Zealand covers 30 million square kilometres, from the Cook Islands to the South Pole. This represents 5% of world airspace, whereas New Zealand's population is only 0.05% of the world's population.



International connections and developments

New Zealand has many direct connections to the rest of the world. In 2010 there were 33 overseas cities with scheduled flights to and from New Zealand, branching out through multiple onward routes. These links are pivotal to the country's international presence and performance.

New Zealand is a user rather than a developer of international aviation technology and seeks to accommodate developments of new structural materials, avionics, airspace control/management systems and aviation security equipment. New Zealand needs to adapt to emerging technology quickly, to stay connected and remain commercially viable on the world scene.

As part of an international aviation network New Zealand is susceptible to the impacts of natural events and security issues in other parts of the world. In the last 18 months, New Zealand's safety and security operations have had to adapt because of volcanic activity and earthquakes, as well as evolving forms of terrorist attack that have occurred globally.

Kiwis do love to fly! A greater proportion of our population flies than almost anywhere else in the world.

Longer-term challenges

Internationally led developments in the aviation industry, new safety management approaches, as well as performance issues in some sectors in New Zealand, bring widening demands on the Authority.

MAINTAINING AND ENHANCING GOOD SAFETY OUTCOMES

In recent decades safety gains have been made in aviation as a result of increased reliability of equipment and the introduction of new technology such as airborne collision avoidance systems (ACAS), terrain awareness and warning systems (TAWS) and satellite-based navigation.

To further reduce the accident rate it is necessary not only to sustain these improvements but also to adopt new initiatives which address latent risk and human error.

The introduction of the Safety Management Systems (SMS) approach in New Zealand is a strong lever for further gains in safety performance. Aviation organisations will be expected to proactively manage risk for all aspects of their operation. The CAA will monitor this process and will also employ risk management at the sector level. Additionally, the implementation of human factors training and associated strategies to improve human performance will assist in managing risk at the operational level. This is critical in an increasingly complex operating environment.

These safety initiatives require the collection and sharing of safety data and information, which can only be achieved in a culture of open reporting and trust. The regulatory approach the CAA adopts in an SMS environment will be key to realising the full safety benefits of SMS. There are a number of good international examples which illustrate the need for the regulator to have staff who are conversant with SMS and risk, and who understand the need to influence industry behaviour beyond compliance. Although the CAA and industry participants have different roles, their common objective of safety is a foundation for cooperatively working to improve the aviation system.

ADDRESSING AREAS OF POOR SAFETY PERFORMANCE – Agricultural, Adventure and Sport & Recreational Aviation

New Zealand has a large and diverse general aviation sector that supports major parts of the economy. Aircraft are widely used for fertilising, crop spraying and other operations supporting the country's agri-business. New Zealand is an adventure tourism destination and thus the use of aircraft for new sport and recreation purposes is growing. In both cases aircraft are pushed to operational limits.

Addressing the poor safety record in these areas needs to recognise the motivations and constraints of small operators. Small or less established operators may tend to tolerate more risk to become or remain profitable.

RESPONDING TO CHANGES IN AVIATION

Busier skies and the rapid pace of innovation and technological advances in the aviation community have made the issues in safety and security management more complex.

As a regulator, the CAA needs to keep up to date on developments in aviation technology as new technology needs to be authorised before it can be used. Aviation is an international business and most standards development occurs in the International Civil Aviation Organisation (ICAO). To stay abreast of technology the CAA must be able to implement new ICAO standards in a timely fashion.

The increased sophistication of aircraft and the computer systems used on board, in air traffic management and for the design and testing of aircraft broadens the arena of the CAA's safety oversight for New Zealand.

In addition, Avsec needs to deploy modern technologies in its security operations in order to provide assurance for international security arrangements. Continuing attention is needed to sustain a secure supply chain for air freight due to the dynamic nature of the international security environment.

For both Avsec and the CAA, active participation in international forums is critical to keep abreast of developments, and to ensure that the operational and regulatory perspectives of New Zealand and the South Pacific are heard.

Shorter-term challenges

FUNDING ISSUES

Changes in the size and complexity of the aviation sector have required the CAA to respond to increased regulatory demands. This has not been matched by a funding model that maintains revenues to support the increased levels of activity. Consequently, the CAA now needs to determine the appropriate level of revenue required to deliver its regulatory services and to invest in the systems, capabilities and people required to deliver those services.

It is critical for the Authority to have industry and government acceptance of equitable and sustainable funding arrangements that are aligned with the levels of regulatory and security operations it is responsible for.

RUGBY WORLD CUP

The Rugby World Cup, over September and October 2011, is a showcase event for New Zealand. It is expected to attract around 85,000 additional international passengers, and there will be a substantially higher use of the domestic aviation system.

This places significant demands on Avsec, through participation in high-level industry and inter-agency planning. It will also require more extensive deployment of security resources during the event to meet the increased demand and counter potential threats.

Implications for the Authority

Continuing growth in the size and operations of the New Zealand aviation industry require the CAA to manage increased regulatory demands and greater numbers of transactions. Additionally there is emergence of new aviation activity such as Unmanned Aerial Systems (UAS), which extend the boundaries of regulatory oversight.

The CAA has to deal with different risk scenarios than those faced by other jurisdictions. It provides regulatory functions for the full range of air transport that is found in other countries, but with comparably limited resources. The aircraft fleet is also aging rapidly because of the preponderance of short haul flights in New Zealand and this necessitates more frequent monitoring by the CAA.

The General Aviation sector, which is one of the largest in the world on a per capita basis, cannot be relied on to provide internal controls in the same way as the corporate structures of the Airline sector. Moreover, 'pioneering attitudes' to aviation are evidenced in the range of adaptations of aircraft. These characteristics create unique risk profiles requiring tailored responses.

Rapidly changing international circumstances require Avsec to be responsive to unpredictable and variable demands.

.....
***The challenge is to drive the
accident rate even lower.***
.....

Role and functions

Maintaining integrity and confidence in New Zealand’s civil aviation system.

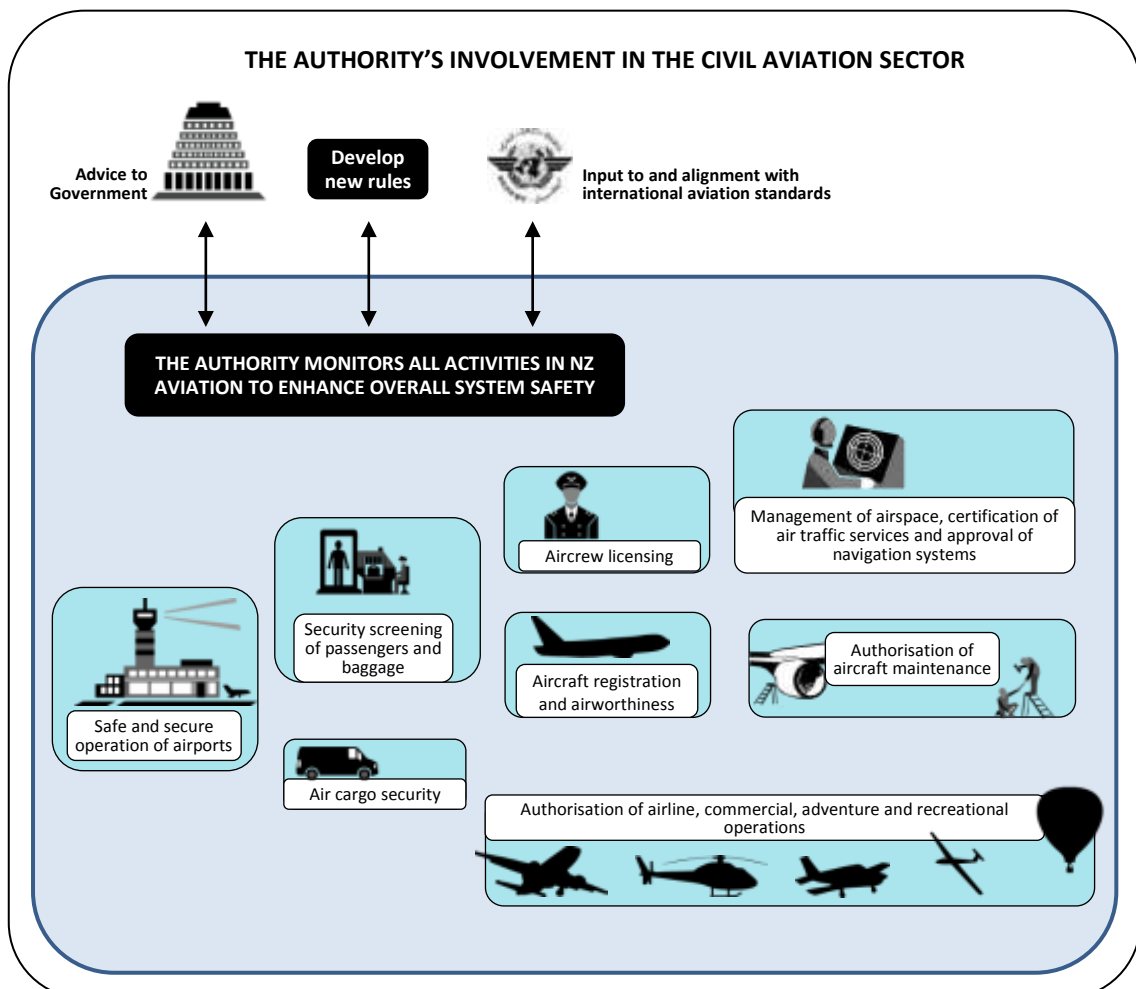
Key to maintaining integrity and confidence is the role played by the Authority in safeguarding civil aviation in New Zealand against risks within the system.

The Authority has two arms: the CAA is the regulatory agency under the Director of Civil Aviation; the Aviation Security Service (Avsec) provides aviation security services that are regulated by the CAA.

The CAA regulates aircraft, air operators, airport operators, pilots, engineers and other organisations and personnel operating in the civil aviation system. It influences safety in direct and indirect ways.

The CAA exercises its regulatory role through:

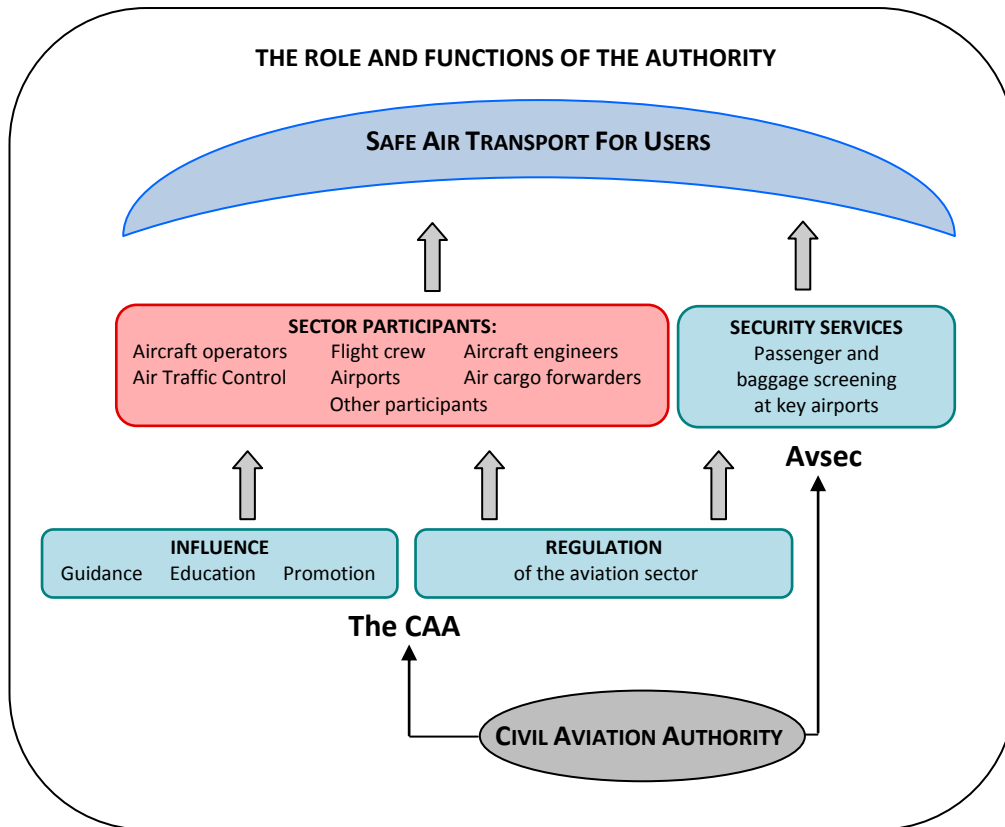
- **Certification and licensing** of participants to enter the aviation system when they demonstrate they can meet requirements of civil aviation rules and operate safely
- **Surveillance** (including audits, inspections and spot checks) to monitor compliance with safety and security standards by participants already in the system
- **Investigation** of accidents and incidents
- **Compliance** by taking appropriate action where breaches of civil aviation legislation have been identified
- **Safety promotion** through information, advice and education.



Other activities undertaken by the CAA are:

- Developing civil aviation rules, aligned with international standards
- Promoting the interests of New Zealand and the South Pacific region through active membership of ICAO
- Contributing to airspace and aviation system policy development.

Avsec provides security screening services at seven security-designated airports, for all international passengers and their hold and carry-on baggage, and for domestic passengers on aircraft with 90+ seats, and their carry-on bags. Avsec also provides perimeter patrols, screens airport workers at certain sites and issues airport identity cards.



Regulatory model for New Zealand civil aviation

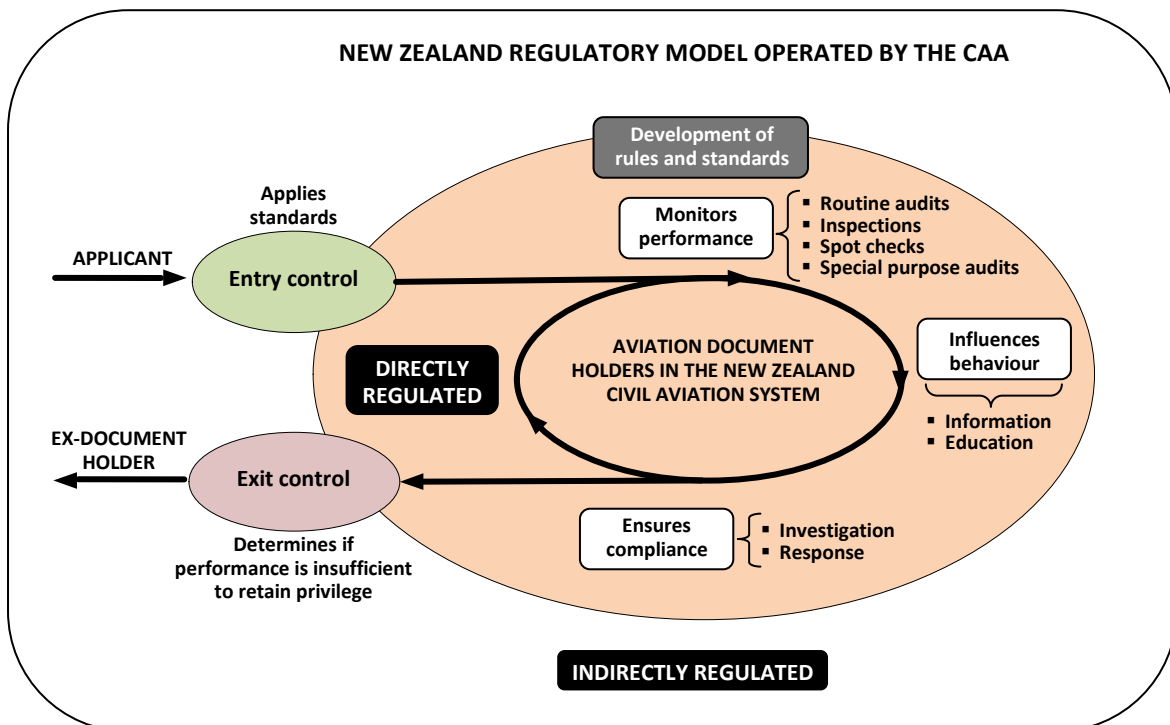
Aviation regulation is based on the premise that government intervention is needed to achieve the safety expectations of the public. It does this by setting clear requirements, in keeping with international standards, in order to achieve better safety and security outcomes.

Civil aviation rules set the minimum standards for entering and operating within the system. Once they are in the regulated system, aviation organisations, pilots, engineers, air traffic controllers and aircraft owners take responsibility for ensuring their operations meet these safety and security standards.

The CAA relies on self-reporting of safety issues or failures by participants. For this to be forthcoming the sector needs to have a high degree of trust in the fairness and expertise of the regulator, and an understanding of the regulator's role.

The CAA's safety and security promotion activities are aimed at encouraging participants to operate well above minimum standards, recognising that responsible industry is the front line of safety assurance.

For those operations that are indirectly regulated (e.g. hang-gliders), the CAA seeks to influence safety outcomes solely through persuasion, guidance material, education and promotion of good practice.



The CAA'S regulatory strategy

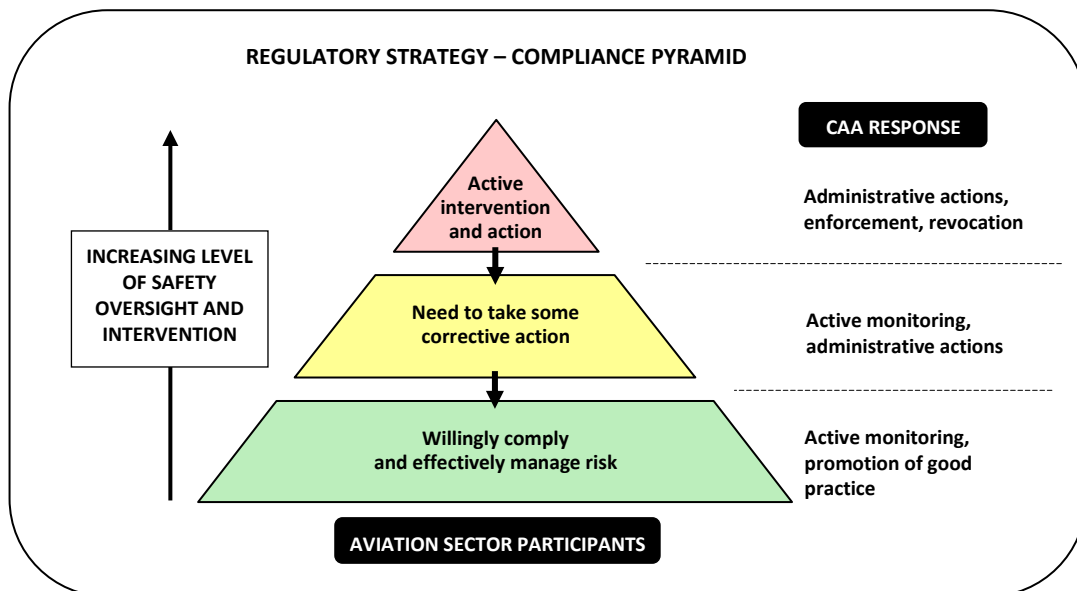
The CAA recognises that the front line of aviation safety is a responsible industry. Increasingly the CAA seeks to engage and work with the aviation community to determine the most effective ways to achieve safety outcomes.

The CAA uses information from its audits, investigations and other activities to assess the level of risk that each operator poses to aviation safety. The CAA's Regulatory Tools Policy provides a compliance pyramid (see below) to guide its level of intervention in relation to assessed risk.

In the next few years, the CAA plans to amalgamate data on individual operators into sector risk profiles for the different groups of air operations.

Underlying the variations in safety performance and causal factors of accidents are significant differences in the motivations, expertise and resources of aircraft operators. The development of risk profiles, and other improvements in safety analysis, will enable better identification of specific risk factors and more targeted responses.

In the main, the CAA has relied upon its core oversight activities to achieve good aviation safety performance. In future, the CAA will build on this approach, making more use of a broader range of interventions to influence good practice and address safety risk. This includes working with and through other parties (e.g. a sports body), social marketing, and further ways of influencing changes in behaviour to go beyond mere compliance.



Through collaboration with the aviation community, the CAA seeks to extend its influence and guide good safety practice.

Impacts

An effective and responsive regulatory system that assures air safety for New Zealand.

Safe and secure civil aviation is dependent on a combination of factors, supported and enabled by the Authority.

Its regulatory arm, the CAA, deploys interventions to influence the behaviour of participants in the civil aviation sector. Through the Authority's other arm, Avsec, security services are provided for the New Zealand civil aviation system. The activities of both arms of the Authority contribute to safety outcomes and have positive social and economic benefits.

