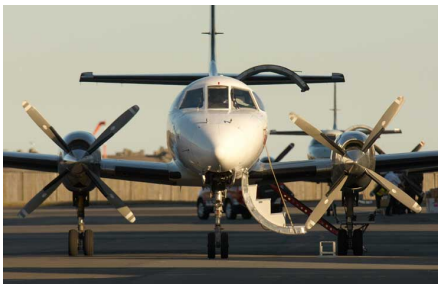
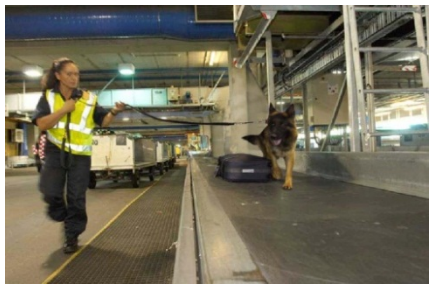
Civil Aviation Authority of New Zealand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CONTENTS

CHAIRMAN'S FOREWORD

New Zealand's economy is weathering one of the most challenging global economic crises in recent times. As in previous years, the aviation sector has continued to make a significant contribution to the economy and to positively project New Zealand's image abroad.

In 2011, I said our focus for the next two to three years would be on three main themes. Among the many factors that have shaped the plans in this 2012/15 Statement of Intent for the Civil Aviation Authority, the same three stand out:

- Government's expectations of the transport sector as a contributor to the country's economic development; to improve the quality of regulation, including the development of a risk focused regime; and that its agencies be increasingly effective and efficient;
- Development of viable ongoing funding arrangements for the Authority's regulatory and aviation security activities; and
- The Authority's change programme that seeks to improve regulatory quality, service delivery and efficiency and effectiveness.

Common to all three themes is the objective of strengthening the capability of the Civil Aviation Authority (people, systems and processes) to deliver greater effectiveness and efficiency. The Authority, as regulator of New Zealand's airspace, seeks to enhance the ability of both domestic and international operators using that airspace to contribute further to New Zealand's economic development.

The Authority will support the Government's Economic Growth Agenda by managing our regulatory responsibilities in a way that contributes to economic development and activity, while retaining New Zealand's excellent reputation for safe and secure skies. By becoming a modern risk-based regulator, we can improve the quality of the Authority's interventions, and reduce the economic impost of our activities on participants, while ensuring that our own operations are as effective and efficient as we can make them.

The necessary changes require a paradigm shift in the way the Authority operates and interacts with both Government and the aviation industry. Our activities have other implications than just purely safety or security related, in that they can affect economic viability and contribution.

The Government has approved a new funding framework for the Authority to operate under from 1 November 2012. This will enable appropriate cost recovery and result in a fit-for-purpose regulator that enables the aviation sector to deliver better safety and economic benefits for New Zealand. This outcome will be achieved through three main impacts:

- the effectiveness of the civil aviation system will be enhanced;
- sustained improvement in safety performance will be achieved; and
- stakeholder, including public, trust and confidence in the regulatory system and regulator will be maintained and enhanced.

The Authority is mindful of the need to contain the cost of regulation and to demonstrate value-for-money. It is important to New Zealand's economy to ensure the effectiveness of the Civil Aviation Authority, and New Zealand's aviation regulatory system, because this will enhance the impact of the

Authority's voice in international forums including the International Civil Aviation Organization and its various technical committees, and aviation regulators in other jurisdictions. The Authority has had past successes in influencing international policy development in such forums (to better protect New Zealand's interests).

We have systematically reviewed our organisation from a number of different perspectives, including: clients, our regulatory and policy responsibilities, leadership and culture, value-for-money, and costs. In this context, there is an increased drive for efficiency and better services to the aviation sector, with a range of structural, funding, and service delivery changes being implemented, to enable us to do more with less. An example is the establishment of shared corporate and organisational support services between the regulatory and aviation security service delivery arms of the Authority. However, it is important that effectiveness does not become a casualty of that drive for efficiency.

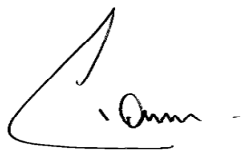
While the Authority's change programme will be completed in the 2012/13 year, there will be on-going focus on the effectiveness and efficiency of our operations, and in seeking public acceptance of the changes made. In addition, the Authority will review the passenger security charges during 2012/13, following the reduction of the accumulated surplus held by the Authority.

This Statement of Intent reflects the funding arrangements approved by Government to take effect from 1 November 2012.

Another key area of work is to extend the relationships with the aviation industry stakeholders that were developed during the Funding Review and the strategy evaluation. This is a necessary precursor to greater involvement by industry in the next review of the Strategic Direction in 2012/13, and ongoing input to the Authority's work on Civil Aviation Rules and other system interventions.

The changes being made to the Authority's structure, operating approach and to its regulatory systems are significant. The Authority expects that these changes will achieve improved system and organisational performance over time. We have identified three areas of focus: overall system effectiveness; improving sector safety performance; and developing a more responsive and results-driven organisation. These focus areas are spelled out in greater detail in the body of this Statement of Intent.

With the completion of the changes embarked upon in 2011; the implementation of the new funding arrangements; and the clarity of purpose identified within the Strategic Direction document, the Authority is confident and excited that its contribution to the aviation sector will at the very minimum meet all expectations and will arise from a durable and effective organisation producing better results for aviation safety and security and, ultimately, for the economy.



Nigel Gould
Chairman

PART A: STRATEGIC CONTEXT AND INTENT

OVERVIEW

Knowing that it's safe to fly in New Zealand keeps the country in business with the rest of the world and keeps tourists coming here.

Aviation is a vital transport link internally too. Not only for commuters shuttling between our major cities, but also for students travelling to and from 'uni', sports teams and arts groups performing across the country, and families getting together for holidays and special events. Flying is an everyday means of travel for New Zealanders of all ages and backgrounds.

The Civil Aviation Authority has the job of keeping those who travel by air safe and secure. It also has a role to play in helping aviation businesses and users of their services achieve economic gains.

This means setting, promoting and monitoring rigorous standards for aircraft operators, pilots, engineers, airports and air traffic control. It requires wide-ranging expertise to understand, for example, satellite based air navigation systems, the latest technologies used by international airlines, the mechanics of balloon flight and hang gliding, aviation event flying, crop dusting and other agricultural operations, and the applications of unmanned aerial systems.