Social benefits include fewer accidents and injuries, and reduced loss of life and damage to property. Financial benefits (such as lower insurance premiums, higher patronage and full use of capital assets) also accrue from responsible operator behaviour and the good reputation that results from demonstrably safe practices.

Valuing the contribution that the CAA makes to sector safety performance is not straightforward. Safety performance is a shared responsibility, and the CAA stands behind the aircraft operators and personnel who are at the front line of aviation safety. The Value for Money Review reported that

"...notwithstanding the interdependencies implicit in the aviation system, the CAA is a key enabler of business well into the hundreds of millions of dollars per annum."

It also indicated that the CAA's costs are at the lower end of the range for a group of comparator jurisdictions (Australia, UK, Canada, Finland, Sweden and Switzerland).

A new methodology for evaluation of the CAA's interventions

At present the CAA does not have a proven mechanism for assessing the impact of specific types of interventions as a basis for determining the most appropriate intervention to deploy.

The CAA has commissioned work to validate a new generic tool for measuring the effectiveness of its interventions, both current and proposed. In summary, the proposed methodology will assess intervention performance across three broad dimensions:

1. the CAA's **intent** for the intervention
2. the required **results** from the intervention
3. the **capability** to implement and achieve results as intended.

It is anticipated that the methodology will be proven by the start of the SOI period and that the CAA will then build capability internally to apply it.

Like most regulators the CAA is largely dependent on participants in the system to achieve good safety outcomes. The CAA's assessment method will also provide a means to determine how effective its interventions have been, and will reflect the dependence on participants accordingly.

Current overview of the Authority's impacts

Many of the benefits associated with the Authority's work are associated with New Zealand's reputation for having a comprehensive regulatory system and high-quality security services, supporting safe flight.

The new methodology for evaluating the effectiveness of the CAA's interventions is currently being proven.

In the meantime, a gauge that can be used to evaluate the contribution of the Authority is the latest assessment of national aviation safety and security performance by the International Civil Aviation Organisation (ICAO).

ICAO conducts an ongoing programme of audits of its member states⁴, assessing a range of elements of national safety and security performance and rating these factors out of 10. Its last safety audit cycle was conducted over the period 2005-2010.

The chart below shows New Zealand's level of implementation of the eight Critical Elements used in ICAO audits of national aviation safety oversight performance, based on the country's last safety audit in 2006. (This focuses on safety regulation in the airline sector and major airports, and does not include the general aviation sector.)

New Zealand's ratings are shown alongside those for Australia and current averages for the OECD and all member countries. New Zealand ranks higher than the OECD average on four elements and equal on three, for those elements that are within the CAA's responsibility. New Zealand's overall rating of 8.38 is the same as Australia's.

ICAO has issued further safety regulation standards since New Zealand's assessment in 2006. It is unlikely that New Zealand would be rated at the same level today. The CAA has not been able to implement new ICAO standards fully, as they require major changes to its systems and underlying philosophy. Many other regulators are working more rapidly than New Zealand to put changes in place.

A similar assessment is undertaken for national security oversight. New Zealand's initial ICAO universal Security Audit Programme (USAP) audit was conducted in September 2006, with a follow up visit completed mid-2008. Whilst the results of this audit are used internally, they cannot be publicly disclosed due to international security and diplomatic considerations.

Avsec, as the provider of security services, meets the requirements of the Civil Aviation Act and rules, and additional measures required by some airlines. It has consistently achieved a high standard of verification from security audits.

ICAO Universal Safety Organisation Audit Programme

Comparative Results by Critical Elements as at 26 May 2011

LEVEL OF IMPLEMENTATION: 1=NOT IMPLEMENTED, 10=FULLY IMPLEMENTED	NEW ZEALAND	AUSTRALIA	OECD AVERAGE	GLOBAL AVERAGE
1 Primary Aviation Legislation (MoT responsibility)	8	10	9	7
2 Specific Operating Regulations (MoT and CAA responsibility)	8	7	8	6
3 State Civil Aviation System and Safety Oversight Function	8	9	7	6
4 Technical Personnel Qualification and Training	8	5	6	4
5 Technical Guidance, Tools and the Provision of Safety-critical Information	8	9	8	6
6 Licensing, Certification, Authorization & Approval Obligations	9	9	8	7
7 Surveillance Obligations	9	9	9	6
8 Resolution of Safety Concerns	9	9	8	5

⁴ Data source: http://www.icao.int/fsix/auditRep1_csa.cfm

Outcome and impact measures

The table below outlines the civil aviation system outcomes that the Authority aims for and monitors, and the impacts it makes directly through regulatory oversight and security services.

The CAA uses a basket of measures to help evaluate how well the civil aviation system is performing. The goal of the measures is to show the consequence of safety failure is diminishing through time. Over 2011/12 there will be further development of performance metrics and targets, which will reflect:

- information gained from the first sector risk profiles
- a greater emphasis by the government on the economic impacts of good safety performance
- consideration, with other transport agencies, of the use of social cost or an alternative measure.

The CAA's intent is to report the actual costs of safety failure (death, injury and property loss). Social cost enables comparison with other transport modes and allows better investment decisions to be made about the cost of interventions versus the likely value of improved safety performance.

SAFETY PERFORMANCE TARGETS

The CAA will consult with the aviation industry and Government on new safety performance targets. Interim targets will apply for the SOI period. These will be the 2010/11 targets or actual performance if better than target, for each of the safety target groups.

INDICATORS	MEASURES *Measure under development	TARGETS 2011 - 2014
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SYSTEM OUTCOMES – “BE SAFE”

ACCIDENT RATES	By sector (x13) 3 year rolling averages: - Social cost per seat hour of exposure* - Accident rate per 100,000 flying hours (see Appendices 1- 3 for trends in safety performance over 2006 - 2010)	GOAL = NO SERIOUS ACCIDENTS				
		Social cost \$ per seat hour of exposure			Accident rate per 100,000 flying hours	
		30/6/10 Baseline	2010/11 Targets	Interim 2011/14 Targets	31/12/10 Baseline	Interim 2011/14 Targets
PUBLIC AIR TRANSPORT						
	1. Airline operations — large aeroplanes	0.00	0.10	0.00	0.10	0.10
	2. Airline operations — medium aeroplanes	0.02	0.10	0.02	0.53	0.53
	3. Airline operations — small aeroplanes	2.34	6.50	2.34	5.67	5.67
	4. Airline operations — helicopters	9.17	6.50	6.50	5.43	5.43
	5. Sport transport operations	59.24	13.00	13.00	Data not available	
OTHER COMMERCIAL OPERATIONS						
	6. Other commercial operations — aeroplanes	25.42	6.50	6.50	4.25	4.25
	7. Other commercial operations — helicopters	36.82	6.50	6.50	7.47	7.47
	8. Agricultural operations — aeroplanes	93.69	14.00	14.00	21.42	21.42
	9. Agricultural operations — helicopters	8.56	14.00	8.56	10.48	10.48
	10. Agricultural operations — sport aircraft	Data n/a	28.00	28.00	Data not available	
NON - COMMERCIAL OPERATIONS						
	11. Private operations — aeroplanes	51.20	10.00	10.00	27.11	27.11
	12. Private operations — helicopters	39.53	10.00	10.00	33.39	33.39
	13. Private operations — sport aircraft	97.15	20.00	20.00	Data not available	

INDICATORS	MEASURES *Measure under development	TARGETS 2011 - 2014
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SYSTEM OUTCOMES – “BE SAFE”

SECURITY INCIDENTS	Security incident reporting to the CAA	<p>GOAL = NO SECURITY INCIDENT THAT COMPROMISES SAFETY for overall system security</p> <p>At security designated airports:</p> <ul style="list-style-type: none"> → Nil in-flight security incidents → Nil airside security incidents → Nil airside incidents involving dangerous goods
SECTOR RISK PROFILES	Change in index of risk*	Risk levels to remain steady or improve

SYSTEM OUTCOMES – “FEEL SAFE”

TRAVELLING PUBLIC CONFIDENCE	Annual survey of user confidence*	Baseline data to be obtained by start of SOI period. Target confidence levels to be established by 30 June 2012
PARTICIPANT CONFIDENCE	Annual survey of user confidence*	Baseline data to be obtained by start of SOI period. Target confidence levels to be established by 30 June 2012

IMPACT MEASURES

EFFECTIVE AND RESPONSIVE REGULATORY SYSTEM	(Until new intervention evaluation methodology validated and measures established)	Ratings equal or better than OECD averages for Critical Elements of national aviation safety performance							
	ICAO Audit of National Aviation Safety Performance (2006) –Critical Elements 2-8 principally attributable to CAA	<i>Element</i>	2	3	4	5	6	7	8
		OECD average	8	7	6	8	8	8	8
	ICAO Audit of National Aviation Security Performance (due 2011) – ratings of elements attributable to CAA. Note: ratings are unable to be publicly disseminated.	NZ rating	8	8	8	8	9	9	9

SERVICE PERFORMANCE MEASURES for the Authority’s Output Classes are detailed in PART B (pp. 52-69)

The security of the civil aviation system, achieved through regulatory oversight of the CAA, and the operational activities of Avsec and other participants, contributes directly to safety outcomes.

Strategic priorities

The Authority is focusing on achieving greater impact on system outcomes and organisational performance.

The Authority's strategic priorities are detailed below. They are aimed at enhancing organisational effectiveness and achieving a greater impact on aviation safety and security over the next three years. These areas of focus recognise current strengths and weaknesses in air safety and security, as well as future challenges arising from the operating environment for civil aviation.

Targeting poor performing areas

The CAA monitors the performance of 13 Safety Target Groups in three categories: Public Air Transport; Other Commercial Operations; and Non-Commercial Operations.

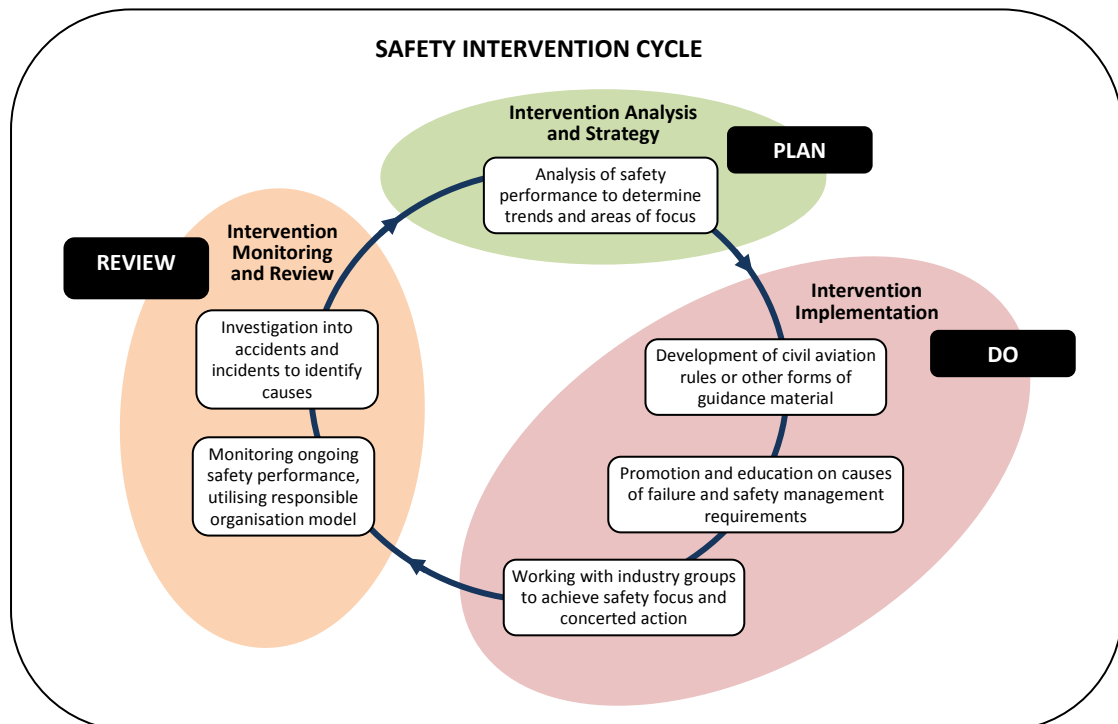
Segmentation highlights different accident and incident rates and enables the CAA to target specific safety risks in the different groups and take appropriate action. The general flow of selection, implementation and review of interventions is shown in the table below.

Overall, the numbers of fatalities and serious accidents are reducing for all three aircraft groupings. However, there are some sub sectors where the downward trend in accident rates has slowed, stalled or is even starting to show signs of reversal.

The sub sectors warranting particular attention are: Agricultural Aviation, Adventure Aviation, Sport & Recreation Aviation and the Flight Training Sector (which crosses over several target groups).

New rules are being introduced for Agricultural Aviation and Adventure Aviation which will broaden the CAA's coercive powers in these areas. Sport & Recreational Aviation and Flight Training are sectors that are currently indirectly regulated, where the CAA will use a range of tools to encourage safe practices.

Appendix 4 details the planned actions for the SOI period, to understand and address the causes of poor performance in these sectors. The aim is to restore the desired speed and gradient of decline in air accidents.



Improving safety oversight

DEPLOYMENT OF THE SAFETY MANAGEMENT SYSTEMS APPROACH

A key driver for improving regulatory performance over the next few years will be implementation of the Safety Management Systems (SMS) approach to aviation safety oversight. This regime has been mandated by the International Civil Aviation Authority (ICAO) and is being adopted globally by all aviation regulators. It represents a significant shift in regulatory philosophy and methodology.

An SMS is a formal organisational system to manage safety. It integrates a range of safety management tools including senior management commitment, hazard identification, risk management, safety reporting, occurrence investigation, remedial actions and education. An effective SMS generates an enhanced safety culture and provides the necessary management environment for an organisation to readily identify and resolve systemic safety problems.

The process of deploying this approach in New Zealand will involve introducing an SMS rule, or rules; the CAA's collaboration with industry on the design and implementation of SMS; and enhancement of CAA capability through investment in staff development and systems/process design.

Strengthened leadership and management capabilities in the CAA will be key to the successful introduction of the SMS approach, in order to develop and communicate a vision for an enhanced regulatory approach, and to work with and facilitate change within the sector. The overall model and strategy for this major development is being incorporated within the Authority's Change Programme covered below.

DEVELOPMENT OF SECTOR RISK PROFILES, PRIORITISING POOR PERFORMANCE AREAS

In support of a planned State Safety Programme and the SMS approach, it is proposed to develop risk profiles for the 13 safety target groups.

Currently risk profiles are maintained for individual operators and considerable resource investment is required to produce amalgamated sector risk profiles.

Development work will be prioritised to poor performing areas (i.e. Agricultural Aviation or Flight Training) as highlighted above.

Sector risk profiles will be used to better identify risks, select interventions and target responses, including areas where industry needs to take the lead and own safety issues. Risk profiles will enable development of more effective monitoring and measurement of sector performance by the CAA.

MAINTAINING STRONG PERFORMANCE IN THE AIRLINES SECTOR

The safety performance of this sector remains a key focus. It is important to learn from the limited number of serious safety failures that do occur in the airline sector globally. International safety trends show that the primary accident causal factors for airlines are mainly in-flight loss of control, controlled flight into terrain and runway excursions.

New Zealand airlines employ a proactive safety approach, invest in new technology and promote a positive safety culture to address these and other causal factors. Aviation organisations in this region actively share safety information with other participants. This commitment to safety has resulted in an excellent record of safety performance.

The CAA will continue to work closely with New Zealand airline operators to ensure their systems, training, technology and safety data address all relevant risks. The CAA is uncompromising in its focus on the safety goal for airlines, to maintain and enhance strong performance in this public transport sector.

.....
“A rapidly expanding industry and resource limitations within oversight authorities make it increasingly difficult to efficiently and effectively manage safety exclusively on the basis of regulatory compliance. It is essential to complement this with a performance-based approach.”
.....

ICAO Doc 9866, DGCA/06. Directors' General of Civil Aviation Conference on a Global Strategy for Aviation Safety

Managing security risk and major events

While the potential New Zealand terrorism threat is low, vigilance is essential given that civil aviation, the country's infrastructure and high-profile events are all potential targets.

A particular focus will be the Rugby World Cup in late 2011. Avsec and the CAA will undertake a range of planning and preparation activities in conjunction with other government agencies:

- Monitoring security threats
- Liaising with Police, Rugby World Cup Security, airlines, airports
- Engaging with border agencies
- Preparing resources (e.g. screening equipment, security staff)
- Contingency planning.

Improving efficiency and effectiveness in the CAA's regulatory processes

RECTIFYING THE DEFICIENCIES IN CERTIFICATION AND SURVEILLANCE IDENTIFIED BY THE OAG

In response to the OAG's recommendation for more robust quality assurance of certification and surveillance work a Certification Improvement Project has been completed. This has resulted in a significant improvement in the performance of the certification function, demonstrated through quarterly measurement of function quality.

A Surveillance Improvement Project is currently well advanced, with completion planned for the end of September 2011. At the time of writing the work of the project team is already producing improvement, as shown through the results from measurement of surveillance quality.

The OAG made other recommendations for improving the integrity and analysis of safety data, management training, more robust quality assurance of certification and surveillance work, and better guidance and documentation to support risk-based auditing of these processes. Good progress has been made in implementing corrective actions. Further work is being integrated within the Authority's Change Programme covered below.

RULES DEVELOPMENT

The CAA will implement results from the Transport Sector Rules Redesign Project, led by the Ministry of Transport, in 2011. As part of this, there will be a focus on improving the policy rationale for proposed civil aviation rules and ensuring that there is early ministerial agreement for the underlying policy rationale. This is aimed at expediting civil aviation rules development.

Improving efficiency and effectiveness in Avsec's security services

ONGOING DRIVE FOR EFFICIENT UTILISATION OF AVIATION SECURITY RESOURCES

There will be a continuing focus on screening point review and assessment to ensure Avsec is operating at an optimal level. In particular, this will involve implementing the most appropriate and efficient screening point design, as well as improved business tools for reviewing staffing and operational efficiency, and enhancing current staff training in behavioural analysis.

IMPLEMENTATION AND REFINEMENT OF AVSEC'S ELECTRONIC ROSTERING SYSTEM

Over 2011/12, implementation of a fully electronic and integrated roster system to replace a "home-grown" semi-computerised roster system will take place. The new system will ensure efficiency in the creation of rosters and deployment of security staff.

PLANNING FOR EQUIPMENT REPLACEMENT OF HOLD BAGGAGE SCREENING (HBS) X-RAY EQUIPMENT

Avsec's current HBS x-ray equipment is due for replacement at the end of 2013. Planning for the replacement of this equipment is in progress to ensure that the new generation equipment meets international standards and is procurable when required, and that suitable funding arrangements are in place.

Sustainable funding

Funding for the CAA has not kept up with growth in the aviation sector and the expanding scope of regulatory requirements. The last major review of funding was in the mid-1990s.

The Board initiated a Funding Review to:

- examine the CAA's financial base in the light of changing demands
- consider a range of appropriate financial models
- assess the range of services provided and their overall effectiveness
- consult with stakeholders.

The aim is to obtain a new funding model that is broadly based, simple, transparent and equitable; and one which keeps administration and transaction costs to a minimum, consistent with the Government's cost recovery objectives.

In October/November 2010 the CAA undertook a consultation process with industry on a range of funding scenarios. It also conducted a Value for Money (VfM) Review early in 2011.

The VfM Review identified that the CAA's costs are at the lower end of the spectrum of comparator jurisdictions. The VfM Review endorsed the initiatives identified in the Funding Review and provided further advice on priorities for enhancing organisational capability. Both reviews have informed the Authority's decisions on how to develop the organisation.

Proposals resulting from the Funding Review will be put to the Government in the 2011/12 year, for implementation no later than 1 July 2012. The proposals will enable the Authority to invest in the capability of the CAA. In the meantime the Board, with the Government's agreement, has reallocated taxpayers' funds between Avsec and the CAA to enable organisational developments to progress. The Board will be refining its final funding proposal as a result of this.

Recognising stakeholder expectations

STRENGTHENING SECTOR RELATIONSHIPS

Better safety and security outcomes can be achieved by the Authority working more effectively with the aviation industry. Obtaining input and feedback from sector bodies will be valuable for the achievement of key business initiatives. Maintaining regular communication with stakeholders will also be important in sustaining confidence as the Authority works through change.

Collaboration between operators and the CAA will be critical to the success of the Safety Management Systems approach, as will clear understanding of the respective roles and obligations of all aviation stakeholders. The CAA will work to build more effective working relationships with peak bodies (e.g. the AIA and the NZAA), and support appropriate industry safety initiatives.

In particular there will be continued utilisation of the Sector Reference Group to better understand the needs and expectations of industry and inform key strategic decisions.

Avsec will continue to engage with key stakeholders in planning and delivery of security services, particularly around developing airport infrastructures that optimise customer-focused security.

UNDERSTANDING USER PERCEPTIONS OF AIR SAFETY AND SECURITY

The benefits for the country from a safe and secure civil aviation system will only be fully realised if there is a corresponding perception by users that flying is safe. Currently there is limited understanding of stakeholder confidence in the civil aviation system.

A comprehensive programme is underway to survey public and participant perceptions of the safety and security of the civil aviation system. Baseline data will be obtained for the 2011/12 year and will be used to establish an ongoing measure of user confidence. Surveys will continue on at least an annual basis.

Survey responses will help to determine which parts of the system are perceived to be more or less safe than others, and enable understanding of what drives different perceptions. This will guide the kinds of actions to address perceived and actual risks.

Organisational Change Programme

As a critical initiative in its own right and to enable achievement of the Authority's other strategic priorities, the Board has determined that a comprehensive change programme is needed, covering both the CAA and Avsec. This is aimed at lifting organisational performance to the level required to sustain effective regulatory oversight and security services in the future, and achieving this in a way that provides good value for money. The Change Programme is covered in the Organisational Health and Capability section below (page 26).

Implementation and impacts of the strategic priorities

The following table provides an overview of the key actions to achieve or progress the Strategic Priorities over the next three years. It also shows the forecast improvement in safety and security performance that is being aimed for. Specific milestones and indicators will be identified in the Authority's Strategic Plan and business plans.

An indicative high-level timeline for the Change Programme is shown separately as Appendix 5.

In addition, the table on page 30 shows the key Organisational Performance Indicators that will be used to measure the efficiency and effectiveness of the Authority's ongoing operations.

Implementation overview for strategic priorities

Specific milestones and indicators will be identified in the Authority's Strategic Plan and business plans.

STRATEGIC PRIORITY	2011/12 ACTIVITY	2012/13 ACTIVITY	2013/14 ACTIVITY	FORECAST PERFORMANCE IMPROVEMENT
TARGETING POOR PERFORMANCE AREAS				
Agricultural Aviation	Revised rule Part 137 introduced.	Transition period - CAA supports industry implementation.	<div style="border: 1px solid black; padding: 5px;"> Exercise of new/revised surveillance powers enabled by the rule introduction or change. Ongoing safety promotion and working with industry groups. </div>	In 2013/14 reduced accident & incident rates or severity. Higher operator certification standards. Provision for technology advances.
Adventure Aviation	New rule Part 115 introduced.	Transition period - CAA supports industry implementation.		In 2013/14 reduced accident & incident rates or severity. Provision for technology advances.
Sport and Recreation Aviation	Implementation of Part 21 changes.	CAA provides guidelines and supports industry applying them.		In 2013/14 reduced accident & incident rates or severity. Provision for technology advances.
Flight Training	Analysis programme and development of sector risk profile.	Planning interventions, including proposed developments to CAR Part 139.		There are statistically fewer accidents and incidents involving or caused by flight training activities.
MONITORING EMERGING TECHNOLOGIES Unmanned Aerial Systems (UAS)		Interim development of policy and procedure for Part 19 pilotless aircraft.	CAA provides guidelines and supports industry application.	There are fewer accidents and incidents involving or caused by UAS.
IMPROVING SAFETY OVERSIGHT				
Deployment of Safety Management Systems (SMS) Approach	Finalising [First] SMS Rule and developing guidance material for industry.	[First] SMS Rule comes into force. CAA staff training. Transition period - CAA supports industry implementation.		Better identification and management of operators' and system risk. Fewer serious incidents and accidents. More effective utilisation of regulatory oversight resources.
Development of Sector Profiles	Sector risk profiles developed for subsectors on a priority basis.			
Maintaining Strong Performance in the Airlines Sector	Airline operators are encouraged to adopt SMS and proactive risk management ahead of rule introduction.	Adapt certification and surveillance to SMS approach.	Effective date for part 121 rule for crew member training in human factors.	Safety performance is maintained at or above target.

STRATEGIC PRIORITY	2011/12 ACTIVITY	2012/13 ACTIVITY	2013/14 ACTIVITY	FORECAST PERFORMANCE IMPROVEMENT
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MANAGING SECURITY RISK & MAJOR EVENTS

Rugby World Cup	Avsec continues to manage its resources to meet the current level of threat (including around the RWC 2011).	Avsec continues to manage its resources to meet the current level of threat.		Security performance is maintained at or above target.
	Avsec delivers security services to other agencies as part of its commitment to RWC 2011.	Avsec delivers security services to other agencies as requested under s 80(ea) of the CA Act 1990.		

IMPROVING EFFICIENCY IN REGULATORY PROCESSES AND SECURITY SERVICES

Rules Development	Participation in Transport Sector Rules Redesign Process (led by MoT).	Implementation of changes from rules redesign process.		More streamlined rule development process and faster delivery.
Rectifying System Deficiencies Identified by OAG	Surveillance system and other workflow improvements completed.			Service performance for Output Class 2 is on target
Ongoing Drive for Efficient Utilisation of Aviation Security Resources	Avsec continues to implement the recommendations of its Operational Efficiency Review.			Cost of per passenger processing continues to reduce while a high level of security is maintained.
Implementation and Refinement of Avsec's Electronic Rostering System	Completion of regional implementation of new electronic rostersing system.			Nationwide reduction of 10 FTEs by end of 2011/12.
Planning for HBS Equipment Replacement	Implementation planning completed and options identified.	Tender and selection process for equipment supplier.	Project completion by 31/12/13.	Replacement programme implemented on time and budget, and to quality standards.

RECOGNISING STAKEHOLDER EXPECTATIONS

Strengthening Sector Relationships	Ongoing through Sector Reference Group and other connections and processes			Improved confidence and support from sector
User Perceptions of Air Safety and Security	Baseline surveys conducted for travelling public and industry /government stakeholders.	Strategies developed for improving confidence levels.	Strategies to improve confidence levels implemented.	Improved confidence levels.
	Confidence indicator established.	Ongoing survey programme	Ongoing survey programme	

SUSTAINABLE FUNDING

CAA Funding Review	Revisit and refine proposal and supporting material. Obtain Cabinet's approval and prepare for implementation.	Implementation of revised fees, charges and levies.		A sustainable funding regime enabling the CAA to perform its regulatory activities.
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ORGANISATIONAL CHANGE PROGRAMME – Refer Appendix 5

Organisational health and capability

The Authority faces challenges with both of its operating arms: achieving a “step change” in performance of the CAA to maintain effective and efficient safety oversight; and management challenges to achieve operational efficiency in Avsec.

Need for organisational change

New Zealand skies are some of the safest in the world. But fast-paced advances in aviation technology and the spread of industry developments make this hard to sustain.

The CAA’s 2010/11 Value for Money (VfM) Review identified that a “step change” in performance is required to ensure that the CAA’s regulatory oversight remains efficient and effective, and does not fall behind best practice.

The VfM Review further concluded that *“the level of change that is required is unlikely to be achieved without investment in capability”*⁵ and proposed a number of areas for attention. These build on earlier recommendations from the Office of the Auditor General regarding the organisational effectiveness of the CAA.

The Avsec Efficiency Review in October 2009 also pointed to a range of areas for improved efficiency at operational screening points, and the better utilisation of staff in relation to fluctuations in passenger flows.

The Board has determined that a comprehensive change programme is needed to lift organisational performance to the level required for effective regulatory oversight and security services in the future, and to deliver this in a way that provides good value for money. Achievement of the Authority’s strategic priorities is dependent on this development.

⁵ MartinJenkins Value for Money Review of the CAA 28 February 2011.

Organisational Change Programme

The Change Programme is aimed at achieving management, policy, performance and culture changes across the Authority. The programme will provide an overarching strategy and systematic pathway for:

- Locking in improvements already made in core processes
- Bringing together development initiatives already in train in the CAA and Avsec
- Building the capability needed to achieve the Authority’s strategic priorities, and
- Better equipping the organisation to deal with future challenges, and support changes in the industry.

Key outcomes sought are:

- **a change in culture** and leadership style to provide a more flexible, responsive and outcome-focused organisation
- **a “fit for purpose” organisation** which operates as a single entity with shared support functions, performing two sets of legislative responsibilities
- **a clear focus and strategy** for improved efficiency and effectiveness, to achieve best practice operation as an aviation safety regulator and a security service provider
- **enhanced confidence of key stakeholders**

The Change Programme will comprise four work streams, which are summarised below. Appendix 5 provides an indicative high-level timeline for the different streams.

STRATEGY, LEADERSHIP AND CULTURE WORK STREAM

Strategic direction and plan

- ➔ Creating a clear description of strategic direction and aligning communications
- ➔ Developing a Strategic Plan for the CAA, covering both outward-facing strategy and organisational development strategy.

Modern regulatory operating model

- ➔ Identifying/confirming the key elements of a modern regulatory operating model appropriate for an SMS environment
- ➔ Developing an implementation strategy for making changes to the regulatory model
- ➔ Staff training on safety management and risk management.

Leadership and culture

- ➔ Developing a leadership model and programme to drive performance improvement and culture change
- ➔ Defining and measuring the desired organisational culture and associated values.

This will build on the initial vision for the organisation as:

“agile and responsive... expert at applying modern regulatory practice...strong at strategic leadership and management ...collaborative with industry... streamlined and efficient in its regulatory and security operations.”

- ➔ Re-aligning organisational policies and processes to reinforce the desired culture

Moving to a more diversified regulatory approach in the CAA will require a balance of managerial, technical and regulatory skills to select and implement different forms of intervention.

A suite of core management training is underway in the CAA, to balance the predominant technical orientation that exists currently. Programme and project

management are further areas of under-developed capability. Newly designed policies and processes are being implemented, with supporting education.

Changes have also been made to delegation levels to reinforce management accountabilities at the 3rd tier.

FURTHER ORGANISATIONAL DESIGN WORK STREAM

Shared support services

- ➔ Reviewing the business model formulated in late 2010, and finalising the organisational design to improve the efficiency and effectiveness of corporate support services.

Other organisational design work

- ➔ Identifying organisational implications of the refined strategic direction and regulatory model, and developing design proposals accordingly.

OPERATIONAL SYSTEMS AND PROCESSES WORK STREAM

Due diligence review and systems, information technology and processes investment plan

- ➔ Reviewing the current operational and support systems within the CAA and Avsec
- ➔ Compiling an investment roadmap for systems and process development and enhancement.

Two priority areas that will be progressed in the meantime are outlined below.

Improved safety analysis

Current safety analysis by the CAA is not able to adequately support the problem identification and diagnosis which is needed to underpin targeted, risk-based interventions. This includes the ability to look beyond transactional data to analysis of human factors and behavioural risk for aviation safety.

Greater analytical capability is needed to enhance understanding of what influences safety and security outcomes, leading to improved decision-making. As well as a greater level of expertise in its people, the CAA needs to have in place an effective Safety Information System. (See Physical Assets section below)

Enhanced financial forecasting and performance reporting

Work will continue over 2011 and 2012 on improvements in performance measurement and reporting. This covers:

- ➔ refining the set of outcome indicators and impact measures monitored by the Authority and reported in accountability documents
- ➔ further development of organisational effectiveness and efficiency targets, and capability indicators
- ➔ reviewing the framework of reporting at management and governance levels
- ➔ improving the clarity and presentation of key performance information.

A further priority for both the CAA and Avsec is to improve financial forecasting, with a particular focus on developing longer-term rolling forecasts. Robust forecasting and financial analysis are key to the industry's perceptions of a fair funding model for the civil aviation system.

FUNDING REVIEW WORK STREAM

Completion of the Funding Review is critical to the future financial position of the CAA and, as such, is seen as a strategic priority, covered above (page 22). Work to revisit earlier proposals and obtain the Government's agreement to revised CAA fees, levies and charges will be managed in alignment with the broader programme of change.

Organisational health and capability measures

Organisational capability measures will be reviewed and developed further as part of the Strategic Plan formulation. This will comprise key metrics, some already in use, and milestones for key elements of the Change Programme.

Currently, in order to assess its health and capability on an operational basis, the Authority monitors a number of measures of its finances and its people, supplemented by more descriptive reporting.

In the CAA staff are mainly tertiary qualified, with specialist areas of knowledge and skill.

Many are considered New Zealand experts, and in some cases international experts in their fields. There are national and even worldwide shortages of some technical skills, both in the CAA and in the industry where it draws many of its people from. This is likely to continue given the need to keep abreast of ever-changing technology.

The scarce skills issue is further compounded by the age profile of the CAA workforce. The average age of operational staff in the CAA at March 2011 was 54.5, up from 52 a year before.

Alongside general staff turnover and vacancy rates, the CAA is looking to develop a qualitative indicator of resourcing effectiveness that will enable monitoring of current capacity and future readiness in key skills groups within the organisation.

In Avsec, employment costs are the most significant element of total expenditure and the key factor in the determination of cost-efficient operations. Staffing numbers and costs are closely controlled against budgeted levels and a target range for staff turnover.

Avsec has undertaken workforce performance culture surveys and health and safety culture surveys in both 2009 and 2010, and these will be continued. Targets are being set for 2011/12 at all regional locations, for improving trends over the 2010 internal benchmarks.

As part of the Change Programme a fit for purpose organisation engagement survey will be carried out. This will encompass the CAA and management/administrative staff of Avsec.

.....
"The CAA will need to invest in people, systems and processes to deliver the lift in performance that is needed and achievable."
.....

Martin Jenkins Value for Money Review of the CAA, 28 February 2011

Equal employment opportunities

The Authority is committed to the principles and practice of equal opportunity and reflects these in good employer programmes. The organisation will continue to foster a diverse workplace and an inclusive culture.

Vacancies are advertised internally and externally to give people an equal chance to be considered in the selection process. Avsec recruitment processes recognise gender requirements for some security screening activities.

Appointments are based on merit and all staff will be valued, treated equitably and with respect, whatever their gender, ethnic or social background, sexual orientation or disability.

Physical assets

The CAA has a legacy environment for the majority of its core IT systems and intends to redevelop a modern IT architecture over time, based on business needs. This will require a significant level of investment over the SOI period and beyond.

The CAA's priority is to replace the core safety information system (and associated legacy systems). The next steps are to complete scoping requirements for this major system and evaluate replacement options. Budget provision is anticipated from 2014/15.

The CAA's proposed capital expenditure for 2011/14 includes \$2.7 million capital provision for projects primarily related to software acquisition and development within the Authority's Change Programme.

Avsec has made provision for the replacement of its HBS screening equipment in December 2013, at a forecast cost of \$26 million. Planning is in progress to ensure that the new generation equipment meets international standards and is procurable when required.

Avsec's proposed capital expenditure in 2011/12 and 2012/13 is based on normal cyclical replacement of existing assets, in line with its capital asset replacement programme.

CAPITAL EXPENDITURE INTENTIONS

The table below identifies planned capital expenditure for the 2011-2014 period.

PROPOSED CAPITAL EXPENDITURE \$'000	CIVIL AVIATION AUTHORITY				AVIATION SECURITY SERVICE			
	Forecast 2010/11	Budget 2011/12	Forecast 2012/13	Forecast 2013/14	Forecast 2010/11	Budget 2011/12	Forecast 2012/13	Forecast 2013/14
Computer hardware	388	175	120	120	216	50	80	38
Computer software	310	567	675	800	1,635	248	30	-
Plant & equipment	550	-	10	10	1,738	2,173	857	1,732
Furniture & fittings	1,089	-	-	-	726	29	-	-
Motor vehicles	80	80	80	80	705	658	1056	878
Leasehold improvements	4,340	-	-	-	3,064	150	-	-
Leased assets	-	-	-	-	-	-	688	26,000
TOTAL	6,757	822	885	1,010	8,084	3,308	2,711	28,648

Organisational performance indicators

INDICATORS	BUDGETS/FORECASTS FROM PART B (\$'000)							
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KEY FINANCIAL INDICATORS

	CAA	2011/12	2012/13	2013/14	AVSEC	2011/12	2012/13	2013/14
TOTAL EXPENDITURE	On target against budget	37,255	35,379	34,873	On target against budget	76,546	75,483	78,588
NET SURPLUS (DEFICIT)		(5,853)	(3,651)	(2,705)		(18,271)	(16,414)	(18,304)
General funds & revaluation reserve		8,456	4,805	2,100		14,890	14,890	14,890
Memorandum account balances						25,410	8,996	(9,308)
TOTAL RESERVES		8,456	4,805	2,100		40,300	23,886	5,582

MEMORANDUM ACCOUNT BALANCES

International passenger security charge	<i>To be developed for the CAA in the 30 June 2011 Annual Report</i>	On target against budget	20,522	6,071	(10,123)
Domestic passenger security charge		5,689	2,967	125	
Other fees and charges		(801)	(42)	690	
Total Memorandum Accounts		25,410	8,996	(9,308)	

INDICATORS	MEASURES (*Measure under development)	TARGETS
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SECURITY EFFICIENCY AND EFFECTIVENESS

INTERNATIONAL PASSENGER PROCESSING	International passenger processing cost	2012, \$10.07 2013, \$9.89 2014, \$10.15 (cf. 2010/11 average \$9.86)
DOMESTIC PASSENGER PROCESSING	Domestic passenger processing cost	2012, \$3.87 2013, \$3.66 2014, \$3.68 (cf. 2010/11 average \$3.93)
SCREENING ACTIVITY / CAPACITY/ ROSTERING SURPLUS	Measures to be developed by 31/12/11*	Targets to be established by 31/9/11

REGULATORY EFFICIENCY AND EFFECTIVENESS

CERTIFICATION AND SURVEILLANCE	Quality and Timeliness measures achieved, as assessed through quarterly review process *Overall index to be developed by 30/6/2012	Target to be established by 30/6/12
ICAO AUDITS	Closure of actions under agreed action plan	Targets to be established for actions within the CAA's control by 31/12/11
RULES DEVELOPMENT	Completion of committed programme against agreed timeframes and quality measures	Rules delivered as per agreement with MoT

HR CAPABILITY

RESOURCING	Avsec staffing level v budget	787.31 FTEs for 2011/12 – 2013/14 (cf 2010/11 787.58)
	Avsec staff turnover (rolling average)	In range 7.5 – 10% pa
	CAA qualitative indicator of resourcing effectiveness for key skills to be established*	Baseline and target to be established by 31/10/11
STAFF ENGAGEMENT AND WELLBEING	Avsec - Workforce Performance Culture and Health & Safety Culture surveys	Targets are being set for 2011/12 for improving trends over the 2010 internal benchmarks
	Joint CAA/Avsec survey to be completed*	Baseline and targets to be established by 31/8/11

Risks

Outlined below are the most significant areas of risk for the Authority, arising from developments in the sector and the broader operating environment, as well as aspects of internal capability and the change process that the organisation is going through. Potential impacts of these risks and a range of mitigating actions to address them are also shown.

The Authority has a risk management process whereby the likelihood and consequence of strategic and operational risks are regularly assessed, mitigations are reviewed and the level of residual risk reappraised.