It also means ensuring that all forms of aircraft can use the same skies safely together. In New Zealand, unlike many other countries, general aviation often shares the same airspace as international and domestic airlines.

Since the mid-Nineties, air accident rates have remained at very low levels and shown improving trends in many areas. This has been managed while aircraft volumes have grown by nearly 50% and with the same funding base for the Authority.

However it's not just been 'more of the same'. The escalation of technologies in every aspect of airline operation, in aviation security, and in the expanding forms of other commercial and recreational aviation, has broadened the Authority's role significantly. This has affected the technical disciplines required and the range of relationships and approaches needed to influence participants.

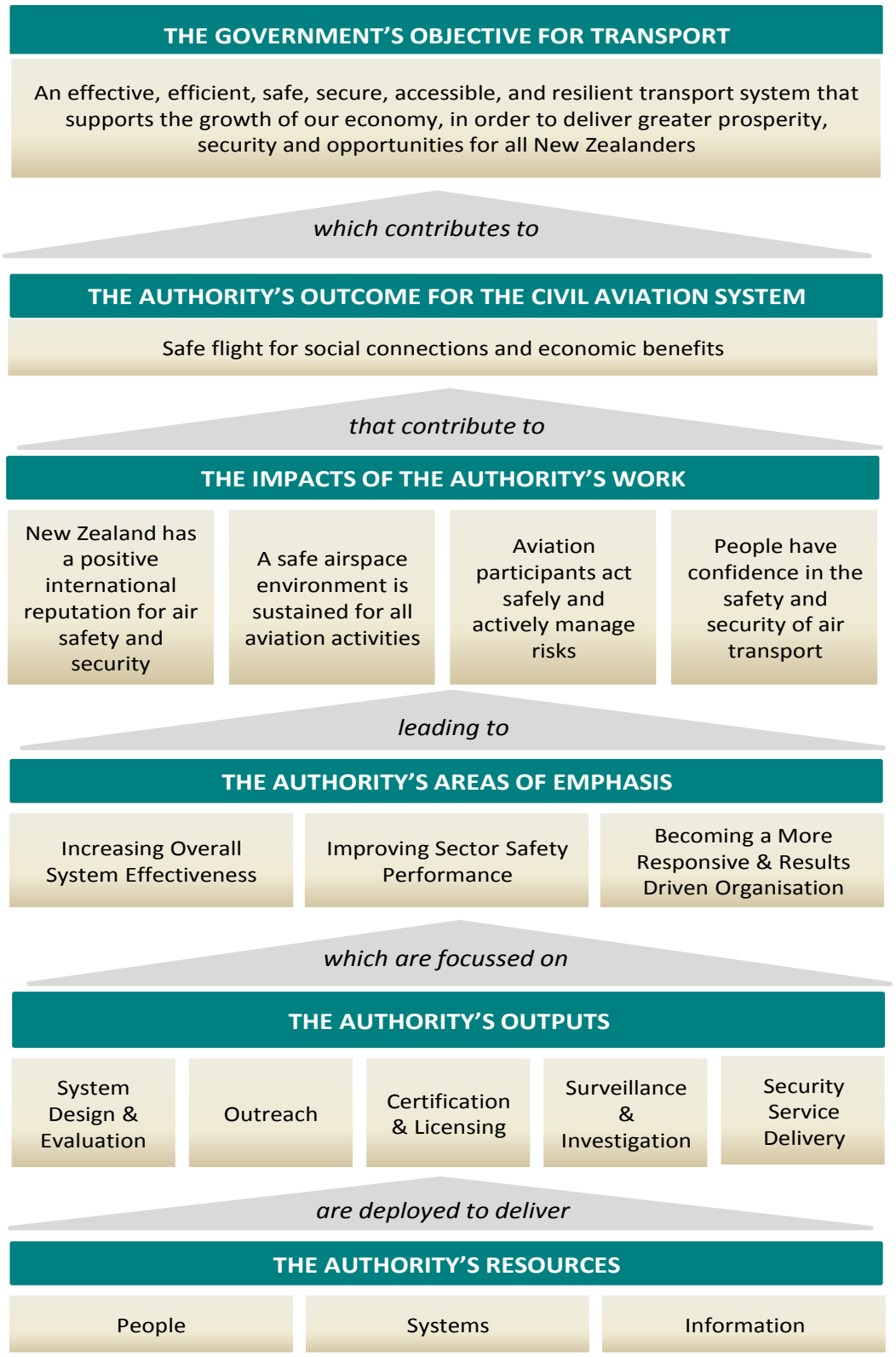
The scope and complexity of what is covered by civil aviation regulation has reached a critical point. The Authority has to change how it functions and is funded if it is to sustain the country's strong record and reputation for safe flight, and in so doing, keep up with international standards and developments.

In setting its priorities for 2012 to 2015 the Authority has three areas of focus:

- **Increasing overall system effectiveness** through better airspace planning, smarter standards-setting processes and working with industry to implement systemic approaches to safety and security management.
- **Improving sector safety performance** by targeting poor performing areas of general aviation and assessing potential risks of emerging technologies, as well as maintaining priority focus on public air transport.
- **Becoming a more responsive and results-driven organisation** as a risk-based aviation regulator and security provider. This means deploying a much wider range of interventions, working with the aviation community and targeting safety and security risks with the public interest foremost.

The Authority has set in place a change programme to address the capabilities and resources needed to work in this way, to keep New Zealand skies safe for the future.

STRATEGIC FRAMEWORK



WHY SAFE CIVIL AVIATION IS IMPORTANT FOR NEW ZEALAND

Aviation is strategically important for New Zealand's transport sector, with strong safety and security performance bringing many advantages for New Zealanders.

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.

As well as the intrinsic safety benefits for passengers and other users, safe and secure flight leads to public confidence and a positive international reputation for New Zealand's civil aviation system. In turn this generates greater usage of air transport and the social and economic benefits for the country that accrue from it.

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 more extensive search and rescue operations.

Economic benefits

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

New Zealand has a good international safety record and is considered a low risk nation in terms of security. This positive standing enables leverage of many economic opportunities internationally, through:

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

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.