A. ENVIRONMENTAL RISKS

RISK DESCRIPTION	LEADING TO	MITIGATED BY
<p>OUTPACED BY TECHNOLOGY CHANGE</p> <p>Rapid changes in aviation and security technologies require frequent updating of rules and operating processes.</p> <p>The Authority may not have the capacity (skills, equipment and funds) to keep pace.</p>	<p>Industry uptake of new technology, with safety and economic benefits, is curtailed.</p> <p>Rules not in place for new forms of aviation leading to unsafe practices.</p> <p>Security screening techniques are unable to detect latest types of threats.</p> <p>Stakeholders lose confidence in the organisation.</p>	<p>Collaborate with industry to stay aware of and plan for aviation developments.</p> <p>Regularly interact with ICAO and regulatory bodies overseas.</p> <p>Ensure staff are knowledgeable and trained for regulating / operating new technology.</p> <p>Plan ahead to ensure funding for security equipment.</p>
<p>INTERNATIONAL TERRORISM / UNLAWFUL INTERFERENCE</p> <p>The New Zealand threat level is low, but civil aviation, key infrastructure and high-profile events are all potential targets for global terrorism.</p> <p>This risk could increase through the Rugby World Cup in 2011. The event will have multi-national participation and put greater security demands on the domestic aviation system.</p>	<p>Potential death/ injury/ property loss.</p> <p>Prolific media coverage, potentially highly detrimental.</p> <p>Consequent damage to New Zealand's reputation for safe flight and to associated economic benefits.</p> <p>Disruption to efficient passenger and cargo flows.</p>	<p>Apply rigorous quality standards in security operations and ensure Avsec staff remain vigilant.</p> <p>Intelligence gathering, monitoring and planning in collaboration with other security agencies and aviation organisations.</p> <p>Refresh business continuity plans and contingency plans for various scenarios.</p> <p>Maintain capability (people, processes and equipment) in readiness to respond to security requirements.</p>
<p>UNCERTAIN/REDUCED REVENUE FLOWS</p> <p>Changes in passenger volumes resulting from natural disasters, global unrest and recession, etc. make accurate revenue forecasting problematic.</p> <p>Significant decreases in passenger volumes, coupled with continuing fiscal restraint in the government sector, present major difficulties for the Authority's financial viability.</p>	<p>Revenues from passenger safety levies and security charges may be insufficient to finance the required Authority capability in the short to medium term.</p> <p>Less funding available to the CAA for investment in safety performance improvements, at a time when operators may be driven to cut corners through economic constraints.</p> <p>Potential for more accidents.</p>	<p>Complete the CAA Funding Review to provide more certain revenue streams.</p> <p>Develop longer-term rolling forecasts to improve the management of adverse revenue fluctuations.</p> <p>Work with industry groups to anticipate and address difficulties.</p> <p>Maintain financial reserves sufficient to meet any funding pressures.</p>

B. ORGANISATIONAL RISKS

RISK DESCRIPTION	LEADING TO	MITIGATED BY
<p>LOSS OF STAKEHOLDER CONFIDENCE</p> <p>Loss of confidence by government and industry stakeholders would seriously impede the organisation's standing and ability to achieve its mandate.</p>	<p>Reduced organisational credibility potentially impacts the reputation of the Authority.</p> <p>This could lead to lessened international confidence in New Zealand, with economic impacts.</p> <p>Poor image affects ability to recruit and retain key staff.</p>	<p>Clearly communicate the scope and value of the Authority's role to ensure aligned expectations.</p> <p>Actively engage stakeholders to share understanding of achievements, priorities and risks.</p> <p>Monitor stakeholder confidence through regular surveys, and address identified issues.</p>
<p>LACK OF CRITICAL STAFF RESOURCES</p> <p>Strong competition for scarce technical and professional expertise needed by the CAA is compounded by a high age profile and very limited depth in capacity in some areas.</p> <p>Both the CAA and Avsec may see higher attrition rates as the recession recedes and the organisation goes through change.</p>	<p>Potential inability to maintain effective performance in some CAA functions.</p> <p>High work demands and stress on existing staff.</p> <p>Lack of knowledge transfer between staff.</p> <p>Key development projects /Change Programme compromised.</p>	<p>Develop and implement resourcing strategies.</p> <p>Review employee recognition and reward provisions.</p> <p>Engage regularly with staff through the change process.</p>
<p>CAPACITY TO IMPLEMENT CHANGE</p> <p>The speed and effectiveness of the Authority's planned Change Programme may be impacted by uncertainties with CAA funding decisions, and the capacity of existing management teams to facilitate and drive the level of change that is sought.</p>	<p>The extent of organisational performance improvement sought is not forthcoming.</p> <p>Loss of stakeholder confidence.</p> <p>Disruption to business operations.</p>	<p>Expedite completion of Funding Review.</p> <p>Provide strong organisational leadership, communicating and engaging with staff.</p> <p>Invest in sufficient management resource to execute change as well as sustain business operations.</p> <p>Keep key stakeholders informed of progress and benefits of change.</p>

PART B:

PROSPECTIVE FINANCIAL STATEMENTS AND FORECAST SERVICE PERFORMANCE

Statement of responsibility

The following Statement of Prospective Financial Statements and Forecast Service Performance form part of the Authority's Statement of Intent for the year ending 30 June 2012.

Pursuant to the Crown Entities Act 2004, the Board of the Authority accepts responsibility for the preparation of the prospective financial statements and the judgments made in the process of producing these statements; and establishment and maintenance of a system of internal controls designed to provide reasonable assurance to the integrity and reliability of financial and non-financial reporting.

The prospective financial statements and forecast service performance to be achieved by the Authority for the year ending 30 June 2012, specified in this Statement of Intent, is agreed with the Members of the Authority (Board), the Director of Civil Aviation, and the General Manager of the Aviation Security Service.

The Board of the Authority certifies that the information contained in this Statement of Intent reflects its operations and financial position.

Signed:



NIGEL GOULD
Chairman of the Authority
23 June 2011



PETER GRIFFITHS
Deputy Chairman
23 June 2011



STEVE DOUGLAS
Director of Civil Aviation
23 June 2011



MARK EVERITT
General Manager, Aviation Security Service
23 June 2011

Prospective financial statements

Statement of significant underlying assumptions

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. They comprise:

- the consolidated prospective financial statements for both the aviation regulatory services of the CAA and the aviation security services of Avsec
- separate prospective financial statements for the CAA and Avsec.

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the CAA and Avsec to maintain separate accounting records.

Consistent with this legislative framework, the following significant assumptions have been applied in preparing the financial statements for the CAA and Avsec.

PASSENGER VOLUMES

Forecasting revenue from CAA safety levies and Avsec security charges based on domestic and international passenger volumes is problematic. This is due to the competitiveness and confidentiality surrounding airlines planned activity and projected passenger numbers, and the impacts of external factors such as economic events and natural disasters in terms of market response by operators and consumer behaviour.

Passenger Numbers*	Projected (000's)				
	10/11 Budget	10/11 Forecast	11/12	12/13	13/14
CAA Domestic	9,861	9,600	10,263	10,451	10,577
Avsec Domestic	5,801	5,647	6,037	6,148	6,222
Avsec International	4,455	4,644	4,784	4,927	5,079

[*upon which Safety Levies and Passenger Security Charges are based]

Revenues have been estimated based on the following projections of passenger volumes:

- Volumes of passengers departing on international flights are predicted to increase by 3.0% over the 2010/11 forecast to 4.8 million in 2011/12, reflecting increased services to Asia and China

- Screened domestic passenger volumes are forecast to increase 6.9% over the 2010/11 forecast to 6.0 million in 2011/12. It is expected that this will be driven principally through increased jet service capacity
- The total number of passengers departing on domestic flights is expected to increase by 2.1% over the 2010/11 forecast.

Other assumptions for the SOI period are:

- no new large airline will enter or exit the New Zealand market
- there will be no additional airports requiring the introduction of passenger screening services.

CIVIL AVIATION AUTHORITY (The CAA)

Levy revenue

Revenues from safety levies are collected on the total number of passengers departing on domestic and international flights, and have been estimated based on the above projections. The 2011/12 budget and out-year budgets have been set using the current regulated international and domestic passenger safety levy charges (\$0.89 and \$1.77 respectively, GST exclusive).

Fees and charges revenue

The revenue for fees and charges reflects the current industry size and risk, and the capacity of the CAA to provide regulatory services.

The CAA is currently undertaking a general review of its fees, charges and levies (Funding Review), which is occurring for the first time in around 15 years. This review considers the CAA's longer-term capability needs to provide effective regulatory oversight, given the growth in the New Zealand aviation industry and in international aviation standards.

While the financial information provided in this Statement of Intent assumes the current schedule of fees, charges and levies, the financial position of the CAA from 2012/13 relies on Cabinet's decisions on the Funding Review.

Personnel costs

The 2011/12 budget and out-years have been prepared on the basis of an increase of 3.4 full-

time equivalent staff positions. The positions reflect the needs to improve the CAA's compliance with ICAO requirements, to increase capacity in the Airlines Group and to strengthen the CAA's contract management and procurement functions.

Remuneration increases are expected to be consistent with advice provided by the CAA's independent remuneration advisors. An estimated vacancy rate of 8% for full-time equivalent positions has been applied, reflecting trends over the past few years (cf. 2010/11: 5%).

Change Programme

The 2011/12 budget includes first year funding of \$6.3 million for projects necessary to implement the Authority's Change Programme (as described in pages 26 and 27) together with assumed cost savings.

Operating surpluses/deficits

It is intended that the projected operating deficit for 2011/12 will be funded from accumulated reserves.

Opening equity

Estimated opening Equity of \$14.309 million assumes a 2010/11 year operating deficit of \$2.168 million and includes a transfer of taxpayers' funds from Avsec's general reserves of \$7.5 million. The transfer of taxpayers' funds was agreed on 12 April 2011 by the Ministers of Finance and Transport to contribute initial funding for the Authority's Change Programme. The transfer was part of the Board's \$15 million reduction of Avsec's taxpayers' funds, which also repaid \$7.5 million to the Crown.

AVIATION SECURITY SERVICE (AVSEC)

Passenger security charges

Passenger security charges have been estimated based on the projections of screened domestic and international passenger volumes above.

The 2011/12 budget and out-year forecasts have been set using the regulated passenger security charges which are due to come into effect on 1 July 2011. The charges are \$6.96 (GST exclusive) for international and \$3.22 (GST exclusive) per sector travelled for domestic passengers, a reduction on the previous charges which were \$8.88 and \$3.87 (GST exclusive) respectively.

The new charges will ensure that Avsec is adequately funded to carry out its functions

over the 2011/13, whilst also eliminating Avsec's accumulated surpluses by 30 June 2013.

The charges will again be reviewed by 30 June 2013 to recover the full costs of Avsec's services and to consider funding the replacement of international hold baggage screening equipment.

However, the forecast financial statements assume no further change in the passenger security charges over the 2011/14 period.

Contracted services revenue

Contracted Services revenue is forecast to increase by 5.27% over the 2010/11 forecast to \$3.573 million in 2011/12. This increase relates to contracted services provided to airlines and third parties. Current contracted recovery rates have been utilised in the setting of revenue, and it is assumed that the underlying costs will decrease over the period.

Personnel costs

Personnel costs are forecast to increase by 1.9%, (\$1.110 million) over the 2010/11 forecast to \$59.350 million in the 2011/12 budget.

The 2011/12 budget sets an establishment of 787 FTE (843 staff) and this is expected to remain constant through to 2013/14.

This represents a reduction of 54 FTE compared to the 2010/11 SOI budget but still provides the capacity to maintain existing services, resource a third domestic screening lane in Auckland and provide adequate staffing for the Rugby World Cup (RWC).

The Avsec Collective Employment Agreement is due for renegotiation in June/July 2011. Reasonable remuneration increases have been allowed for, in line with economic conditions.

Staff turnover is expected to gradually increase from 4.68% to 8% over the 2011/14 period. No provisions have been made for staff vacancies.

Operating surpluses/deficits

The 2011/12 and out-year forecast statements have been set using the new regulated international and domestic passenger security charges that become effective on 1 July 2011. Operating deficits are reflected in the International, Domestic and other Fees and Charges Statement of Prospective Memorandum Accounts.

The Projected Net Deficit for the financial year ending 30 June 2012 is expected to be \$18.271

million, increasing to \$18.304 million in 2013/14.

The passenger security charges deficits are a direct result of reducing the passenger security charges to eliminate related accumulated surpluses by 30 June 2013.

The operating deficits over the period 2011/12 to 2013/14 will be managed by utilising the accumulated surpluses/deficits contained in the Memorandum Accounts, which are forecast to be \$43.681 million at 30 June 2011, and the review of contract fees as contracts are renewed.

Equity

Opening equity of \$58.268 million incorporates an estimated operating deficit of \$5.022 million for 2010/11 and a \$15 million reduction in general reserves (taxpayers' funds). The reduction in general reserves has been made by transferring \$7.5 million to the CAA (refer CAA commentary above) and repaying \$7.5 million to the Crown.

The projected closing balances of the passenger security charges Memorandum Accounts include the following contingency reserves:

- International Passenger Security Charge – Contingency Reserve \$4.500 million
- Domestic Passenger Security Charge – Contingency Reserve \$3.000 million.

In total the projected Closing Equity balance as at 30 June 2012 is \$40.300 million.

Equity declines to \$5.582 million by 2013/14 as a result of deficits of \$16.414 million in 2013/14 and \$18.304 million in 2013/14.

The projected deficit in 2013/14 does not reflect the potential impact of a further review of international and domestic passenger security charges. It is intended that these charges will again be reviewed and reset by 1 July 2013 to ensure the full costs of Avsec's passenger security services are recovered and to consider funding the replacement of international hold baggage screening equipment.

Prospective consolidated financial indicators

KEY FINANCIAL INDICATORS For the years ended 30 June	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
	Civil Aviation Authority (CAA)				
Revenue	30,189	30,315	31,402	31,728	32,168
Output Expenses	32,835	32,483	37,255	35,379	34,873
Net surplus / (deficit)	(2,646)	(2,168)	(5,853)	(3,651)	(2,705)
Cash and bank balances	4,418	12,653	7,380	3,132	(154)
Net assets	5,956	14,309	8,456	4,805	2,100
Capital Expenditure	(2,317)	(6,757)	(822)	(885)	(1,010)
Aviation Security Services (Avsec)					
Revenue	69,137	69,911	58,275	59,069	60,284
Output Expenses	79,481	74,933	76,546	75,483	78,588
Net surplus / (deficit)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)
Cash and bank balances	61,175	9,786	4,400	1,227	1,328
Net assets	67,156	58,268	40,300	23,886	5,582
Capital Expenditure	(8,183)	(8,084)	(3,308)	(2,711)	(28,648)
Consolidated (1)					
Revenue	99,311	100,211	89,662	90,782	92,437
Output Expenses	112,301	107,401	113,786	110,847	113,446
Net surplus / (deficit)	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)
Cash and bank balances	65,593	22,439	11,780	4,359	1,174
Net assets	73,112	72,577	48,756	28,691	7,682
Capital Expenditure	(10,500)	(14,841)	(4,130)	(3,596)	(29,658)

Note 1: Net of elimination related to CAA compliance audit of Avsec under Rules Part 140 and 141 of Civil Aviation Act 1990.

Statement of accounting policies

REPORTING ENTITY

The Civil Aviation Authority is Government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992. As a Crown entity, the Authority is also subject to the provisions of the Crown Entities Act 2004. The Authority has a responsibility to develop and deliver an integrated, safe, responsive and sustainable transport system.

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory services of the CAA and the separate aviation security services of Avsec.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority (encompassing the CAA and Avsec) has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

BASIS OF PREPARATION

The prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, the Civil Aviation Act 1990, FRS-42 and NZ GAAP as it relates to prospective financial statements.

The prospective financial statements will not be further updated subsequent to publication.

The prospective financial statements contain information that may not be appropriate for purposes other than those described in the Statement of Responsibility.

Measurement basis

Prospective financial statements have been prepared on an historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and the measurement of any derivative financial instruments at fair value.

With the exception of cash flow information which has been prepared on a cash basis, the prospective financial statements have been prepared on the basis of accrual accounting.

Functional and presentation currency

The functional and presentation currency is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000).

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

Revenue

The Authority earns revenue from:

- regulated levies and charges on airlines based on outgoing international passenger numbers and domestic sectors travelled by passengers
- regulated charges on domestic aerodromes
- fees and charges for regulatory and aviation safety services and for additional aviation security activities that are outside its core function
- interest income
- Crown funding
- contracts.

Revenue is measured at the fair value of the consideration received or receivable.

Provision of fee-based services

Revenue derived from the Authority's provision of regulatory, and aviation safety, services is recognised in the Statement of Projected Comprehensive Income in the period that the services have been rendered, in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

Interest

Interest income is recognised using the effective interest method.

Crown funding and contracts

Revenue provided by the Crown and revenue earned under contracts is recognised in the Statement of Projected Comprehensive Income in the period in which the Authority provides the funded programmes.

Section 72 of the Civil Aviation Act 1990 prevents the Authority from applying revenue from fees, levies and charges made by one part (the CAA or Avsec) of the Authority to the activities of the other part (the CAA or Avsec) of its operations.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

No capital charge is payable by the CAA or Avsec from 1 July 2011, as the value of their respective net assets are below the capital charge threshold.

Goods and services tax

All items in the prospective financial statements are presented exclusive of Goods and Services Tax (GST), except receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable it is recognised as part of the related asset or expense.

Net GST receivable or payable at balance date is included in receivables or payables in the Statement of Projected Financial Position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Projected Cash Flows.

Income tax

The Authority (encompassing the CAA and Avsec) is a Public Authority in terms of the Income Tax Act 2004 and consequently exempt from the payment of income tax. Accordingly no charge for income tax has been provided for.

Payment of any surplus to the Crown

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The CAA is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that Avsec's surplus funds are subject to a similar requirement by the Minister of Finance.

Derivative financial instruments and foreign currency transactions

Financial instruments at fair value through profit or loss comprising forward exchange contract derivatives

Financial instruments in this category comprise those either held for trading or designated at fair value through profit or loss at inception. Under NZ IFRS, those derivatives not designated as hedge accounting instruments are classified as held as trading instruments irrespective of the purpose for which they have been entered into. The Authority enters into forward exchange contract derivatives from time to time solely to mitigate currency risks associated with its operational activities.

Forward exchange contract derivatives are recognised in the Statement of Projected Financial Position at their fair value. Realised and un-realised gains and losses arising from changes in fair value or upon settlement are recognised in the Statement of Projected Comprehensive Income in the period in which they arise.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of foreign currency monetary assets and liabilities, are recognised in the Statement of Projected Comprehensive Income.

Other financial assets

Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

Loans and receivables financial assets – comprising cash and cash equivalents, debtors and other receivables

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial recognition, loans and receivables financial assets are carried at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost – comprising creditors and other payables, finance lease liabilities.

After initial recognition, financial liabilities measured at amortised cost are carried at amortised cost using the effective interest method.

Impairment of financial assets

Financial instruments are regularly reviewed for objective evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

Leases

Finance leases

The Authority, in relation to Avsec, has entered into finance leases for certain security screening and office equipment. Finance leases effectively transfer to the Authority substantially all the risks and rewards of asset ownership, whether or not title is eventually transferred.

At the commencement of the lease term, the Authority recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is expensed to the Statement of Projected Comprehensive Income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If it is not certain that the Authority will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

The Authority leases office premises and office equipment. As substantially all the risks and rewards incidental to ownership of the asset are retained by the lessor, these leases are classified as operating leases. Operating lease payments are recognised in the Statement of Projected Comprehensive Income as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

Inventories

Services work in progress

The Authority's services work in progress is measured at the lower of the costs incurred to date for the specific work being undertaken and net realisable value. The estimated net realisable value is based on the contracted service price.

Inventories held for use in the provision of services

The Authority holds stocks of security cards and these items are carried at the lower of cost (calculated using the weighted average cost method) and net realisable value.

Inventory write-downs

Any write-down from cost to net realisable value for either services work in progress or inventories held for use in the provision of services is recognised in the Statement of Projected Comprehensive Income when the write-down occurs.

Investments

At each balance date the Authority assesses whether there is any objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered factors that the deposit is impaired.

Property, plant and equipment

Property, plant and equipment assets are carried at cost or fair value less any accumulated depreciation and impairment losses.

Revaluations

A building (Avsec operational base) at Auckland International Airport is stated at fair value as determined by an Independent Registered Valuer (Seagar & Partners) as at 30 June 2010.

The building is re-valued at least every three years to ensure that the carrying amount does not differ materially from fair value. All other asset classes are carried at depreciated historical cost.

Accounting for revaluations

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The results of revaluation are recorded in the appropriate asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Projected Comprehensive Income. Any subsequent increase in the revaluation that offsets a previous decrease in value recognised in the Statement of Projected Comprehensive Income will be recognised first in the Statement of Projected Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for the asset class.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The minimum cost value for a purchase to be classified as a property, plant and equipment asset is \$2,000.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Projected Comprehensive Income. When re-valued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item

can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Projected Comprehensive Income as they are incurred.

Depreciation

Depreciation is provided for on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings (including components)	10 - 24 years	10% - 4%
Leasehold improvements	9 years	11%
Furniture and fittings	10 years	10%
Plant and equipment	5 - 10 years	20% - 10%
Office equipment	5 years	20%
Motor vehicles	4 - 5 years	25% - 20%
Computer equipment	3 - 4 years	33% - 25%
Leased hold-baggage screening (HBS) equipment	4 years	25%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

Software acquisition and development

Acquired computer software licenses and databases are capitalised on the basis of the costs incurred to acquire and bring these to use.

Costs incurred by the Authority for the development of software for internal use, other than for the development of software associated with websites, are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software, staff training, and with the development and maintenance of websites, are expensed when incurred.

Indefinite life intangible assets

The Aeronautical Information Service (AIS) database acquired and used in the fulfilment of the Authority's statutory safety obligations

is considered to have an indefinite useful life. Indefinite life intangible assets are carried at cost less any accumulated impairment losses.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each period is recognised in the Statement of Projected Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible asset have been estimated as follows:

Acquired computer software	3 - 5 years	33% - 20%
Developed computer software	3 - 5 years	33% - 20%
AIS database	Indefinite life	nil

Intangible assets with an indefinite useful life are not amortised and are instead subject to an annual impairment test.

Impairment of property, plant and equipment and intangibles

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Indefinite life intangible assets are tested for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on depreciated replacement cost.

If an asset is impaired its carrying amount is written down to the recoverable amount. For assets carried at historical cost the total impairment loss and any subsequent reversals of impairment are recognised in the Statement of Projected Comprehensive Income.

For re-valued assets any impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount carried in that reserve. Where the impairment loss would result in a debit balance in the revaluation reserve, the

balance is recognised in the Statement of Projected Comprehensive Income. Subsequent reversals of impairment losses are recognised firstly in the Statement of Projected Comprehensive Income, to the extent the impairment loss was originally recognised there and then in the associated revaluation reserve.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

The Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis in the annual reporting process.

Post-employment entitlements – superannuation schemes

Obligations for the Authority's contributions to KiwiSaver, Government Superannuation Fund and National Provident Fund are accounted for as contributions to a defined-contribution superannuation scheme and are recognised as an expense in the Statement of Projected Comprehensive Income.

Provisions

The Authority recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable

estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Output costing

Criteria for direct and indirect costs

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Indirect personnel, property, occupancy and certain other indirect costs for Avsec are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

Indirect costs for the CAA, including indirect depreciation, are charged on the basis of full-time equivalent staff members attributable to an output. A change in methodology has been made to allocate indirect costs on the basis of prior actual costs rather than forecast costs.

Also, a change was made in 2010/11 to the methodology used to allocate the CAA's capital charge. Previously, capital charge was allocated based on the methodology used for other indirect costs. In 2010/11 this changed to 100% allocation to Output Class 1: Policy Advice, being the only Output Class funded by the Crown. From the 2011/12 financial year the CAA will not incur a capital charge due to falling below the asset threshold at which capital charge applies.

Critical accounting estimates, assumptions and judgments

In preparing the prospective financial statements the Authority has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events, rather than actually occurring events or transactions, which are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets

and liabilities within the next financial year are discussed below:

Internally developed computer software intangible assets availability for use

Determining whether an internally developed computer software intangible asset has reached the condition necessary for it to be capable of operating in the condition intended by management requires judgment as to the intended level of functionality and when this has been reached.

Once the software has reached the determined level of functionality it is classified as available for use and amortisation commences over the asset's estimated useful life. Annual impairment testing of the development project is no longer required and the completed intangible asset is, instead, annually reviewed for indicators of impairment.

The Authority has exercised its judgment in determining the availability for use of particular developed computer software intangible assets while others remain classified as under development.

Lease classification

Determining whether a lease agreement is a financial or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Projected Comprehensive Income as property, plant and equipment, whereas for an operating lease, no such asset is recognised.

The Authority has exercised its judgment on the appropriate classification of equipment leases and has determined a number of lease arrangements are finance leases.

Statement of prospective consolidated comprehensive income

For the years ended 30 June	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000
Income					
Levies revenue	22,169	22,376	23,135	23,591	23,944
Revenue from passenger security charges and other services	69,533	70,447	60,485	61,889	63,434
Crown funding revenue	2,406	2,409	2,364	2,364	2,364
Ministry contract revenue	1,683	1,607	1,676	1,676	1,676
Interest and other income	3,339	3,228	1,949	1,093	690
Gain/(loss) on assets	181	144	53	169	329
Total income	99,311	100,211	89,662	90,782	92,437
Expense					
Personnel costs	80,830	78,327	80,208	80,518	82,326
Other costs of services	22,083	20,134	26,332	23,271	22,463
Audit fees for financial statements audit	100	105	100	100	100
Finance costs	288	295	198	109	581
Depreciation and amortisation expense	6,309	6,069	6,800	6,701	7,828
Capital charge	2,533	2,321	-	-	-
Authority member costs	158	150	148	148	148
Total expenses	112,301	107,401	113,786	110,847	113,446
NET SURPLUS / (DEFICIT)	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)
Other comprehensive income					
Gain on revaluation of land and buildings	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)

The accompanying statement of accounting policies forms part of these prospective financial statements.

Statement of prospective consolidated changes in equity

For the years ended 30 June	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000
Equity					
Opening balance of equity at 1 July					
General funds	39,063	34,255	28,106	22,556	18,905
Property, plant and equipment revaluation reserve	640	790	790	790	790
Passenger security charges and other fees and charges reserves ¹	46,116	49,812	43,681	25,410	8,996
Total opening balance of equity at 1 July	85,819	84,857	72,577	48,756	28,691
Total comprehensive income for the year	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)
Repayment of capital	-	(7,500)	-	-	-
Capital contributions	283	2,410	304	-	-
Transfers to passenger security charges and other fees and charges reserves	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)
Transfers from passenger security charges and other fees and charges reserves	10,344	5,022	18,271	16,414	18,304
Total changes in equity during the year	(12,707)	(12,280)	(23,820)	(20,065)	(21,009)
Closing balance of equity at 30 June					
General funds	36,700	28,106	22,556	18,905	16,200
Property, plant and equipment revaluation reserve	640	790	790	790	790
Passenger security charges and other fees and charges reserves	35,772	43,681	25,410	8,996	(9,308)
Total closing balance of equity at 30 June	73,112	72,577	48,756	28,691	7,682

Note 1: Passenger security charges reserves have changed to include other fees and charges reserves.

The accompanying statement of accounting policies forms part of these prospective financial statements.

Statement of prospective consolidated financial position

As at 30 June	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash and cash equivalents	65,593	22,439	11,780	4,359	1,174
Debtors and other receivables	8,320	9,136	8,375	8,613	8,805
Inventories including services work in progress	362	383	383	383	383
Investments - term deposits	-	43,750	33,250	23,250	7,000
TOTAL CURRENT ASSETS	74,275	75,708	53,788	36,605	17,362
NON-CURRENT ASSETS					
Property, plant and equipment	17,714	21,425	18,800	15,841	37,552
Intangible assets	3,112	2,831	2,753	2,591	2,688
TOTAL NON-CURRENT ASSETS	20,826	24,256	21,553	18,432	40,240
TOTAL ASSETS	95,101	99,964	75,341	55,037	57,602
CURRENT LIABILITIES					
Creditors and other payables	4,353	6,278	6,293	6,029	5,664
Employee entitlements	9,125	8,969	9,873	10,810	11,847
Borrowings	1,535	1,535	1,585	946	4,157
TOTAL CURRENT LIABILITIES	15,013	16,782	17,751	17,785	21,668
NON-CURRENT LIABILITIES					
Employee entitlements	4,314	4,331	4,545	4,782	5,019
Provisions	361	233	233	133	133
Borrowings	2,301	6,041	4,056	3,646	23,100
TOTAL NON-CURRENT LIABILITIES	6,976	10,605	8,834	8,561	28,252
TOTAL LIABILITIES	21,989	27,387	26,585	26,346	49,920
NET ASSETS	73,112	72,577	48,756	28,691	7,682
EQUITY					
General funds	36,700	28,106	22,556	18,905	16,200
Property, plant and equipment revaluation reserve	640	790	790	790	790
Passenger security charges and other fees and charges reserves	35,772	43,681	25,410	8,996	(9,308)
TOTAL EQUITY	73,112	72,577	48,756	28,691	7,682

The accompanying statement of accounting policies forms part of these prospective financial statements.

Statement of prospective consolidated cash flows

For the years ended 30 June	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from levies	22,565	25,446	26,593	27,116	27,525
Receipts from Passenger security charges and other services	71,759	70,765	61,719	62,379	64,001
Receipts from Crown funding and Ministry contracts	4,089	4,545	4,586	4,586	4,586
Interest and other income	3,331	3,265	1,970	1,077	662
Total	101,745	104,021	94,868	95,158	96,774
Cash was applied to:					
Payments to employees	(75,168)	(73,185)	(74,986)	(76,268)	(78,126)
Payments to suppliers	(26,593)	(28,482)	(32,871)	(28,697)	(28,117)
Interest paid	(288)	(295)	(198)	(109)	(581)
Payments of capital charge to the Crown	(2,533)	(2,321)	-	-	-
Goods and Services Tax (net)	110	(2,122)	(2,256)	(2,536)	(2,806)
Total	(104,472)	(106,405)	(110,311)	(107,610)	(109,630)
Net Cash Flows from Operating Activities	(2,727)	(2,384)	(15,443)	(12,452)	(12,856)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Maturity of investments	-	-	-	-	-
Sale of property, plant and equipment	4,669	226	53	169	329
Total	4,669	226	53	169	329
Cash was applied to:					
Placement of investments	-	(29,000)	10,500	10,000	16,250
Purchase of property, plant and equipment	(11,338)	(8,686)	(3,890)	(3,532)	(29,574)
Purchase of intangible assets	(1,919)	(1,691)	(248)	(557)	-
Total	(13,257)	(39,377)	6,362	5,911	(13,324)
Net Cash Flows from Investing Activities	(8,588)	(39,151)	6,415	6,080	(12,995)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Capital contributions from the Crown	283	2,410	304	-	-
Proceeds from external borrowings	-	4,340	-	-	26,000
Total	283	6,750	304	-	26,000
Cash was applied to:					
Repayment of capital to the Crown	-	(7,500)	-	-	-
Repayment of external borrowings	(1,446)	(1,645)	(1,935)	(1,049)	(3,334)
Total	(1,446)	(9,145)	(1,935)	(1,049)	(3,334)
Net Cash Flows from Financing Activities	(1,163)	(2,395)	(1,631)	(1,049)	22,666
Net increase/(decrease) in cash and cash equivalents	(12,478)	(43,930)	(10,659)	(7,421)	(3,185)
Opening cash and cash equivalents at 1 July	78,071	66,369	22,439	11,780	4,359
Closing cash and cash equivalents at 30 June	65,593	22,439	11,780	4,359	1,174

The accompanying statement of accounting policies forms part of these prospective financial statements.

Additional prospective financial information

Statement of prospective comprehensive income

For the years ended 30 June	Civil Aviation Authority					Aviation Security Service					Consolidated ¹				
	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income															
Levies revenue	22,169	22,376	23,135	23,591	23,944	-	-	-	-	-	22,169	22,376	23,135	23,591	23,944
Revenue from passenger security charges and other services	3,925	3,939	4,192	4,261	4,486	65,623	66,523	56,308	57,643	58,963	69,533	70,447	60,485	61,889	63,434
Crown funding revenue	2,261	2,261	2,219	2,219	2,219	145	148	145	145	145	2,406	2,409	2,364	2,364	2,364
Ministry contract revenue	1,418	1,418	1,418	1,418	1,418	265	189	258	258	258	1,683	1,607	1,676	1,676	1,676
Interest and other income	416	320	438	239	101	2,923	2,908	1,511	854	589	3,339	3,228	1,949	1,093	690
Gain/(loss) on assets	-	1	-	-	-	181	143	53	169	329	181	144	53	169	329
Total income	30,189	30,315	31,402	31,728	32,168	69,137	69,911	58,275	59,069	60,284	99,311	100,211	89,662	90,782	92,437
Expense															
Personnel costs	20,593	20,087	20,858	20,821	21,239	60,237	58,240	59,350	59,697	61,087	80,830	78,327	80,208	80,518	82,326
Other costs of services	11,048	11,000	15,112	13,305	12,256	11,050	9,149	11,235	9,981	10,222	22,083	20,134	26,332	23,271	22,463
Audit fees for financial statements audit	50	50	50	50	50	50	55	50	50	50	100	105	100	100	100
Finance costs	-	-	-	-	-	288	295	198	109	581	288	295	198	109	581
Depreciation and amortisation expense	750	956	1,137	1,105	1,230	5,559	5,113	5,663	5,596	6,598	6,309	6,069	6,800	6,701	7,828
Capital charge	290	290	-	-	-	2,243	2,031	-	-	-	2,533	2,321	-	-	-
Authority member costs	104	100	98	98	98	54	50	50	50	50	158	150	148	148	148
Total expenses	32,835	32,483	37,255	35,379	34,873	79,481	74,933	76,546	75,483	78,588	112,301	107,401	113,786	110,847	113,446
NET SURPLUS / (DEFICIT)	(2,646)	(2,168)	(5,853)	(3,651)	(2,705)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)
Other comprehensive income															
Gain on revaluation of land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,646)	(2,168)	(5,853)	(3,651)	(2,705)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)

Note 1: The consolidation is net of the elimination of the cost of CAA compliance audit of Avsec under the Rules Part 140 and 141 of the Civil Aviation Act 1990.

The accompanying statement of accounting policies forms part of these prospective financial statements.

Statement of prospective changes in equity

For the years ended 30 June	Civil Aviation Authority					Aviation Security Services					Consolidated				
	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014
	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EQUITY															
Opening balance of equity at 1 July															
General funds	8,602	8,977	14,309	8,456	4,805	30,461	25,278	13,797	14,100	14,100	39,063	34,255	28,106	22,556	18,905
Property, plant and equipment revaluation reserve	-	-	-	-	-	640	790	790	790	790	640	790	790	790	790
Passenger security charges and other fees and charges reserves	-	-	-	-	-	46,116	49,812	43,681	25,410	8,996	46,116	49,812	43,681	25,410	8,996
Total opening balance of equity at 1 July	8,602	8,977	14,309	8,456	4,805	77,217	75,880	58,268	40,300	23,886	85,819	84,857	72,577	48,756	28,691
Total comprehensive income for the year	(2,646)	(2,168)	(5,853)	(3,651)	(2,705)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)	(12,990)	(7,190)	(24,124)	(20,065)	(21,009)
Repayment of capital	-	-	-	-	-	-	(7,500)	-	-	-	-	(7,500)	-	-	-
Capital contributions	-	-	-	-	-	283	2,410	303	-	-	283	2,410	303	-	-
Capital transfers	-	7,500	-	-	-	-	(7,500)	-	-	-	-	-	-	-	-
Transfers to passenger security charges and other fees and charges reserves	-	-	-	-	-	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)
Transfers from passenger security charges and other fees and charges reserves	-	-	-	-	-	10,344	5,022	18,271	16,414	18,304	10,344	5,022	18,271	16,414	18,304
Total changes in equity during the year	(2,646)	5,332	(5,853)	(3,651)	(2,705)	(10,061)	(17,612)	(17,968)	(16,414)	(18,304)	(12,707)	(12,280)	(23,821)	(20,065)	(21,009)
Closing balance of equity at 30 June															
General funds	5,956	14,309	8,456	4,805	2,100	30,744	13,797	14,100	14,100	14,100	36,700	28,106	22,556	18,905	16,200
Property, plant and equipment revaluation reserve	-	-	-	-	-	640	790	790	790	790	640	790	790	790	790
Passenger security charges and other fees and charges reserves	-	-	-	-	-	35,772	43,681	25,410	8,996	(9,308)	35,772	43,681	25,410	8,996	(9,308)
Total closing balance of equity at 30 June	5,956	14,309	8,456	4,805	2,100	67,156	58,268	40,300	23,886	5,582	73,112	72,577	48,756	28,691	7,682

The accompanying statement of accounting policies forms part of these prospective financial statements.

Statement of prospective financial position

As at 30 June	Civil Aviation Authority					Aviation Security Services					Consolidated				
	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014
	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000
CURRENT ASSETS															
Cash and cash equivalents	4,418	12,653	7,380	3,132	(154)	61,175	9,786	4,400	1,227	1,328	65,593	22,439	11,780	4,359	1,174
Debtors and other receivables	1,753	2,672	2,748	2,861	2,968	6,567	6,464	5,627	5,752	5,837	8,320	9,136	8,375	8,613	8,805
Inventories including services work in progress	294	278	278	278	278	68	105	105	105	105	362	383	383	383	383
Investments - term deposits	-	-	-	-	-	-	43,750	33,250	23,250	7,000	-	43,750	33,250	23,250	7,000
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	6,465	15,603	10,406	6,271	3,092	67,810	60,105	43,382	30,334	14,270	74,275	75,708	53,788	36,605	17,362
NON-CURRENT ASSETS															
Property, plant and equipment	2,215	5,987	5,290	4,567	3,879	15,499	15,438	13,510	11,274	33,673	17,714	21,425	18,800	15,841	37,552
Intangible assets	1,322	1,163	1,545	2,048	2,515	1,790	1,668	1,208	543	173	3,112	2,831	2,753	2,591	2,688
TOTAL NON-CURRENT ASSETS	3,537	7,150	6,835	6,615	6,394	17,289	17,106	14,718	11,817	33,846	20,826	24,256	21,553	18,432	40,240
TOTAL ASSETS	10,002	22,753	17,241	12,886	9,486	85,099	77,211	58,100	42,151	48,116	95,101	99,964	75,341	55,037	57,602
CURRENT LIABILITIES															
Creditors and other payables	2,092	2,680	3,384	3,052	2,656	2,261	3,598	2,909	2,977	3,008	4,353	6,278	6,293	6,029	5,664
Employee entitlements	1,524	1,548	1,585	1,613	1,714	7,601	7,421	8,288	9,197	10,133	9,125	8,969	9,873	10,810	11,847
Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	1,535	1,535	1,585	946	4,157	1,535	1,535	1,585	946	4,157
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	3,616	4,228	4,969	4,665	4,370	11,397	12,554	12,782	13,120	17,298	15,013	16,782	17,751	17,785	21,668
NON-CURRENT LIABILITIES															
Employee entitlements	430	476	476	476	476	3,884	3,855	4,069	4,306	4,543	4,314	4,331	4,545	4,782	5,019
Provisions	-	-	-	-	-	361	233	233	133	133	361	233	233	133	133
Borrowings	-	3,740	3,340	2,940	2,540	2,301	2,301	716	706	20,560	2,301	6,041	4,056	3,646	23,100
TOTAL NON-CURRENT LIABILITIES	430	4,216	3,816	3,416	3,016	6,546	6,389	5,018	5,145	25,236	6,976	10,605	8,834	8,561	28,252
TOTAL LIABILITIES	4,046	8,444	8,785	8,081	7,386	17,943	18,943	17,800	18,265	42,534	21,989	27,387	26,585	26,346	49,920
NET ASSETS	5,956	14,309	8,456	4,805	2,100	67,156	58,268	40,300	23,886	5,582	73,112	72,577	48,756	28,691	7,682
EQUITY															
General funds	5,956	14,309	8,456	4,805	2,100	30,744	13,797	14,100	14,100	14,100	36,700	28,106	22,556	18,905	16,200
Property, plant and equipment revaluation reserve	-	-	-	-	-	640	790	790	790	790	640	790	790	790	790
Passenger security charges and other fees and charges reserves	-	-	-	-	-	35,772	43,681	25,410	8,996	(9,308)	35,772	43,681	25,410	8,996	(9,308)
TOTAL EQUITY	5,956	14,309	8,456	4,805	2,100	67,156	58,268	40,300	23,886	5,582	73,112	72,577	48,756	28,691	7,682