Aviation itself makes a sizeable contribution to New Zealand's economy through income from operating aviation businesses, and from related training, maintenance and other commercial activities. Revenues approached $10 billion in 2010, and had grown by 9.5% per annum over the previous five years.[1]

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

Tourism depends on a reliable aviation system, and contributed $15.7 billion, representing 8.6% of New Zealand's GDP, in the year ended March 2011.[2]

New Zealand's agreements with other countries and their regulatory authorities provide strong cooperative links, particularly with Australia, Canada, the United Kingdom and the United States of America. 'Cross certification' technical arrangements support New Zealand product development and enable industry to take advantage of the international market for their aviation products and services. Such agreements are based upon the confidence in the New Zealand regulatory system. Without this, concessionary bilateral arrangements could be removed, leading 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: 2011 – Statistics New Zealand

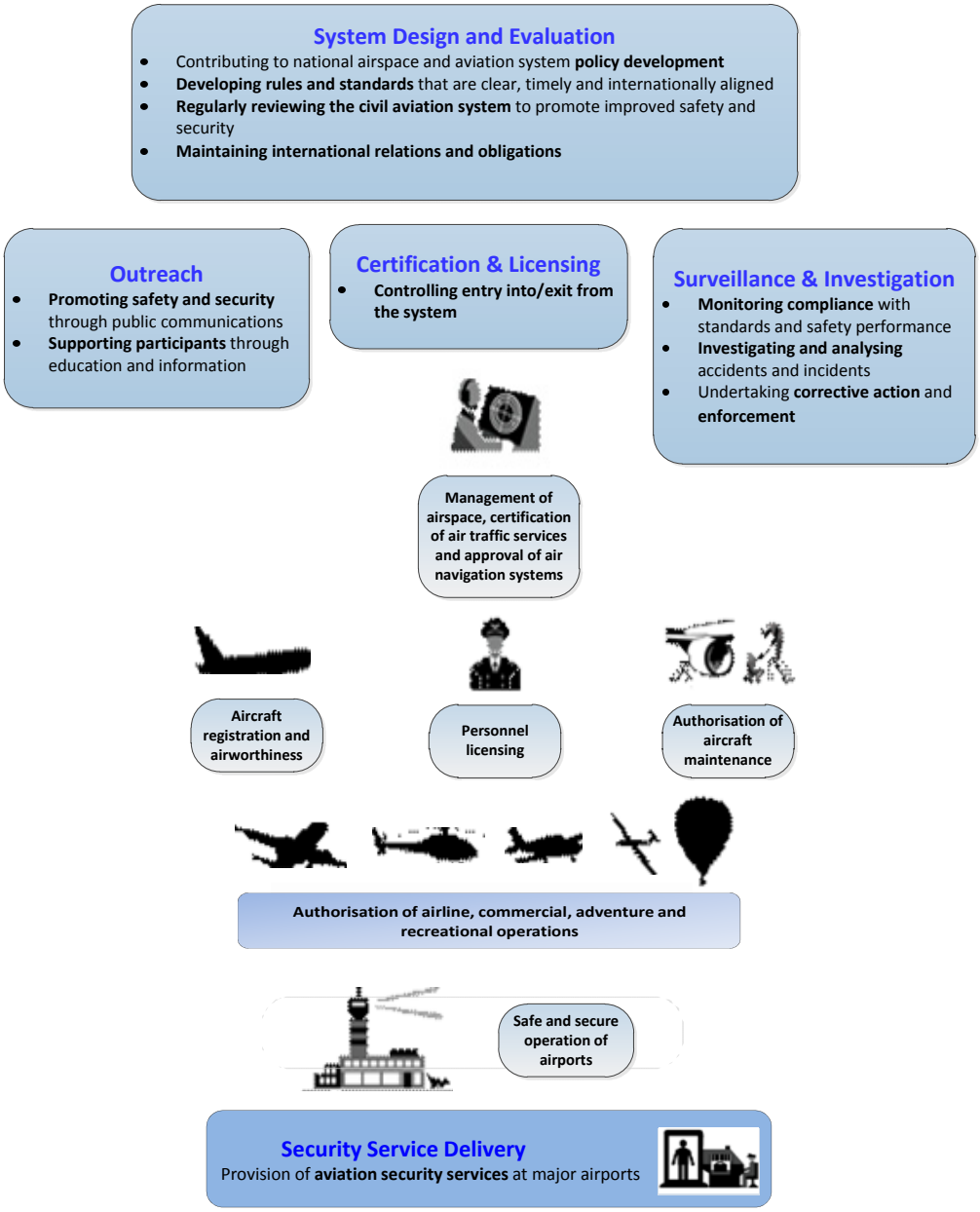
ROLE OF THE CIVIL AVIATION AUTHORITY

Aviation safety is dependent on many elements of the civil aviation system working well together. The Authority contributes to the performance of the system and the safety outcomes achieved.

The Authority provides regulatory oversight of the civil aviation system and provision of the aviation security services at New Zealand's major airports. The Authority:

- Enables a safe airspace environment for all commercial and recreational aviation activities
- Safeguards civil aviation against risks within the system and protects public interests
- Provides advice to the government on policy matters related to civil aviation.

Functions



Regulatory approach

Aviation regulation is based on the premise that intervention is needed to achieve the safety and security expectations of the public. The regulatory authority achieves this by setting and monitoring adherence to clear requirements, in keeping with international standards.

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, aircraft owners and other participants take responsibility for ensuring their operations meet these safety and security standards.