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of cash flows

For the years ended 30 June	Civil Aviation Authority					Aviation Security Services					Consolidated				
	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014	2011	2011	2012	2013	2014
	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000	Budget \$000	Forecast \$000	Budget \$000	Forecast \$000	Forecast \$000
CASH FLOWS FROM OPERATING ACTIVITIES															
Cash was provided from:															
Receipts from levies	22,565	25,446	26,593	27,116	27,525	-	-	-	-	-	22,565	25,446	26,593	27,116	27,525
Receipts from Passenger security charges and other services	4,047	4,544	4,830	4,873	5,133	67,712	66,221	56,889	57,506	58,868	71,759	70,765	61,719	62,379	64,001
Receipts from Crown funding and Ministry contracts	3,679	4,208	4,183	4,183	4,183	410	337	403	403	403	4,089	4,545	4,586	4,586	4,586
Interest and other income	416	243	375	176	38	2,915	3,022	1,595	901	624	3,331	3,265	1,970	1,077	662
Total	30,708	34,441	35,981	36,348	36,879	71,037	69,580	58,887	58,810	59,895	101,745	104,021	94,868	95,158	96,774
Cash was applied to:															
Payments to employees	(18,172)	(17,836)	(19,414)	(19,927)	(20,415)	(56,996)	(55,349)	(55,572)	(56,341)	(57,711)	(75,168)	(73,185)	(74,986)	(76,268)	(78,126)
Payments to suppliers	(13,343)	(15,055)	(18,367)	(16,861)	(15,612)	(13,250)	(13,427)	(14,504)	(11,836)	(12,505)	(26,593)	(28,482)	(32,871)	(28,697)	(28,117)
Interest paid	-	-	-	-	-	(288)	(295)	(198)	(109)	(581)	(288)	(295)	(198)	(109)	(581)
Payments of capital charge to the Crown Goods and Services Tax (net) ¹	(290)	(290)	-	-	-	(2,243)	(2,031)	-	-	-	(2,533)	(2,321)	-	-	-
	-	(2,351)	(2,211)	(2,540)	(2,793)	110	229	(45)	4	(13)	110	(2,122)	(2,256)	(2,536)	(2,806)
Total	(31,805)	(35,532)	(39,992)	(39,328)	(38,820)	(72,667)	(70,873)	(70,319)	(68,282)	(70,810)	(104,472)	(106,405)	(110,311)	(107,610)	(109,630)
Net Cash Flows from Operating Activities	(1,097)	(1,091)	(4,011)	(2,980)	(1,941)	(1,630)	(1,293)	(11,432)	(9,472)	(10,915)	(2,727)	(2,384)	(15,443)	(12,452)	(12,856)
CASH FLOWS FROM INVESTING ACTIVITIES															
Cash was provided from:															
Maturity of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of property, plant and equipment	4,443	83	-	-	-	226	143	53	169	329	4,669	226	53	169	329
Total	4,443	83	-	-	-	226	143	53	169	329	4,669	226	53	169	329
Cash was applied to:															
Placement of investments	-	-	-	-	-	-	(29,000)	10,500	10,000	16,250	-	(29,000)	10,500	10,000	16,250
Purchase of property, plant and equipment	(5,074)	(4,964)	(862)	(868)	(945)	(6,264)	(3,722)	(3,028)	(2,664)	(28,629)	(11,338)	(8,686)	(3,890)	(3,532)	(29,574)
Purchase of intangible assets	-	-	-	-	-	(1,919)	(1,691)	(247)	(557)	-	(1,919)	(1,691)	(247)	(557)	-
Total	(5,074)	(4,964)	(862)	(868)	(945)	(8,183)	(34,413)	7,225	6,779	(12,379)	(13,257)	(39,377)	6,363	5,911	(13,324)
Net Cash Flows from Investing Activities	(631)	(4,881)	(862)	(868)	(945)	(7,957)	(34,270)	7,278	6,948	(12,050)	(8,588)	(39,151)	6,416	6,080	(12,995)
CASH FLOWS FROM FINANCING ACTIVITIES															
Cash was provided from:															
Capital contributions from the Crown	-	-	-	-	-	283	2,410	303	-	-	283	2,410	303	-	-
Capital transfer	-	7,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from external borrowings	-	4,340	-	-	-	-	-	-	-	26,000	-	4,340	-	-	26,000
Total	-	11,840	-	-	-	283	2,410	303	-	26,000	283	6,750	303	-	26,000
Cash was applied to:															
Repayment of capital to the Crown	-	-	-	-	-	-	(7,500)	-	-	-	-	(7,500)	-	-	-
Capital transfer	-	-	-	-	-	-	(7,500)	-	-	-	-	-	-	-	-
Repayment of external borrowings	-	(200)	(400)	(400)	(400)	(1,446)	(1,445)	(1,535)	(649)	(2,934)	(1,446)	(1,645)	(1,935)	(1,049)	(3,334)
Total	-	(200)	(400)	(400)	(400)	(1,446)	(16,445)	(1,535)	(649)	(2,934)	(1,446)	(9,145)	(1,935)	(1,049)	(3,334)
Net Cash Flows from Financing Activities	-	11,640	(400)	(400)	(400)	(1,163)	(14,035)	(1,232)	(649)	23,066	(1,163)	(2,395)	(1,632)	(1,049)	22,666
Net increase/(decrease) in cash and cash equivalents	(1,728)	5,668	(5,273)	(4,248)	(3,286)	(10,750)	(49,598)	(5,386)	(3,173)	101	(12,478)	(43,930)	(10,659)	(7,421)	(3,185)
Opening cash and cash equivalents at 1 July	6,146	6,985	12,653	7,380	3,132	71,925	59,384	9,786	4,400	1,227	78,071	66,369	22,439	11,780	4,359
Closing cash and cash equivalents at 30 June	4,418	12,653	7,380	3,132	(154)	61,175	9,786	4,400	1,227	1,328	65,593	22,439	11,780	4,359	1,174

The accompanying statement of accounting policies forms part of these prospective financial statements.

Forecast service performance

The Authority's forecast service performance will be delivered by its two business arms and comprises the following output classes:

Civil Aviation Authority (the CAA)	Output Class 1: Policy advice Output Class 2: Assessment and certification Output Class 3: Investigation, analysis and education Output Class 4: Enforcement
Aviation Security Service (Avsec)	Output Class 5: Aviation security services Output Class 6: Maritime security services

Output targets/standards are specified for the 2011/12 year only as output measures will be reviewed as part of the Authority's Change Programme, and there may be revisions to the targets/standards for out years.

Output Class 1: Policy advice

DESCRIPTION

Output Class 1 covers the following outputs and associated activities and services:

- coordination of New Zealand's response to ICAO regarding matters of a specifically technical or safety regulatory nature
- administration of aviation security matters
- participation in appropriate ICAO international and regional forums
- development and administration of bilateral agreements with the civil aviation safety regulatory authorities of other countries
- working with Pacific Island States to develop safety and security objectives
- provision of policy advice to Government, including the development and review of legislation
- ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister and Select Committees
- services to develop Civil Aviation Rules under contract to the Ministry of Transport.

IMPACTS AND CONSEQUENCES FOR A SAFE CIVIL AVIATION SYSTEM

The impacts and consequences of advice provided by the CAA to the Government are to ensure that Government policies and decisions are developed and implemented in an informed manner, and that reasons for these policies and decisions are clear.

The impacts and consequences of international obligations are to ensure that:

- the Government's obligations in respect of international aviation safety and security agreements with other regulatory agencies are administered in a competent manner
- international requirements relating to civil aviation safety and security are reflected in the New Zealand environment, where applicable
- the potential for accidents or incidents is reduced by ensuring that a safer and more secure interface is achieved between international and domestic aviation operations.

The impacts and consequences of rules development are that the Civil Aviation Rules are aligned with international civil aviation standards.

OUTPUT CLASS 1 – POLICY ADVICE

2009/10 Actuals	Output Measures	2010/11 Targets/ Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
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1.1 Ministerial support.

- Responses to ministerial correspondence, Parliamentary Questions and Select Committees as well as weekly reports and other briefings to the Minister.

38 responses to ministerial correspondence 69 reports and briefings 87 responses to Parliamentary Questions 3 responses to Select Committees	QUANTITY: Number of responses and reports provided as required.	Demand-driven – estimated ranges: 20-50 responses to ministerial correspondence. 50-80 reports and briefings to Minister. 15-50 responses to Parliamentary Questions. 4-8 reports and responses to Select Committees.	40-50 responses to ministerial correspondence. 60-70 reports and briefings to Minister. 30-40 responses to Parliamentary questions. 2-3 responses to Select Committees.	Demand-driven – estimated ranges: 20-50 responses to ministerial correspondence. 50-80 reports and briefings to Minister. 15-50 responses to Parliamentary Questions. 2-4 reports and responses to Select Committees.
100%	QUALITY: Percentage of briefings, responses or reports to ministerial correspondence and Parliamentary Questions acceptable to the Minister and advisers.	100%	90-100%	100%
Less than 100% or 1 minor delay	TIMELINESS: Percentage of on-time submission of responses and reports at due dates.	100%	80-100%	100%)

1.2 Reports to Parliament and the Minister.

- SOI, Annual and Quarterly Reports.

6 regular reports to the Minister and Parliament:	QUANTITY: Number of reports to Parliament and the Minister.	Regular reports to the Minister and Parliament: 6.	Regular reports to the Minister and Parliament: 6.	Regular reports to the Minister and Parliament: 5 - 6.
100%	QUALITY: Percentage of reports acceptable to the Minister and advisers.	100%	70-90%	100%
100%	TIMELINESS: Percentage of on-time submission of reports at due dates.	100%	100%	100%

1.3 ICAO

- Respond to ICAO proposals for amendments to ICAO Annexes (State letters)
- Maintain effective links within the CAA and other agencies
- Ensure participation and input to the major technical forums of ICAO: the Air Navigation Commission (ANC), the Aviation Security Panel and the Committee on Aviation Environmental Protection (CAEP)
- Transition to on-line filing of differences (assuming ICAO system is operational)
- Coordinate implementation of the ICAO Corrective Action Plan.

100% complied	QUALITY: Percentage of advice and representation meet the priorities and goals of the Government and CAA.	100%	100%	100%
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OUTPUT CLASS 1 – POLICY ADVICE

2009/10 Actuals	Output Measures	2010/11 Targets/ Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
100% achieved	TIMELINESS: Percentage of on-time completion of projects, responses and implementation of changes by due dates.	100%	90 - 100%	100%

1.4 International relations and obligations

- ➔ Hosting visits, general liaison with other regulatory authorities.
- ➔ Development of technical arrangements with overseas authorities
 - Provide support for implementation of USA Bilateral Aviation Safety Agreement (BASA)
 - Provide support for expansion of existing technical arrangement with EASA (Design and Production approvals) (subject to Agreements between New Zealand Government and European Union).

100% complied	QUALITY: Percentage of advice and representation meet the priorities and goals of the Government and CAA.	100%	100%	100%
Less than 100%, some delays due to external factors	TIMELINESS: Percentage of on-time completion of projects, responses, implementation of changes by due dates.	100%	100%	100%

1.5 Pacific responsibilities

- ➔ Oversight and coordination of safety and security support agreements with Pacific Island Countries.
- ➔ Represent NZ on the Council of PASO plus coordination of CAA support for PASO.

100% complied	QUALITY: Percentage of advice and representation meet the priorities and goals of the Government and CAA.	100%	100%	100%
Less than 100%, some delays	TIMELINESS: Percentage of on-time completion of projects, responses, and implementation of changes by due dates.	100%	100%	100%

1.6 Projects continuing on from 2011/12

- a) Implementation of Safety Management Systems approach
 - General support for SMS implementation in the CAA and industry
 - Development of New Zealand's State Safety Programme.
- b) Continued support in relation to implementation of revised levy, fees and charges.
- c) Development of the national Airspace and Air Navigation Plan
 - Assistance to the Ministry of Transport to develop the ministerial Policy Statement
 - Initial development work for a national Airspace and Air Navigation Plan
 - Ongoing implementation of the New Zealand Performance Based Navigation (PBN) Plan.

100% achieved	QUALITY: Percentage of projects meeting their respective requirements and objectives.	100% of projects meet their respective requirements and objectives.	100% achieved	100% of projects meet their respective requirements and objectives.
Less than 100%, still ongoing projects	TIMELINESS: Percentage of projects completed within agreed timeframes (subject to resources and any changes in CAA priorities).	100% of projects completed within agreed timelines.	Projects ongoing	100% of projects completed within agreed timelines.

OUTPUT CLASS 1 – POLICY ADVICE				
2009/10 Actuals	Output Measures	2010/11 Targets/ Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
1.7 Rules development				
100% provided as required	QUANTITY: Number of Rules agreed between the CAA and the Ministry of Transport.	100% of Rules provided as agreed in the 2010/11 Agreement for Rules Development Services with the Ministry of Transport.	80 - 90% of Rule Programme, plus one additional rule from 2011/12.	100% of Rules provided as agreed in the 2011/12 Agreement for Rules Development Services with the Ministry of Transport.
Achieved per quality requirements of the agreement.	QUALITY: Percentage of achieved quality requirements based on the rules contract between the CAA and the Ministry of Transport.	100% of Rule documentation meets the quality requirements in the 2010/11 Agreement for Rules Development Services with the Ministry of Transport.	80 - 90%	100% of Rule documentation meets the quality requirements in the 2011/12 Agreement for Rules Development Services with the Ministry of Transport.
Not achieved. Minor delays.	TIMELINESS: Percentage of achieved timeliness requirements based on the rules contract between the CAA and the Ministry of Transport.	100% of contracted deliverable documents meet the timeliness requirements in the 2010/11 Agreement for Rules Development Services with the Ministry of Transport.	Some delays.	100% of contracted deliverable documents meet the timeliness requirements in the 2011/12 Agreement for Rules Development Services with the Ministry of Transport.

COST TO DELIVER OUTPUT CLASS 1: POLICY ADVICE	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Crown Funding (Vote Transport: Policy Advice)	1,821	1,821	1,779	1,779	1,779
Ministry of Transport Contract Revenue (Rules Development)	1,418	1,418	1,418	1,418	1,418
Other Income	-	27	39	24	10
TOTAL OUTPUT REVENUE	3,239	3,266	3,236	3,221	3,207
TOTAL OUTPUT EXPENSES	(4,047)	(4,223)	(4,237)	(4,033)	(3,958)
NET SURPLUS/(DEFICIT)	(808)	(957)	(1,001)	(811)	(751)

Output Class 2: Assessment and certification

DESCRIPTION

Output Class 2 covers the following outputs and associated activities and services:

- exercise of control over entry into the New Zealand civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products (section 7 of the Civil Aviation Act 1990)
- exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions on documents where such action is necessary in the interests of safety and security
- monitoring of adherence to safety and security standards by participants in the civil aviation system, including carrying out inspections and audits

- development and review of New Zealand airworthiness directives
- management of inspections and audits under the Health and Safety in Employment Act 1992, including identification and follow-up of corrective actions that need to be taken by employers in the aviation sector, to ensure adherence and compliance to the regulations.

IMPACTS AND CONSEQUENCES FOR A SAFE CIVIL AVIATION SYSTEM

The impacts and consequences of activities under this output class are to minimise the risk of accidents and incidents, ensure compliance with civil aviation rules and standards, and improve overall performance within the context of the CAA's legislative responsibilities.

OUTPUT CLASS 2 – ASSESSMENT AND CERTIFICATION				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
2.1 Airline sector: audits and inspections				
New measure in 2010/11.	QUANTITY: Number of units, based on an estimate of the safety risk of participants.	Demand-driven (estimate: 200-250).	240	Demand-driven (estimate: 200-250).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% randomly sampled events, 100% followed CAA policy and procedures.	Sampling showed 80 – 95% adherence with surveillance policy.	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of audit/inspection reports are issued to the subject within 30 working days of the entry meeting.	90% of audit/inspection reports issued within 30 working days.	85 - 95%	90% of audit/inspection reports issued within 30 working days.
2.2 Airline sector: organisation certification				
974.	QUANTITY: Number of airline organisation certificates issued.	Demand-driven.	400 - 500	Demand-driven.
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	For certification satisfactory result shown from sampling regime.	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: From acceptance of fully compliant documentation, the percentage of certification will occur within 60 working days for renewals, and 90 working days for new certification.	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.	Audit practices sampled showed 100% satisfactory performance.	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.

OUTPUT CLASS 2 – ASSESSMENT AND CERTIFICATION

2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
2.3 Airline and General Aviation sectors: aircraft certification				
New measure in 2010/11.	QUANTITY: Number of aircraft certifications.	Demand-driven (Estimated range: 180 - 250 Airline and 750 - 920 general aviation).	1,000 – 1,200 in total for airlines and general aviation.	Demand-driven (Estimated range: 180-250 Airline and 750-920 general aviation).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	For certification satisfactory result shown from sampling regime.	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: From acceptance of fully compliant documentation, the percentage of certification completed within 60 working days for renewals, and 90 working days for new certifications.	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.	Certification practices sampled showed 100% satisfactory performance.	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.
2.4 General Aviation sector: audits and inspections				
New measure in 2010/11.	QUANTITY: Number of units based on assessed safety risk of participants.	Demand driven (Estimate: 200 - 250).	200 - 250	Demand driven (Estimate: 200-250).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of audit/inspection reports issued within 30 working days of entry meeting.	90% of audit/inspection reports issued within 30 working days.	Sampling showed 1 report with a timeliness issue.	90% of audit/inspection reports issued within 30 working days.
2.5 General Aviation sector: airworthiness directives				
New measure in 2010/11.	QUANTITY: Number of Airworthiness Directives.	Demand-driven (Estimate: 200 - 350).	Estimated 200 – 250.	Demand-driven (Estimate:200 - 350).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of issuance of Emergency and Routine Airworthiness Directives prior to State of Design's effective date.	100% of emergency Ads issued prior to State of Design effective date or within 24 hours. 100% of routine Ads issued prior to State of Design effective date or within 30 working days.	100% emergency and routine airworthiness directives issued on-time.	100% of emergency Ads issued prior to State of Design effective date or within 24 hours. 100% of routine Ads issued prior to State of Design effective date or within 30 working days.

OUTPUT CLASS 2 – ASSESSMENT AND CERTIFICATION				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
2.6 General aviation sector: organisation certification				
1,146.	QUANTITY: Number of general aviation organisation certificates issued.	Demand-driven.	800 – 1,100	Demand-driven.
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	90 - 100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: From acceptance of fully compliant documentation, the percentage of certification completed within 60 working days for renewals, and 90 working days for new certifications.	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.	100%	100% of renewals completed within 60 working days, and 100% of new certifications within 90 working days.
2.7 Audits and inspections of aeronautical services and aviation security				
New measure in 2010/11.	QUANTITY: Number of units based on an estimate of the safety risk of participants.	Demand-driven (estimate: 200-250).	230 - 250	Demand-driven (estimate: 200-250).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of audits and inspection reports are issued to the subject within 30 working days of the entry meeting.	90% of audit/ inspection reports issued within 30 working days.	100%	90% of audit/inspection reports issued within 30 working days.
2.8 Personnel licensing				
6,620.	QUANTITY: Number of personnel license changes completed.	Demand-driven (estimate: 5,000 – 7,000).	5,800 - 6,100	Demand-driven (estimate: 5,000 – 7,000).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 2% of events.	Of the 2% sampled events, 100% followed CAA policy and procedures.	100%	Of the 2% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of, from acceptance of fully compliant documentation, completion of licensing and certification within 10 working days.	95% of personnel license certification completed within 10 working days.	100%	95% of personnel license certification completed within 10 working days.
2.9 Service provider certification				
New measure in 2010/11.	QUANTITY: Number of aviation service provider certification changes completed.	Demand-driven (estimates: 35-45).	55 - 65	Demand-driven (estimates: 35-45).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: From acceptance of fully compliant documentation, the percentage of certification completed within 60 working days for renewals, and 90 working days for new certification.	100% of renewals completed within 60 working days and 100% of new certification within 90 working days.	100%	100% of renewals completed within 60 working days and 100% of new certification within 90 working days.

OUTPUT CLASS 2 – ASSESSMENT AND CERTIFICATION

2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
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2.10 Aviation community health and safety in employment: HSE investigations

New measure in 2010/11.	QUANTITY: Number of units based on an estimate of the safety risk of participants.	Demand-driven (estimates: 30-35).	25 - 35	Demand-driven (estimates: 30-35).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of investigations completed within 12 and 24 months.	75% of HSE investigations completed within 12 months and 100% within 24 months.	Data not fully available to provide reliable estimates.	75% of HSE investigations completed within 12 months and 100% within 24 months.

2.11 Aviation community health and safety in employment: HSE audits and inspections

New measure in 2010/11.	QUANTITY: Number of activities based on health and safety risk.	Demand-driven (estimate:20-30).	20 - 30	Demand-driven (estimate:20-30).
New measure in 2010/11.	QUALITY: CAA staff follow policy and procedures, as demonstrated by a sample of 5% of events.	Of the 5% sampled events, 100% followed CAA policy and procedures.	100%	Of the 5% sampled events, 100% followed CAA policy and procedures.
New measure in 2010/11.	TIMELINESS: Percentage of reports issued within 30 working days of entry meeting.	90% of HSE reports issued within 30 days.	100%	90% of HSE reports issued within 30 days.

COST TO DELIVER OUTPUT CLASS 2: ASSESSMENT AND CERTIFICATION	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Crown Funding (Vote Transport: Health and safety in aviation)	440	440	440	440	440
Fees and charges	4,341	3,738	4,032	4,261	4,485
Levies	16,282	14,091	14,561	14,849	15,071
Other Income	-	427	455	149	64
TOTAL OUTPUT REVENUE	21,063	18,696	19,488	19,698	20,059
TOTAL OUTPUT EXPENSES	(22,163)	(21,491)	(24,583)	(23,883)	(23,572)
NET SURPLUS/(DEFICIT)	(1,100)	(2,795)	(5,095)	(4,185)	(3,513)

Output Class 3: Investigation, analysis and education

DESCRIPTION

Output Class 3 covers the following outputs and activities:

- investigation and identification of causes of civil aviation safety and security occurrences, received by way of occurrence information and complaints
- promotion of safety and security by providing education, information and advice; and fostering safety and security programmes, including public awareness on transport of dangerous goods by air.

IMPACTS AND CONSEQUENCES FOR A SAFE CIVIL AVIATION SYSTEM

It is expected that work on investigations into accidents and incidents will ensure associated safety and security issues are quickly identified and remedied.

Work on the analysis of safety and security data, and on the provision of information services and educational programmes, is aimed at minimising the future risk of accidents or incidents and maximising compliance with civil aviation rules.

OUTPUT CLASS 3 – INVESTIGATION, ANALYSIS AND EDUCATION				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
3.1 Safety and security investigations: investigation and reporting of accidents and serious incidents				
875.	QUANTITY: Number of safety and security investigations completed.	Demand driven (of total investigations, estimate 25 – 30 serious accident and incident investigations).	100 (in-depth serious accident and security investigations completed). 450 – 500 total safety investigations.	Demand driven (of total investigations, estimate 25 – 30 serious accident and incident investigations).
New measure in 2010/11.	QUALITY: Of investigation reports independently peer reviewed, percentage of sample found to require no rework or alteration.	Of the sampled investigation reports peer reviewed, 100% required no rework.	100%	Of the sampled investigation reports peer reviewed, 100% required no rework.
79% in 12 months 99% within 2 years.	TIMELINESS: Percentage of completion of safety and security investigations from period of registration.	75% completed within 12 months of registration and 100% within 2 years.	85 - 90% completed within 12 months and 90 - 100% in 2 years.	75% completed within 12 months of registration and 100% within 2 years.
3.2 Safety investigations under section 15A (power of Director to investigate holder of aviation document)				
New measure in 2010/11.	QUANTITY: Number of section 15A investigations completed.	Demand driven.	1 - 5	Demand driven.
New measure in 2010/11.	QUALITY: Completed to the lead investigator's satisfaction.	100% completed to satisfaction.	100%	100% completed to satisfaction.
New measure in 2010/11.	TIMELINESS: Completed to the lead investigator's timeframe.	100% completed to timeframe.	100%	100% completed to timeframe.
3.3 Aviation and safety summary reports				
4 safety and 2 aviation summary reports.	QUANTITY: Number of aviation safety summary reports released.	4 safety summary reports and 2 aviation summary reports are released.	4 safety and 2 aviation summary reports.	4 safety summary reports and 2 aviation summary reports are released.
100%	QUALITY: Number of errata published (to determine accuracy of information).	All 6 reports published without any errata.	100%	All 6 reports published without any errata.
100% complied.	TIMELINESS: Reports published on-time: 4 safety summary reports within 40 days of quarter end and 2 aviation summary reports within 6 months of period end.	4 safety summary reports and 2 aviation summary reports published within required timeframes.	Safety and aviation summary reports released on-time.	4 safety summary reports and 2 aviation summary reports published within required timeframes.

OUTPUT CLASS 3 – INVESTIGATION, ANALYSIS AND EDUCATION				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
3.4 Education and information (publications)				
New measure in 2010/11.	QUANTITY: Number of publications	12-20	12 - 18	12-20
New measure in 2010/11.	QUALITY: Number of errata published (to determine accuracy of information).	All publications without any errata.	100%	All publications without any errata.
New measure in 2010/11.	TIMELINESS: Percentage of on-time delivery.	95% of publications delivered on-time.	100% of publications delivered on-time.	95% of publications delivered on-time.
3.5 Seminars, workshops and courses				
New measure in 2010/11.	QUANTITY: Number of units	Estimate: 20-30	20-30	Estimate: 20-30
New measure in 2010/11.	QUALITY: Percentage of survey respondents state that activities have intended impact upon target audience.	100% of survey respondents rated the activity to meet its intended impact.	95 - 100%	100% of survey respondents rated the activity to meet its intended impact.
New measure in 2010/11.	TIMELINESS: Percentage of activity delivered on schedule.	95% of activity delivered on schedule.	95 - 100% of activity delivered on schedule.	95% of activity delivered on schedule.

COST TO DELIVER OUTPUT CLASS 3: INVESTIGATION, ANALYSIS AND EDUCATION	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Levies	4,884	6,541	6,769	6,902	7,005
Other Income	-	54	82	52	22
TOTAL OUTPUT REVENUE	4,884	6,595	6,851	6,954	7,027
TOTAL OUTPUT EXPENSES	(5,502)	(5,534)	(6,887)	(5,995)	(5,907)
NET SURPLUS/(DEFICIT)	(618)	1,062	(36)	959	1,120

Output Class 4: Enforcement

DESCRIPTION

Output Class 4 covers the appropriate follow-up of actions in the interest of the public, including:

- recording of complaints of alleged or suspected offences
- investigation of allegations of breaches to the Civil Aviation Act 1990
- taking appropriate action such as providing education, issue of a warning letter, issue of an infringement notice or commencing summary proceedings.

IMPACTS AND CONSEQUENCES FOR A SAFE CIVIL AVIATION SYSTEM

The Authority's enforcement policy recognises that preventive action to minimise the risk of accidents and incidents and voluntary

compliance with civil aviation rules and standards are better means of achieving aviation safety and security than retrospective punitive action.

The Authority's primary concern is to promote a high standard of aviation safety. However, if willing compliance with those standards is not achieved the Authority will take enforcement action if appropriate.

The impacts and consequences of the Authority's enforcement activities are to:

- attempt to modify aviation participants' behaviour, and/or generate an improvement in safety management systems, and/or generate a greater understanding of the Civil Aviation Rules
- ensure fair and consistent treatment of all participants in the civil aviation system
- deter future incidents of non-compliance.

OUPUT CLASS 4 - ENFORCEMENT				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
50	QUANTITY: Number of detailed enforcement investigations undertaken.	Demand-driven (Estimate: 50-80).	40 - 50	Demand-driven (Estimate: 50-80).
New measure in 2010/11	QUALITY: a) 5% of investigations are independently reviewed and found to meet CAA quality expectations. b) Success rate of prosecutions undertaken.	a) 100% of decisions are reasonable in the context of the CAA enforcement policy. b) 90% of prosecutions result in a finding of guilt.	a) Peer review yet to be conducted. b) 95 – 100%.	a) 100% of decisions are reasonable in the context of the CAA enforcement policy. b) 90% of prosecutions result in a finding of guilt.
New measure in 2010/11	TIMELINESS: Percentage of detailed investigations completed from commencement date.	100% of detailed investigations completed within 12 months of the date of the event.	100%	100% of detailed investigations completed within 12 months of the date of the event.

COST TO DELIVER OUTPUT CLASS 4: ENFORCEMENT	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Levies	1,003	1,744	1,805	1,840	1,868
Other Income	-	14	22	14	6
TOTAL OUTPUT REVENUE	1,003	1,758	1,827	1,854	1,874
TOTAL OUTPUT EXPENSES	(1,123)	(1,235)	(1,548)	(1,468)	(1,436)
NET SURPLUS/(DEFICIT)	(120)	524	279	386	438

Total cost of delivering CAA outputs (Output Classes 1-4)

TOTAL COST TO DELIVER CAA'S OUTPUT CLASSES 1-4	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Crown Funding	2,261	2,261	2,219	2,219	2,219
Contracted services	1,418	1,418	1,418	1,418	1,418
Fees and Charges and other income	4,341	4,260	4,630	4,500	4,587
Levies	22,169	22,376	23,135	23,591	23,944
TOTAL OUTPUT REVENUE	30,189	30,315	31,402	31,728	32,168
TOTAL OUTPUT EXPENSES	(32,835)	(32,483)	(37,255)	(35,379)	(34,873)
NET SURPLUS/(DEFICIT)	(2,646)	(2,168)	(5,853)	(3,651)	(2,705)

Output Class 5: Aviation security services

DESCRIPTION

Output Class 5 covers the following outputs, and associated activities and services:

- screening of all passengers and their carry-on baggage at seven security designated airports⁶
- screening of all hold baggage carried on departing international flights
- screening of proportion of airport workers with access to, and within, enhanced security areas at international airports
- managing the issue of airport identity cards through delegation by the Director of Civil Aviation
- perimeter patrols at security designated aerodromes and navigation facilities, together with guarding of aircraft and aircraft searches, to ensure the prompt interception of persons unlawfully in security areas (including verification of Airport Identity Cards) and increase safety for the flying public.

IMPACTS THESE OUTPUTS HAVE ON AVIATION SECURITY:

- activities under this output class are aimed at the minimisation of risks of aviation security incidents, and ensuring compliance with international and other regulatory requirements
- they ensure that the travelling public and other stakeholders have increasing confidence in the security of commercial aircraft departing from and flying within New Zealand at airports, where Avsec is required to apply security measures.

⁶ All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

OUTPUT CLASS 5: AVIATION SECURITY SERVICES					
2009/10 Actuals	Output Measures		2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
(a): Prevention of in-flight security incidents (including dangerous goods screening)					
General screening activity performance measures					
These performance measures reflect Avsec's capability to process a significant number of passengers ⁷ and their baggage, detect prohibited items and ensure Avsec is not responsible for delays to aircraft departures.					
100%	1.	QUANTITY: Percentage of international hold baggage screened.	100%	100%	100%
Nil	2.	TIMELINESS: Number of flight delays attributable to screening activities (due to an Avsec system failure).	Nil	Nil	Nil
Nil	3.	TIMELINESS: Number of flight delays attributable to aircraft search activities.	Nil	Nil	Nil

⁷ For 2011/12 the numbers of screened passengers are forecasts at: International Passengers 4,783,722; Domestic Passengers 6,037,165.

OUTPUT CLASS 5: AVIATION SECURITY SERVICES

2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
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Waiting time performance measures

These performance measures are a test of Avsec's capability and efficiency in processing passengers at international and domestic screening points within prescribed international standards.

AKL: 1 min 21 sec CHC: 1 min 12 sec	4.	TIMELINESS: Average passenger wait times at international departure screening points (benchmark tested six-monthly ⁸ at Auckland & Christchurch international airports; also note that airport infrastructure can directly impact wait times).	No more than three minutes.	AKL 1 min/ 32 sec CHC 1 min/13 sec	No more than three minutes.
AKL: 50 sec CHC: 46 sec	5.	TIMELINESS: Average passenger wait times at domestic departure screening points (benchmark tested six-monthly at Auckland & Christchurch international airports; also note that airport infrastructure can directly impact wait times).	No more than three minutes.	AKL 61 sec CHC 48sec	No more than three minutes.

Screening performance measures

These performance measures reflect the very high standard of proficiency that is expected of all Aviation Security Officers in screening activities and detecting prohibited items.

Nil	6.	QUALITY: Number of verified unauthorised or prohibited items discovered post screening points (due to an Avsec system failure).	Nil	50	3.4 items per million items screened ⁹
Nil	7.	QUALITY: Number of verified unauthorised dangerous goods discovered post screening points (due to an Avsec system failure).	Nil	2	3.4 items per million items screened ⁹

Complaints and audit performance measures

These performance measures are quality tests and measure of the proficiency that is expected of all Aviation Security Officers in screening activities and detecting prohibited items.

100%	8.	TIMELINESS: Percentage of any audit findings cleared within the specified timeframes.	100%	100%	100%
Nil	9.	QUALITY: Number of corrective action requests issued pertaining to the aircraft search function issued by external auditors during any programmed audit.	Nil	Nil	Nil
Nil	10	QUALITY: Number of corrective action requests pertaining to screening functions issued by external auditors during any programmed audit.	Nil	Nil	Nil

⁸ Benchmark testing is undertaken at the two largest international airports, twice per year, as they provide a fair representation and measure that can be applied to other airports where Avsec undertakes passenger screening.

⁹ "The Six Sigma benchmark is 3.4 defects per million opportunities for each product or service transaction." The British Foundation for Quality – publication website www.bfq.org.uk/performance-improvement/about-lean-six-sigma.

OUTPUT CLASS 5: AVIATION SECURITY SERVICES					
2009/10 Actuals	Output Measures		2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
1 complaint per 423,639 passengers screened.	11	QUALITY: Number of substantiated complaints against Aviation Security Officers involved in the screening function (includes "free riders") ¹⁰ .	No more than one formal complaint per 250,000 passengers screened.	One formal complaint per 1,495,198 passengers screened.	No more than one formal complaint per 250,000 passengers screened.
Less than 1.25 complaints per annum.	12	QUALITY: Number of substantiated airline complaints against Aviation Security Officers pertaining to aircraft search.	No more than 5 airline complaints per annum.	No more than 5 airline complaints per annum.	No more than 5 airline complaints per annum.

(b): Prevention of airside security incidents

Access control management and response to security-related emergencies

These performance measures are a reflection of Avsec's management of access control at a security designated airport and its ability to respond with urgency to a security related emergency.

Nil	1.	QUALITY: Number of corrective action requests pertaining to access control issued by external auditors.	Nil	Nil	Nil
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COST TO DELIVER OUTPUT CLASS 5: AVIATION SECURITY SERVICES	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Contracted services	3,569	3,394	3,573	3,550	3,577
Passenger security charges	62,055	63,120	52,735	54,092	55,386
Other income	3,368	3,249	1,822	1,282	1,176
TOTAL OUTPUT REVENUE	68,992	69,763	58,130	58,924	60,139
TOTAL OUTPUT EXPENSES	(79,336)	(74,785)	(76,400)	(75,338)	(78,454)
OUTPUT SURPLUS / (DEFICIT)	(10,344)	(5,022)	(18,270)	(16,414)	(18,315)

¹⁰ "Free riders" refers to those screened domestic passengers for which no charge is recovered from airlines. The situation arises due to infrastructural configurations at certain airports.

COST TO DELIVER OUTPUT CLASS 5(a): PREVENTION OF IN-FLIGHT SECURITY INCIDENTS INCLUDING DANGEROUS GOODS	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Contracted services	1,077	941	990	959	959
Passenger security charges	62,055	63,120	52,735	54,092	55,386
Other income	2,704	2,574	1,494	1,076	991
TOTAL OUTPUT REVENUE	65,836	66,635	55,219	56,127	57,336
TOTAL OUTPUT EXPENSES	(62,796)	(58,358)	(60,752)	(60,705)	(63,567)
OUTPUT SURPLUS / (DEFICIT)	3,040	8,277	(5,533)	(4,578)	(6,231)

COST TO DELIVER OUTPUT CLASS 5(b): PREVENTION OF AIR SIDE SECURITY INCIDENTS	For the years ended 30 June				
	2011 BUDGET \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Contracted services	2,492	2,453	2,583	2,591	2,618
Other income	664	675	328	206	185
TOTAL OUTPUT REVENUE	3,156	3,128	2,911	2,797	2,803
TOTAL OUTPUT EXPENSES	(16,540)	(16,427)	(15,648)	(14,633)	(14,887)
OUTPUT SURPLUS / (DEFICIT)	(13,384)	(13,299)	(12,737)	(11,836)	(12,084)

Output Class 6: Maritime security services

OUTPUT CLASS 6: MARITIME SECURITY SERVICES				
2009/10 Actuals	Output Measures	2010/11 Targets/Standards	2010/11 Estimated Year-end Actuals	2011/12 Targets/Standards
This performance measure is a reflection of Avsec's preparedness to respond to any request from the Minister of Transport, or the Director of Maritime New Zealand to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers:				
Not applicable.	QUALITY: percentage of scheduled x-ray equipment maintenance and training of standby personnel undertaken.	New measure in 2011/12.	New measure in 2011/12.	100%

COST TO DELIVER OUTPUT CLASS 6: MARITIME SECURITY SERVICES	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Crown funding	145	148	145	145	145
TOTAL OUTPUT REVENUE	145	148	145	145	145
TOTAL OUTPUT EXPENSES	(145)	(148)	(146)	(145)	(134)
OUTPUT SURPLUS / (DEFICIT)	-	-	(1)	-	11

Total cost of delivering Avsec outputs (Output Classes 5-6)

TOTAL COST TO DELIVER AVSEC'S OUTPUT CLASSES 5 AND 6	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
Contracted services	3,569	3,394	3,573	3,550	3,577
Passenger security charges	62,200	63,268	52,880	54,237	55,531
Other income	3,368	3,249	1,822	1,282	1,176
TOTAL OUTPUT REVENUE	69,137	69,911	58,275	59,069	60,284
TOTAL OUTPUT EXPENSES	(79,481)	(74,933)	(76,546)	(75,483)	(78,588)
OUTPUT SURPLUS / (DEFICIT)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)

Prospective memorandum accounts: Avsec passenger security charges

AVSEC'S MEMORANDUM ACCOUNT (GST Exclusive)	For the years ended 30 June				
	2011 Budget \$000	2011 Forecast \$000	2012 Budget \$000	2013 Forecast \$000	2014 Forecast \$000
INTERNATIONAL PASSENGER SECURITY CHARGE					
Revenue	39,606	41,271	33,295	34,295	35,351
Expenditure*	(49,643)	(45,775)	(48,167)	(48,746)	(51,545)
Net surplus / (deficit)	(10,037)	(4,504)	(14,872)	(14,451)	(16,194)
Opening balance at 1 July	38,454	39,898	35,394	20,522	6,071
Closing balance at 30 June	28,417	35,394	20,522	6,071	(10,123)
DOMESTIC SECURITY CHARGE					
Revenue	22,449	21,849	19,440	19,796	20,034
Expenditure*	(22,436)	(22,167)	(23,347)	(22,518)	(22,876)
Net surplus / (deficit)	13	(318)	(3,907)	(2,722)	(2,842)
Opening balance at 1 July	9,598	9,914	9,596	5,689	2,967
Closing balance at 30 June	9,611	9,596	5,689	2,967	125
OTHER FEES AND CHARGES					
Revenue	3,979	3,731	3,975	3,953	3,980
Expenditure*	(4,299)	(3,931)	(3,467)	(3,194)	(3,248)
Net surplus / (deficit)	(320)	(200)	508	759	732
Opening balance at 1 July	(1,936)	(1,109)	(1,309)	(801)	(42)
Closing balance at 30 June	(2,256)	(1,309)	(801)	(42)	690
TOTAL MEMORANDUM ACCOUNTS					
Revenue	66,034	66,851	56,710	58,044	59,365
Expenditure*	(76,378)	(71,873)	(74,981)	(74,458)	(77,669)
Net surplus / (deficit)	(10,344)	(5,022)	(18,271)	(16,414)	(18,304)
Opening balance at 1 July	46,116	48,703	43,681	25,410	8,996
Closing balance at 30 June	35,772	43,681	25,410	8,996	(9,308)

The accompanying statement of accounting policies forms part of these prospective financial statements.

*Expenditure is net of interest and the gain/loss on the sale of assets.