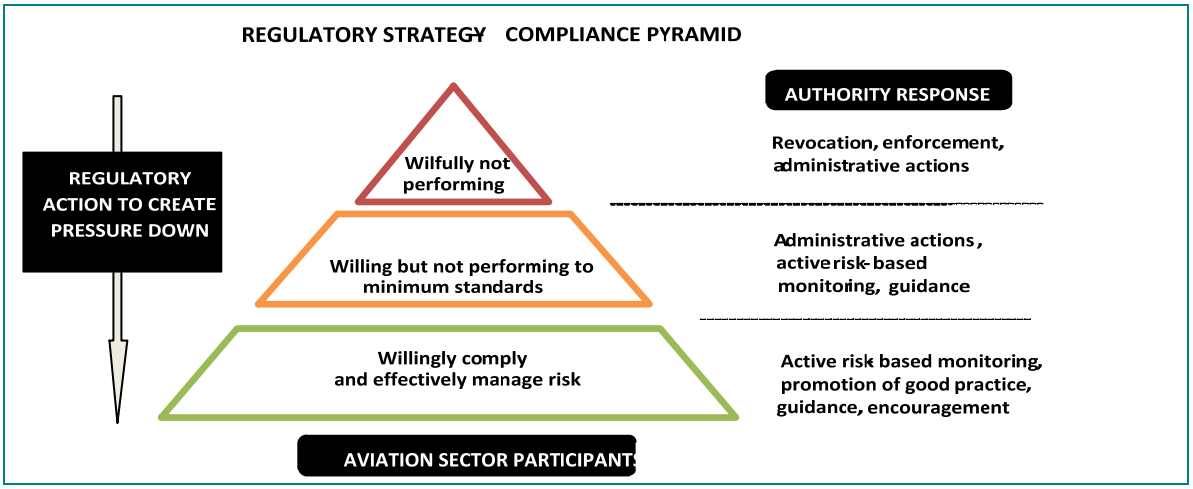
The Authority provides independent assurance for the public that the minimum standards of civil aviation safety are being met. At the same time education programmes and information are provided to encourage and help participants operate well above the minimum requirements.

The Authority works with the aviation community to sustain and improve safety and security performance. Central to its approach is the concept of industry responsibility. This recognises that most participants are willing and have strong incentives to undertake their activities safely.

In exercising its regulatory role and functions the Authority operates to a consistently applied ***Regulatory Operating Model***, founded in the Civil Aviation Act 1990. This provides enduring regulatory principles that underpin regulatory strategy and day-to-day decision making. The Regulatory Operating Model applies to all activities in the civil aviation system across certification and licensing, surveillance, safety analysis, promotion, education, investigation and enforcement activity.

Regulatory principles:	***The Authority's regulatory approach will be characterised by:***
Public interest is paramount	• **Timeliness and responsiveness**
Participants are responsible for good safety management	• **Impartiality, fairness and consistency**
Participants' safety attitudes and behaviours are key to effective safety performance	• **Risk-based, proportionate regulatory interventions** • **Informed, analysis-led and evidence-based decisions** • **Transparency and trust** • **Effective relationships & constructive engagement with industry on safety issues**

The figure below summarises the Authority's general approach to assure safety performance.



The nature of the aviation operation and the Authority's assessment of the safety risk it presents will also be taken into account in determining the type of intervention to employ.

A risk-based regulator

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 maintaining this increasingly challenging.

The Authority assesses the safety risk presented by aviation participants based on information from its audits and investigations, and the self-reporting of safety issues or failures by participants. The safety performance of participants varies for a number of reasons. Contemporary regulatory practice involves consideration of factors such as attitudes and behaviours, skills, business systems and resources when assessing risk.

External reviews of how the Authority operates have pointed to the benefits of taking a more risk-based approach. This change will be fundamental to its ability to maintain effective regulatory oversight and support for strong safety performance in the future.

This means building on the Authority's oversight activities, utilising a broader range of interventions and working with the aviation community. From this the Authority can target its resources to better mitigate risks in the civil aviation system, and develop new forms of effective intervention.

One example of this is the deployment of new risk-based management approaches (e.g. Safety Management Systems) alongside the development of risk profiles for different aviation sectors (e.g. Flight Training and Agricultural Aviation). These initiatives will enable better identification of specific risk factors and more targeted and proactive responses.

The potential benefits of risk-based regulation are variously described as[3]:

- A more pro-active approach to identifying and managing risks
- Regulatory decisions which are better informed by rational analysis maximise the efficiency of the regulator's resources
- Greater clarity of regulatory objectives—helping promote more integrated compliance strategies
- A strong basis for assessing regulators' accountability for performance.

The Authority's decision to change to a risk-based regulatory approach requires a change to its existing business model. The risk-based approach will be evidenced in all aspects of regulatory work: in developing oversight mechanisms for the whole civil aviation system, setting strategies for the different aviation sectors and in monitoring the performance of individual participants.

The change programme required for this to occur is discussed under Focus 3 in the Strategic Priorities section on page 24.

Security service delivery

The Aviation Security Service of the Authority is jointly responsible with New Zealand Police for security at New Zealand's security-designated airports and air navigation facilities[4]. The Service provides screening, for prohibited items and dangerous goods, all departing international passengers and their hold and carry-on baggage, and all departing domestic passengers and their carry-on bags on aircraft with 90+ seats. The Authority's security service is also required to undertake perimeter patrols, to screen airport workers, to provide access controls at certain sites, and to ensure prompt interception of persons unlawfully in security areas.

Security training is provided to other nations, in particular the Pacific Islands, to enhance their aviation security capability.

The Authority contributes to New Zealand's national approach to counter-terrorism capability, participating in cross-agency planning and evaluation activities and ensuring its intelligence is integrated within the wider intelligence community. Its aviation security service also provides a maritime security response role and works in conjunction with the Police, border control and other government agencies on high-profile events that could be targets for terrorism.

[3] OECD-Israel Workshop; *Improving the implementation and enforcement of regulation*; Dr David Cousins, AM Professorial Fellow; 30 June 2011; Nicholas A. Sabatini, Associate Administrator for Aviation Safety, FAA – various references

[4] s76, Civil Aviation Act, 1990.

HOW WELL THE CIVIL AVIATION SYSTEM IS PERFORMING - A SNAPSHOT

Low and reducing accident rates

New Zealand has a good aviation safety record.

The safety performance of large airlines (counting for 96% of travel on New Zealand aircraft) is on a par with that of international counterparts. There have been no large airline accidents resulting in a fatality or serious injury since 1995.

There are some commercial areas of the general aviation sector where safety outcomes need to improve – for example Adventure aviation and some sport and recreational activities.

The key measures of safety performance are the rates and social costs of air accidents. Appendix 1 shows current trends in these indicators, for public air transport, other commercial and recreational types of aviation.

No security incidents that compromise safety

The civil aviation system also has strong security performance and New Zealand is considered a low risk nation in terms of security. There have been no in-flight or airside security failures that have compromised safety on domestic or international flights in the areas that the Authority's security service is responsible for.

User confidence

To achieve wider social and economic benefits it is vital that users have confidence that civil aviation is safe and secure: the travelling public, the aviation industry and businesses that rely on air transport.

The Authority commissioned a user survey in June 2011 which shows positive baseline results for how safe and secure resident and overseas travellers feel (see Appendix 1). These surveys will continue in June 2012 and following years.

International credibility

The ability of New Zealanders to participate in air travel and commerce internationally is dependent on the credibility of the civil aviation system with overseas aviation authorities and international standards bodies.

The International Civil Aviation Organization continuously monitors a number of aspects that show how effective countries are in implementing its recommendations. New Zealand has rated highly in this regard for some time. Currently New Zealand is ranked in the middle of Organisation for Economic Cooperation and Development countries for the implementation of International Civil Aviation Organization recommendations, and in the 17th percentile of the 178 member states.

CHANGES AND CHALLENGES IN THE OPERATING ENVIRONMENT

Developments impacting civil aviation

Over the next 20 years, many key developments are predicted to have an impact on civil aviation globally and flow through to New Zealand. These predictions include that:

- The Asia Pacific region will increase its percentage share of world traffic from 27% to 33%, overtaking Europe and North America whose share will diminish from 28% each to 25% and 20% respectively
- Significant changes in air navigation systems will continue as satellite based navigation and communication systems take over from ground based equipment
- Environmental issues will continue to pressure the industry – such as greenhouse gas emissions, bio-fuel alternatives, and noise control
- There will be a strong drive for international regulatory harmonisation, particularly to keep standards aligned with technology
- Real-time aircraft performance and meteorological data will be shared between aircraft and the ground
- Estimated demand for new aircraft will double every 15 years worldwide; every six years in China and India; The number of business jets is set to double globally
- Growth in micro-lights and unmanned aircraft systems (UAS) will continue to expand rapidly
- Secondary aerodromes will be of growing importance
- The changing nature of security threats will necessitate a dynamic response from aviation security services.

Appendix 2 provides an overview of the structure, dimensions and key features of civil aviation in New Zealand. The growth trends of the last five years in passenger volumes, participant numbers, aircraft registrations and air movements are expected to continue for the foreseeable future.

Operational challenges for the Authority

Changes in government directions for transport agencies, as well as continuing expansion of New Zealand's civil aviation and the impacts of international aviation developments, bring a range of operational challenges for the Authority, including:

- Changing expectations of government about how the Authority works with industry; how it engages with and advises government; and how it translates government priorities into action
- Increasing and more diverse aviation activity in all sectors of the system
- Growing demand for the use of available airspace by commercial and private users, increasing the complexity of the operating environment
- Innovative aviation technologies and new types of operational activities such as unmanned aerial systems, changing air navigation approaches, and new construction materials and methods
- Optimising security service delivery — providing sufficient security to deter and detect potential threats, whilst not imposing unnecessary burdens on participants and the travelling public, having regard to economic impacts and individual rights.

These challenges present the Authority with increasing demands from complex and dynamic risk scenarios. The Authority must be cognisant of the resulting implications and be adaptive and timely in its response.

Organisational challenges for the Authority

The Civil Aviation Authority needs to develop and retain ever more diverse capability to understand the complex inter-relationships between the component parts of the civil aviation system and to provide appropriate and timely regulatory response.

The Authority's existing resources cannot meet these requirements — it does not have the capability and capacity to manage the required speed of sector change, with the consequence that the Authority is increasingly in the position of slowing the introduction of new technology and limiting business' opportunity to innovate. For example, there are instances where the Civil Aviation Authority struggles to provide technical guidance for the aviation community and timely authorisation of new technologies.

The Civil Aviation Authority needs to have specialist and technical expertise to provide regulatory approvals and maintain effective regulatory oversight of the sector. It competes for that expertise in an international labour market and so is more exposed than most government agencies to movements in remuneration in those international markets.

Capability

The Authority has to invest in developing its capability to address new technologies and more widespread forms and uses of aviation. Increasing complexity entails challenging decision-making about resource allocation, risk targeting and maintenance of technical capability.

One example of this is maintaining and enhancing a safe airspace environment which is critical to a safe and secure aviation environment.

A broader base of staff expertise is needed for regulatory oversight, with many of the required technical specialisations in short supply on a worldwide basis. New Zealand's security screening systems also need to be 'state of the art' to ensure continuance of bilateral arrangements with other jurisdictions.

Capacity

The Authority is working with a relatively fixed resource and is trying to match those resources with growing and changing demands.

Ensuring it has the right kind of capacity at the right time, and in the right place, is critical to the Authority's future success for both its regulatory and security service delivery activities.

Resources

The regulatory fee structure in place to 31 October 2012 did not adequately support the changes in capability and capacity needed for the Authority to be a more responsive, efficient and effective regulator. The new funding arrangements from 1 November 2012 will enable the Authority to achieve improvements in capability and capacity.

A safe airspace environment

The Authority is responsible for enabling a safe airspace environment for all commercial and recreational aviation activity, and protecting the public interest through a reliable and responsive aviation regulatory system. We contribute to national airspace and aviation system policy development; develop rules and standards that are clear, timely and internationally aligned; and regularly review the civil aviation system to promote improved safety and security. Through these actions we seek a more efficient and safe airspace environment while at the same time increasing airspace capacity.

The challenges to achieving this include such considerations as geographical hotspots of incident areas, changes to airspace design and usage, traffic densities and movements, and aerodrome complexity.

STRATEGIC PRIORITIES FOR THE CIVIL AVIATION AUTHORITY

The Authority's operating priorities

The strategic focus for the Authority is to sustain aviation safety and security where there is strong performance already, and to enable a continued trend of improvement in the incidence and/or severity of accidents in weaker sub sectors. Aims for the 2012 to 2015 period are:

- A sustained nil accident rate in the airline sector
- A reduction in the number and severity of accidents in other sectors
- No in-flight or airside security incidents at security designated airports.

In the face of expanding and more complex aviation activity, achieving these system goals and maintaining New Zealand's good safety and security record is a significant challenge.

The Authority has a broad statutory mandate for the safety and security of the aviation system, which encompasses a range of activities. The organisation must direct its efforts and finite resources where it can make the most difference to achieving safety goals.

The Authority's operating priorities are set according to:

- The degree of influence that different activities have on overall system outcomes; and
- The differing risks and conditions that exist in particular sectors.