PART C:

APPENDICES

Appendix 1: Numbers of civil aviation accident fatalities and injuries

SUMMARY OF FATAL AIRCRAFT ACCIDENTS, FATALITIES AND INJURIES						
Total aircraft accidents (all aircraft groups including hang gliders and parachutes)	For the years ended 30 June					5 year total
	2006	2007	2008	2009	2010	
Total fatal aircraft accidents	8	7	10	8	7	40
<i>Number of fatalities in accidents</i>	12	8	14	18	11	63
<i>Number of serious injuries in accidents</i>	17	16	9	24	15	81
<i>Number of minor injuries in accidents</i>	29	21	13	23	37	123

Notes:

1. All aircraft statistics categories; includes hang gliders and parachutes.
2. Refer to Glossary for definition of terms.
3. Comprehensive aviation safety statistics can be found in: http://www.caa.govt.nz/safety_info/safety_reports.htm

NUMBERS OF FATAL, SERIOUS AND MINOR INJURIES IN AIRCRAFT ACCIDENTS - BY AVIATION SAFETY TARGET GROUP					
Aviation safety target groups	For the years ended 30 June				
	2006	2007	2008	2009	2010

PUBLIC AIR TRANSPORT

1. Airline operations — large aeroplanes	0	0	0	0	0
<i>Number of fatalities</i>	0	0	0	0	0
<i>Number of serious injuries</i>	0	0	0	0	0
<i>Number of minor injuries</i>	1	1	0	6	0
2. Airline operations — medium aeroplanes	0	0	0	0	0
<i>Number of fatalities</i>	0	0	0	0	0
<i>Number of serious injuries</i>	0	0	0	0	0
<i>Number of minor injuries</i>	1	0	0	0	3
3. Airline operations — small aeroplanes	0	0	0	0	0
<i>Number of fatalities</i>	0	0	0	0	0
<i>Number of serious injuries</i>	0	0	1	0	0
<i>Number of minor injuries</i>	0	0	1	0	2
4. Airline operations — helicopters	0	0	0	0	0
<i>Number of fatalities</i>	0	0	0	0	0
<i>Number of serious injuries</i>	0	0	0	2	0
<i>Number of minor injuries</i>	0	0		2	2
5. Sport aviation transport operations	0	0	0	3	0
<i>Number of fatalities</i>	0	0	0	5	0
<i>Number of serious injuries</i>	4	7	0	5	5
<i>Number of minor injuries</i>	2	0	1	4	5

NUMBERS OF FATAL, SERIOUS AND MINOR INJURIES IN AIRCRAFT ACCIDENTS - BY AVIATION SAFETY TARGET GROUP					
Aviation safety target groups	For the years ended 30 June				
	2006	2007	2008	2009	2010
OTHER COMMERCIAL OPERATIONS					
6. Other commercial operations — aeroplanes	2	0	3	1	1
<i>Number of fatalities</i>	2	0	4	0	1
<i>Number of serious injuries</i>	0	0	3	0	0
<i>Number of minor injuries</i>	4	2	1	1	0
7. Other commercial operations — helicopters	0	0	1	0	0
<i>Number of fatalities</i>	0	0	2	0	0
<i>Number of serious injuries</i>	0	1	0	1	0
<i>Number of minor injuries</i>	2	5	1	2	0
8. Agricultural operations — aeroplanes	2	0	1	1	0
<i>Number of fatalities</i>	3	0	1	0	0
<i>Number of serious injuries</i>	0	0	1	0	1
<i>Number of minor injuries</i>	0	0	0	0	2
9. Agricultural operations — helicopters	0	1	0	0	0
<i>Number of fatalities</i>	0	1	0	0	0
<i>Number of serious injuries</i>	0	0	0	1	0
<i>Number of minor injuries</i>	1	0	0	2	0
10. Agricultural operations — sport aircraft	0	0	0	0	0
<i>Number of fatalities</i>	0	0	0	0	0
<i>Number of serious injuries</i>	0	0	0	0	0
<i>Number of minor injuries</i>	0	0	0	0	0
NON-COMMERCIAL OPERATIONS					
11. Private operations — aeroplanes	1	1	0	0	2
<i>Number of fatalities</i>	2	2	0	0	2
<i>Number of serious injuries</i>	0	0	0	3	0
<i>Number of minor injuries</i>	1	1	1	1	1
12. Private operations — helicopters	3	0	0	1	0
<i>Number of fatalities</i>	5	0	0	1	0
<i>Number of serious injuries</i>	2	0	0	0	2
<i>Number of minor injuries</i>	6	6	2	0	5
13. Private operations — sport aircraft	0	5	5	2	4
<i>Number of fatalities</i>	0	5	7	2	5
<i>Number of serious injuries</i>	11	8	4	12	7
<i>Number of minor injuries</i>	11	6	6	5	17
OTHERS	0	0	0	1	0
<i>Number of fatalities</i>	0	0	0	9	3
<i>Number of serious injuries</i>	0	0	0	0	0
<i>Number of minor injuries</i>	0	0	0	0	0

Appendix 2: Rate of aircraft accidents per 100,000 flight hours

RATE OF AIRCRAFT ACCIDENTS PER 100,000 FLIGHT HOURS							
Aviation safety target groups	For years ended 30 June					Trend: 2006 - 2010	Interim 2011/14 Targets
	2006	2007	2008	2009	2010		
PUBLIC AIR TRANSPORT							
1. Airline operations — large aeroplanes	0.11	0.00	0.00	0.11	0.32	2006-08 decreasing; 2009-10 increasing	0.32
2. Airline operations — medium aeroplanes	1.51	1.50	1.02	0.52	1.11	2006-09 decreasing ; 2010 increased	1.11
3. Airline operations — small aeroplanes	3.55	3.70	2.83	3.75	5.18	2006-08 decreasing; 2009-10 increasing	5.18
4. Airline operations — helicopters	2.58	1.47	1.46	2.58	5.16	2006-09 decreasing; 2009-10 increasing	5.16
5. Sport aviation transport operations*	Data not available						
OTHER COMMERCIAL OPERATIONS							
6. Other commercial operations — aeroplanes	4.32	4.79	5.86	5.07	4.72	2006-09 increasing; 2010 decreased	4.72
7. Other commercial operations — helicopters	9.17	9.57	10.50	11.33	7.16	2006-09 increasing; 2010 decreased	7.16
8. Agricultural operations — aeroplanes	17.67	12.10	13.36	15.66	19.28	2006-08 decreasing; 2009-10 increasing	19.28
9. Agricultural operations — helicopters	12.18	10.99	9.36	9.55	10.32	2006-08 decreasing; 2009-10 increasing	10.32
10. Agricultural operations — sport aircraft*	Data not available						
NON-COMMERCIAL OPERATIONS							
11. Private operations — aeroplanes	28.12	23.82	15.17	24.63	26.05	2006-08 decreasing; 2009-10 increasing	26.05
12. Private operations — helicopters	35.96	34.90	37.84	26.46	33.02	2006-10 erratic	33.02
13. Private operations — sport aircraft*	Data not available						

Notes:

1. Numbers of aircraft accidents, fatalities, serious and minor injuries are reflected in Appendix 1.
2. The accident rates are derived using 3-year averages.
3. *For these three groups, the accident rate cannot be calculated, as the CAA does not have data for the number of hours flown.
4. For details and updates, refer to http://www.caa.govt.nz/safety_info/safety_information.htm

Appendix 3: Social cost (\$) of aviation per unit of person exposure

SOCIAL COST (\$) OF AVIATION PER UNIT OF PERSON EXPOSURE							
Aviation target groups	For years ended 30 June					Trend: 2006-2010	Interim 2011/14 Targets
	2006	2007	2008	2009	2010		
PUBLIC AIR TRANSPORT							
1. Airline operations — large aeroplanes	0.11	0.00	0.00	0.00	0.00	2006-10 decreasing	0.00
2. Airline operations — medium aeroplanes	5.12	4.70	0.29	0.00	0.02	2006-10 decreasing	0.02
3. Airline operations — small aeroplanes	55.59	44.59	0.03	0.39	2.34	2006-08 decreasing; 2009-10 increasing	2.34
4. Airline operations — helicopters	3.07	2.79	0.00	5.35	9.17	2006-08 decreasing; 2009-10 increasing	6.50
5. Sport transport operations	10.57	20.36	14.49	66.39	59.24	2006-10 erratic	13.00
OTHER COMMERCIAL OPERATIONS							
6. Other commercial operations — aeroplanes	55.91	35.38	44.82	25.06	25.42	2006-10 erratic	6.50
7. Other commercial operations — helicopters	3.96	30.84	71.11	62.92	36.82	2006-08 increasing; 2009-10 decreasing	6.50
8. Agricultural operations — aeroplanes	164.37	108.65	114.47	74.61	93.69	2006-10 erratic	14.00
9. Agricultural operations — helicopters	18.23	18.32	20.21	22.29	8.56	2006-09 increasing; 2010 decreased	8.56
10. Agricultural operations — sport aircraft	Data not available						28.00
NON-COMMERCIAL OPERATIONS							
11. Private operations — aeroplanes	176.93	83.74	81.58	48.74	51.20	2006-09 decreasing; 2010 increased	10.00
12. Private operations — helicopters	387.08	184.85	163.69	35.11	39.53	2006-09 decreasing; 2010 increased	10.00
13. Private operations — sport aircraft	107.58	93.07	98.09	97.94	97.15	2006-07 decreasing; 2008 increased; 2009-10 decreasing	20.00

Notes:

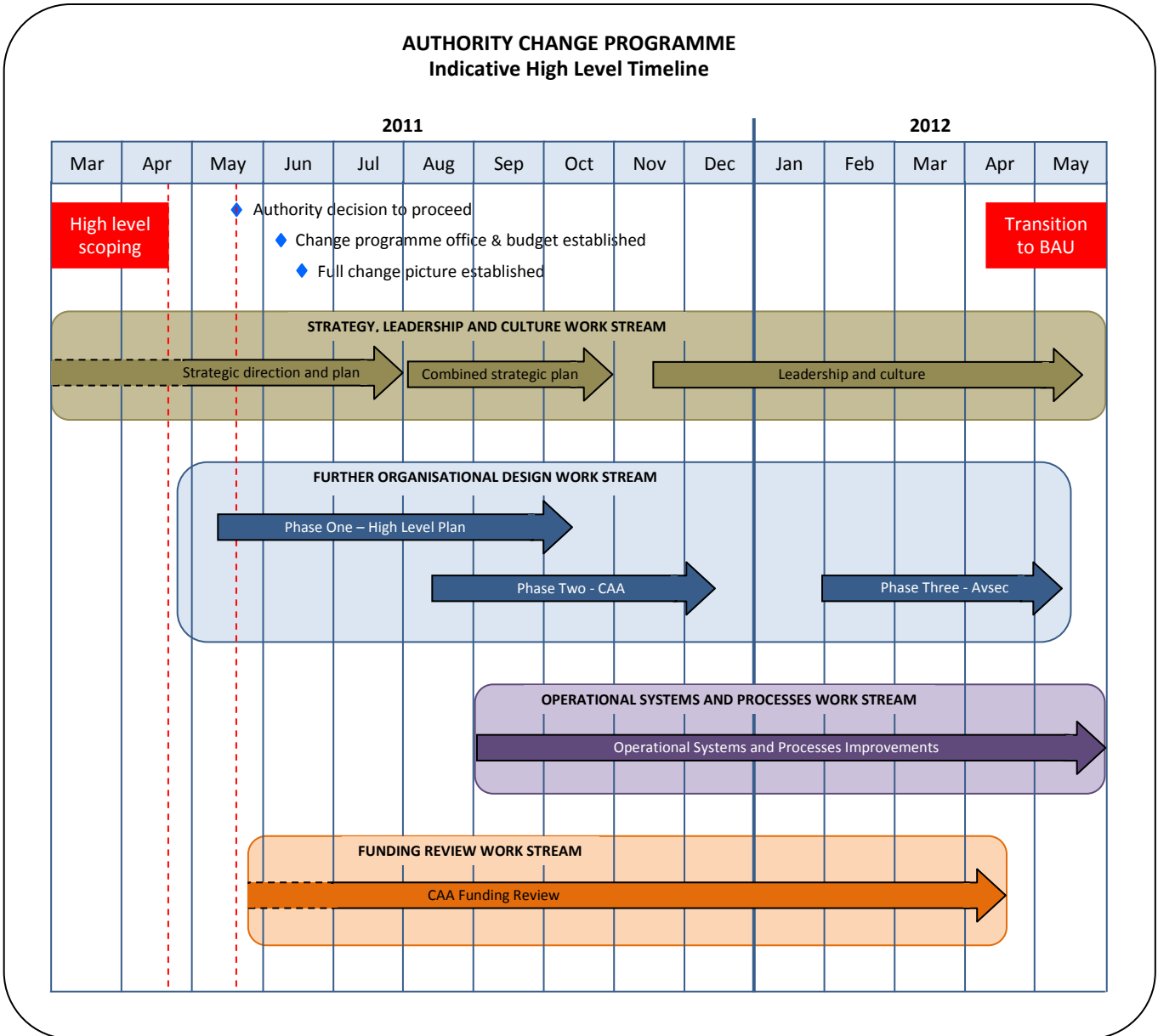
5. Numbers of aircraft accidents, fatalities, serious and minor injuries are reflected in Appendix 1.
1. Social cost per unit of person exposure is defined as an economic measure of the cost of aviation to the nation. It assigns values to any deaths, rehabilitation costs from injuries, cost of property damaged or lost, and other specific external costs. The gross social cost calculated is pro-rated over the volume of aviation activity in any specified sector of the aviation community. The volume of aviation activity, the unit of person exposure, is per seat flying hour. For target groups that are not predominantly passenger carrying, a surrogate of 500 kg of aircraft weight assessed as being the equivalent of an occupied seat.
2. The results for all groups are derived using 3-year averages.
3. For sport groups, calculation of social cost is based on CAA estimates of aviation activity.
4. For details and updates, refer to http://www.caa.govt.nz/safety_info/safety_reports.htm

Interim Safety Performance Targets for the SOI period are 2010/11 targets or actual performance (whichever is better).

Appendix 4: Interventions to address poor performing and emerging areas

	Analysis of accident causes/planning interventions	New rules and advisory circular development	Safety promotion and education	Working with industry groups	Monitoring of safety performance
Agricultural Aviation		New rule – Part 137 + implementation	Chief Pilot courses HSE education SMS and FMS implementation, with particular focus on fatigue	Continuing relationship with Agricultural Aviation Association	Announced and unannounced surveillance
Adventure Aviation		New rule – Part 115 + implementation	SMS and FMS implementation, with particular focus on fatigue	Build relationships with sector- led safety monitoring entity (arising from Adventure Tourism Safety Review)	Announced and unannounced surveillance to ensure compliance with new rule
Sport and Recreation Aviation		Implementation of Part 21 changes	Advisory circulars AvKiwi seminar series Instructor seminars	Using industry relationships to address safety issues at competitions and events	Targeted surveillance (e.g. Summer Surveillance programmes)
Flight Training	Analysis programme to identify any primary common causes of flight training accidents Development of training sector risk profile to target interventions	Proposed developments to CAR Part 139 focused on flight safety in immediate aerodrome airspace, including training activity	AvKiwi seminars, Flight Instructor and Examiner seminars, Aviation Safety Advisors	Continued engagement with sector groups (e.g. AIA Flight Training Division, ATTTO Aviation Training Council, RNZAC Flight Instructor Council) Ongoing support for aerodrome user groups	Ongoing surveillance of flight training activity under Parts 141 & 61 and other rules
MONITORING EMERGING TECHNOLOGIES					
Unmanned Aerial Systems (UAS) are a rapidly emerging sub-sector which will require guidelines and possibly new rules. Current interventions are:					
Unmanned Aerial Systems (UAS)	Enhancing existing information base	Interim development and application of policy and procedure for Part 19 pilotless aircraft		Building relationships with participants in emerging technology	Targeted surveillance (e.g. Summer Surveillance programmes)

Appendix 5: Indicative high level timeline for the Change Programme



Appendix 6: Glossary

Accident	<p>Means an occurrence that is associated with the operation of an aircraft and takes place between the time any person boards the aircraft with the intention of flight and such time as all such persons have disembarked and the engine or any propellers or rotors come to rest, being an occurrence in which:</p> <p>(1) a person is fatally or seriously injured as a result of-</p> <ul style="list-style-type: none"> (i) being in the aircraft, or (ii) direct contact with any part of the aircraft, including any part that has become detached from the aircraft; or (iii) direct exposure to jet blast <p>except when the injuries are self-inflicted or inflicted by other persons, or when the injuries are to stowaways hiding outside the areas normally available to passengers and crew; or</p> <p>(2) the aircraft sustains damage or structural failure that:</p> <ul style="list-style-type: none"> (i) adversely affects the structural strength, performance, or flight characteristics of the aircraft, and (ii) would normally require major repair or replacement of the affected component <p>except engine failure or damage that is limited to the engine, its cowlings, or accessories, or damage limited to propellers, wing tips, antennas, tyres, brakes, fairings, small dents, or puncture holes in the aircraft skin; or</p> <p>(3) the aircraft is missing or is completely inaccessible.</p>
Agricultural operations – aeroplanes, helicopters and sports	Agricultural operations, ferry and training for agricultural operations.
Aircraft movement	An aircraft take-off or landing at an airport. For airport traffic purposes, one arrival and one departure are counted as two movements. Technical stops are not taken into account.
Airlines Group (AL)	The Airlines Group oversees the activities of operators of aircraft weighing more than 5,700 kg or having 10 or more passenger seats along with associated maintenance, training and supply organisations. The Group oversees aircraft certification, registration, design and manufacturing organisations.
Airline operations – large aeroplanes	All operations (other than Part 137 agricultural) using aeroplanes that must be operated under Part 121 when used for air transport. (Part 125 prescribes the operating requirements for air operations conducted by a holder of an Airline Air Operator Certificate issued in accordance with Part 119 using an aeroplane that has a passenger seating configuration of more than 30 seats, excluding any required crew member seat; or a payload capacity of more than 3,410 kg.)
Airline operations – medium aeroplanes	All operations (other than Part 137 agricultural) using aeroplanes that must be operated under Part 125 when used for air transport and aeroplanes conducting SEIFR operations. (Part 125 prescribes the operating requirements for air operations conducted by a holder of an Airline Air Operator Certificate issued in accordance with Part 119 using an aeroplane that has a passenger seating configuration of 10 to 30 seats; or a payload capacity of 3,410 kg or less and a MCTOW of greater than 5,700 kg; or a single engine and is carrying passengers under Instrument Flight Rule IFR.)
Airline operations – small aeroplanes	Transport and transport support (training, ferry etc.) operations using aeroplanes that must be operated under Part 135. Also includes ambulance/EMS. (Part 135 prescribes the operating requirements for air operations conducted by a holder of an airline air operator certificate or a general aviation air operator certificate issued in accordance with Part 119 using an aeroplane that has a seating configuration of 9 seats or less, excluding any required crew member seat, and a MCTOW of 5700 kg or less, except for a single engine aeroplane used for an air operation carrying a passenger under IFR (SEIFR passenger operation): or a helicopter.)
Airline operations – helicopters	Transport and transport support (training, ferry etc.) operations using aeroplanes that must be operated under Part 135. Also includes ambulance/EMS.
Commercial operations – aeroplanes and helicopters	All non-public transport operations for hire or reward or as part of any commercial activity.
Fatal injury / fatality	Means any injury which results in death within 30 days of the accident.
General Aviation Group (GA)	<p>The General Aviation Group oversees operators of fixed wing/ charter aircraft weighing less than 5,700 kg and having nine passenger seats or less; all rotary wing aircraft, all agricultural aircraft and all adventure, private, sport and recreational aviation (commercial and private), along with associated maintenance, training and supply organisations.</p> <p>(Note: Activities for all aircraft certification, registration, design, and manufacturing organisations are overseen by the Airlines Group.)</p>
Incident	Means any occurrence, other than an accident, that is associated with the operation of an aircraft and affects or could affect the safety operation (e.g. aerodrome incident, aircraft incident, airspace incident, bird incident, cargo security incident, dangerous goods incident, defect incident, facility malfunction incident, promulgated information incident, security incident).
Minor injury	Means an injury that has been sustained by a person in an accident that is not classified as serious.

Occurrence	Means an accident or incident.
Participant/User confidence	Means the confidence participants in, and users of, the civil aviation system have in the safety of the system, as established by regular survey.
Personnel Licensing and Aviation Services (PLAS)	PLAS oversees licensing of pilots, maintenance engineers, air traffic controllers, flight engineers, and flight examiners; medical certification of pilots and air traffic controllers; certification of aviation services (air traffic service providers, airports, and aerodromes, training organisations, meteorological services, communication services, aviation security and dangerous goods) and oversight administration of health and safety employment in the aviation sector.
Public air transport	Any passenger or freight operation where a member of the public can buy the service “over the counter”.
Responsible organisation model	Means that civil aviation operators are expected to adopt systems and practices that deliver required safety outcomes for themselves and all persons they are responsible for.
Serious accident	Means an accident that caused or had the potential to cause loss of life or limb.
Serious injury	Means any injury that is sustained by a person in an accident and that: (1) requires hospitalisation for more than 48 hours, commencing within 7 days from the date the injury was received; or (2) results in a fracture of any bone, except simple fractures of fingers, toes, or nose; or (3) involves lacerations which cause severe haemorrhage, nerve muscle, or tendon damage; or (4) involves injury to an internal organ; or (5) involves second or third degree burns, or any burns affecting more than 5% of the body surface; or (6) involves verified exposure to infectious substances or injurious radiation.
Sport transport	Transport and transport support (training, ferry etc.) operations using sport aircraft (including microlights, balloons, parachutes, gliders etc.).

ATPL	Airline Transport Pilot Licence
Avsec	Aviation Security Services
BARNZ	Board of Airline Representatives New Zealand
CAA	Civil Aviation Authority
CEA2004	Crown Entities Act 2004
CPL	Commercial Pilot Licence
DCA	Director of Civil Aviation
EEO	Equal Employment Opportunity
FTE	Full-time equivalent
ICAO	International civil aviation organisation
IATA	International Air Travel Association
MCTOM	Maximum certificated take-off mass (in metric tonnes) according to the certificate of airworthiness, the flight manual or other official documents.
MoT	Ministry of Transport
OAG	Office of the Auditor General
PBN	Performance Based Navigation
PPL	Private Pilot Licence
RPL	Recreational Pilot Licence
VfM	Value-for-Money