Influence on system outcomes

The overarching role of the Civil Aviation Authority, as for any government safety regulator and security service provider, is to protect the public. At the highest level, the Authority will consider factors such as:

- The public's reasonable expectations of aviation safety and security performance
- Aircraft occupants' likely knowledge and acceptance of risk
- The potential for multiple fatalities
- The potential effect on other aviation sector participants
- The potential for harm to people and property on the ground
- The international and economic impact of a criminal (including terrorist) act involving aviation.

The Authority places high importance on its regulatory activities related to passenger carrying operations. In such operations the consequences of failure could be severe and there is an expectation of *assured* safety by the public and users of air transport services.

It is recognised that continued oversight is also required for private and recreational aviation activity. As the consequences of failure and the ability to harm third parties are likely to be of a much lesser scale, the Authority assigns less regulatory resource to these sectors. However, because of the mixed use of much of New Zealand's airspace, the Authority focuses on the potential impacts of conflicts between these users and regular air transport operations in its management of overall system integrity.

In determining its priorities for regulatory oversight, the Authority also takes into account the degree of societal and economic benefit, and potential effect on New Zealand's international reputation. These are further aspects of the public interest which guide strategic priorities.

The effective operation of the overall aviation system and public air transport activities have a high influence on the overall system outcome of **"safe flight for social connections and economic benefits"**, whereas other commercial and recreational sectors have a lesser impact.

Therefore, the overall priority order for the Authority is:

- Overall system operation and infrastructure
- Public air transport
- Commercial operations
- Recreational activities.

Safety risks

The Authority considers the particular risks and conditions that prevail in different parts of the system, recognising the extent of other controls and incentives for safety that may exist. For instance, large airlines have their own sophisticated risk management systems, whereas smaller participants do not have the same infrastructure to support them.

Information gained from audits, investigations and other activities, together with sector self-reporting, enables assessment of where different participants sit in terms of capabilities and behaviour and attitudes towards safety management. The planned development of sector risk profiles will enhance the Authority's ability to optimise its resource allocation on the basis of safety risk.

OUTCOMES AND IMPACTS

Overall system outcome

The overall outcome for the civil aviation system as a key part of New Zealand's transport network is:

"Safe flight for social connections and economic benefits"

Safe flight is demonstrated through:

- Low and reducing numbers of accidents
- Reducing social costs of accidents
- No security incidents that compromise safety.

The Authority uses a basket of measures to evaluate how well the civil aviation system is performing. **Measures of "safe flight"** aim to show that the incidence and consequence of safety failure is diminishing through time.

The key measures of safety performance are: accident rates, the 'social cost' of safety failure (death, injury and property loss valuation) and the number of airside or in-flight security incidents that compromise safety. Appendix 1 shows current trends in these key indicators.

It should be noted that in some areas safety performance is unlikely to improve any further because failure rates are already nil or very close to nil, and the level of residual risk is minimal. However, considerable effort is required to ensure that these indicators either remain at their current levels, or improve further.

Impacts of the Authority's work

The overall outcome for the civil aviation system is dependent on a combination of factors, supported and enabled by the Authority.

Four conditions must exist for the overall system outcome to be achieved:

- Aviation participants act safely and actively manage risks
- A safe airspace environment is sustained for all aviation activities
- People have confidence in the safety and security of air transport
- New Zealand has a positive international reputation for air safety and security.

Performance indicators for these elements are shown below, along with a summary of current achievement against the measures and a descriptive target for the period of this Statement of Intent.

The work of the Civil Aviation Authority has a *contributory* impact on each of these elements.

<table>
<tr><th rowspan="2">IMPACT AREA</th><th rowspan="2">LEAD INDICATOR</th><th rowspan="2">CURRENT ACHIEVEMENT</th><th colspan="2">TARGET 2012-2015</th></tr>
<tr><th>Direction of travel</th><th>Target - 2015</th></tr>
<tr><td>Aviation participants act safely and actively manage risks</td><td>Sector risk profiles - average risk scores</td><td>There has been a reduction in the risk scores for the majority of sectors over the last five years. (Appendix 1 provides details)

Note: continuing development for some sectors</td><td>Improving risk profiles - the average risk score by sector improves over time</td><td>Actual target to be determined during 2012/13</td></tr>
<tr><td rowspan="2">A safe airspace environment is sustained for all aviation activities</td><td>‘Near misses’/ loss of separation incidents</td><td>CLOSE PROXIMITY EVENTS<table><tr><th>Year ending June</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th></tr><tr><td>Count</td><td>98</td><td>84</td><td>101</td><td>76</td><td>93</td></tr><tr><td>Count per 100,000 hours</td><td>10.7</td><td>8.8</td><td>10.6</td><td>8.0</td><td>9.8</td></tr></table></td><td>Fewer ‘near misses’/ loss of separation incidents through time</td><td>Actual target to be determined during 2012/13</td></tr>
<tr><td>Uncontrolled incursions (into controlled airspace)</td><td>UNAUTHORISED AIRSPACE INCURSIONS<table><tr><th>Year ending June</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th></tr><tr><td>Count</td><td>205</td><td>283</td><td>259</td><td>291</td><td>255</td></tr><tr><td>Count per 100,000 hours</td><td>22.4</td><td>29.5</td><td>27.1</td><td>30.7</td><td>27.0</td></tr></table></td><td>Reduced uncontrolled incursions (into controlled airspace) through time</td><td>Actual target to be determined during 2012/13</td></tr>
<tr><td>People have confidence in the safety and security of air transport</td><td>Surveys of perceptions of air safety and security:
- by the travelling public
- by other stakeholders, including participants.</td><td>As at June 2011:
72% of resident travellers felt extremely or very safe and secure on their most recent domestic or international flight
86% of overseas travellers felt extremely or very safe and secure on domestic or international flights departing from New Zealand
44% of 27 key stakeholders were satisfied with the safety and security performance of the NZ civil aviation system</td><td>Improvement in survey results for user perceptions of safe and secure air transport</td><td>Public surveyed better than 90%

Key stakeholder 100%</td></tr>
<tr><td>New Zealand has a positive international reputation for air safety and security</td><td>New Zealand’s ability to enter into and maintain bilateral agreements and service contracts - public transport and air freight

Assessments of national aviation safety and security performance by the International Civil Aviation Organization (ICAO)

Intensive quality audit process of security service operations against the requirements of the Civil Aviation Act and rules.</td><td>Bilateral Agreements:- Australia and the United States of America
Working Arrangements - European Aviation Safety Agency and Transport Canada
Actively working to extend the scope of the Bilateral Aviation Safety Agreement with the United states of America and progress towards a Working Arrangement with the Civil Aviation Administration of China
In the International Civil Aviation Organisation’s 2005-2010 Safety Audit Cycle New Zealand’s safety ratings were on a par with the Organisation for Economic Cooperation and Development (OECD) average, or higher for a number of the critical elements assessed. New Zealand’s overall rating was the same as Australia’s and higher than the Organisation for Economic Cooperation and Development average. (See Appendix 1 for detail)
The International Civil Aviation Organisation’s current assessment of non-compliance with its recommendations places New Zealand at the 17th percentile in the world and in the middle of Organisation for Economic Cooperation and Development countries. (New Zealand’s score of 16.18% non-compliance includes areas where New Zealand has chosen not to implement the International Civil Aviation Organisation’s recommendations where they are inappropriate to the New Zealand environment.)
Whilst the results of the International Civil Aviation Organisation’s Universal Security Audit Programme (USAP) are used internally, they cannot be publicly disclosed due to international security and diplomatic considerations.
The aviation security service has consistently achieved a high standard of verification from security audits and meets and additional measures required by some airlines.</td><td>Maintenance and extension of bilateral agreements and service contracts Maintaining International Civil Aviation Organization ratings at average of the Organisation for Economic Cooperation and Development countries or better.

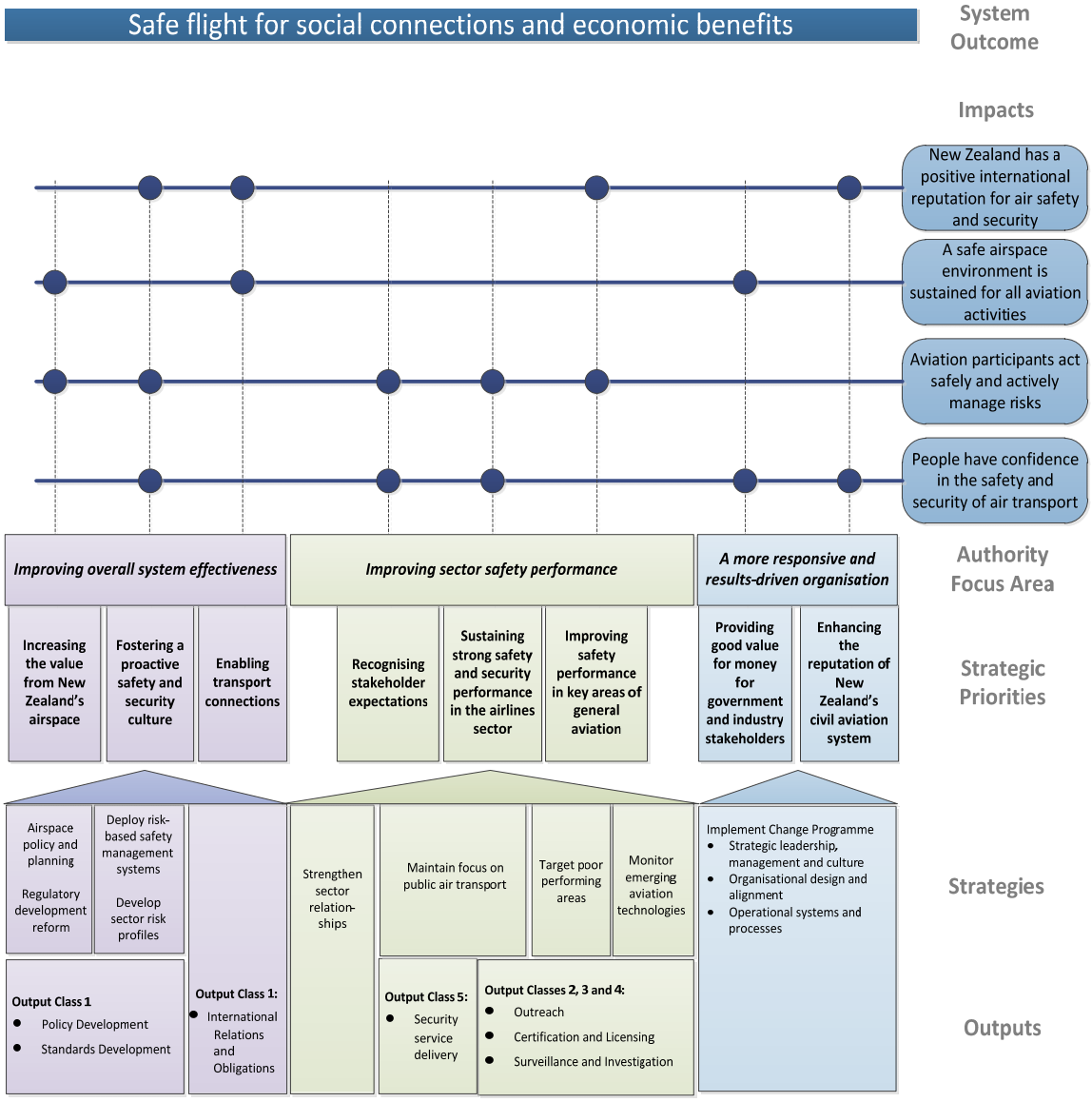
Continued achievement of high standards in Civil Aviation Authority security audits and additional airline requirements</td><td>Actual target to be determined during 2012/13</td></tr>
</table>

Valuing the Authority's contribution

Valuing the contribution that the Authority makes to outcomes for the civil aviation system is not straightforward. Air safety is a shared responsibility, and the Authority stands behind the aircraft participants and personnel who are at the front line.

The Authority's influence is through the design and efficacy of the regulatory system and the airspace environment, the disciplines provided for participants, and the credibility the organisation has with the aviation community in New Zealand and internationally. The security services that the Authority provides impact security performance through deterrence and detection.

The following diagram and narrative detail how the Authority's strategies and outputs contribute to achieving system outcomes.



Areas of focus

During 2012/13 the Authority developed its Strategic Direction statement, which describes the focus, aims and priorities for the Authority over the next three to five years. The Strategic Direction statement has been drawn upon in the development of this Statement of Intent.

The Authority's strategic direction is underpinned by the Regulatory Operating Model which contains the enduring regulatory principles and strategies that guide the Authority's approach as regulator of the civil aviation system. The Authority has identified two areas of focus for *increasing overall system effectiveness* and *improving sector safety performance*. A third area of focus is *becoming a more responsive and results driven organisation* to support business operations and initiatives, and build fitness to deliver in the future.

Each focus area includes strategies to be pursued over the Statement of Intent period in order to optimise the Authority's contribution to system outcomes. These strategies have been set in the context of the developments in the civil aviation environment outlined above and in response to government directions for better public services, its transport policy and ministerial expectations of the Authority.

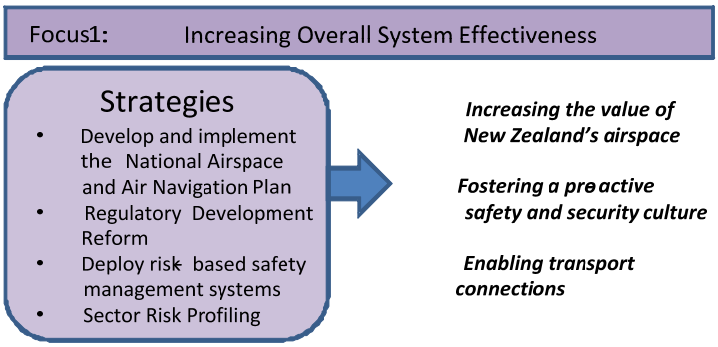
A number of the strategies continue from the previous Statement of Intent. This reflects the fact that much of the Authority's work is aimed at sustaining good safety performance or undertaking mid-to-long term systemic developments to enable improvement.

The strategies for each focus area are described below.

FOCUS 1 – INCREASING OVERALL SYSTEM EFFECTIVENESS

The integrity and connectivity of New Zealand's air transport system is critical for the country's economic and social development. The Authority enables efficient use of controlled airspace, without compromising safety. It plays a key role through:

- Developing clear requirements for access to and safe operation within the civil aviation system, in keeping with international standards; and
- Ensuring that safety is addressed on a system-wide basis: coordinating the different elements, sharing information between participants and assessing risks at a macro level.



INCREASING THE VALUE OF NEW ZEALAND'S AIRSPACE

The airspace over New Zealand is a national asset and a finite resource and the safe and efficient utilisation of this airspace is vital to the New Zealand economy. Only so many aircraft can safely fly through the same section of sky at any one time. General aviation aircraft often use the same airports and share the same airspace as domestic and international airline operations. Each element operating in the aviation system has to be carefully calibrated to work with all other elements, to ensure safety is not compromised.

The Authority provides expert knowledge for national policy development and planning for the use of New Zealand's airspace. It enables access to New Zealand's airspace by providing a clear framework of aviation rules and standards in a timely way, giving the aviation industry certainty to make business plans and investments. This includes, for example, the review of Air Transport policy, announced by the Minister on 21 May 2012.

The Authority works with the Ministry of Transport, other government agencies and the aviation sector to streamline the process of formulating regulations for entry and operation within the civil aviation system.

As regulator, the Authority needs to keep up-to-date on developments in aviation technology and the international standards that are applied for its safe usage. This requires active participation in the deliberations of the International Civil Aviation Organization and maintaining relationships with regulators in other jurisdictions.

The Authority also needs to deploy up-to-date technologies in its security service in order to provide assurance for international security arrangements. It monitors developments and participates in trials and other research of innovations and best practice. Continuing attention is needed to sustain a secure supply chain for air freight due to the dynamic nature of the international security environment.

Develop and implement the National Airspace and Air Navigation Plan

New Zealand already has some of the most efficient airspace and air navigation procedures in the world. However, a more structured regime is needed to better anticipate future needs and coordinate the different elements of the air transport system to achieve optimum level of safety and efficiency.

Identified as a priority in the Government's policy direction for transport, *Connecting New Zealand,* and consistent with International Civil Aviation Organization requirements under the Global Air Navigation Plan, international best practice, and the New Zealand National Airspace Policy, a National Airspace and Air Navigation Plan is being developed by the Authority. This Plan will ensure that changes to the various components of the airspace and air navigation system are managed in a coordinated and cohesive way. The Plan will also identify necessary or desired changes to policies, rules and technologies, and the phasing of those changes, and guide the aviation sector regarding the future airspace and air navigation system, including airspace use and the adoption of new performance-based technologies to be employed in air navigation and air traffic management. Implementation of the National Airspace and Air Navigation Plan will commence in 2012/13 and continue until completed in 2025.

Actions

- Develop the National Airspace and Air Navigation Plan during 2012/13.
- Commence implementation of the National Airspace and Air Navigation Plan during 2013/14.

Regulatory development reform

The Authority works with the Minister and the Ministry of Transport and industry to identify issues and implement appropriate interventions to improve system and sector safety performance, including regulatory and non-regulatory interventions. In line with the Government's policy objectives, the Authority works with the industry to reduce the compliance and cost burden without compromising safety. This is a key area where the Authority is looking to build capability and improve performance.

Key elements include involvement in the development and implementation of the redesigned transport sector rules development process, and the identification of non-rules based interventions designed to enhance safety performance.

Actions

- Work with the Ministry of Transport, and the industry, on implementing the new regulatory development reform programme.
- Deliver the 2012/13 civil aviation rules development programme, as approved by Cabinet.

FOSTERING A PROACTIVE SAFETY AND SECURITY CULTURE

Over the next few years there will be a concerted focus on implementing risk-based regulation and working towards smarter risk identification and analysis. This approach will better enable the Authority to focus its resources on achieving improved safety outcomes where civil aviation sector participants proactively embrace their responsibility for safe systems and practices.

These strategies are aimed at using regulatory resources effectively and efficiently to achieve safety outcomes. Utilising modern regulatory practices is key to sustaining the country's strong safety and security record and improvement trends, when faced with an increasingly complex operating environment.

Actions

- Work with industry to enable continued development of a positive safety culture.
- Continue to promote a strong security culture by, for example, chairing airport security committees.

Deploy risk-based Safety Management Systems

A key driver for enhancing regulatory performance over the next few years will be the implementation of risk-based methodologies to aviation safety oversight. Safety Management Systems (SMS) are the primary means by which risk based methods are deployed. Safety Management Systems have been mandated by the International Civil Aviation Organization and are being adopted globally by all aviation regulators. Guidance and other support material (e.g. advisory circulars, and seminars) appropriate to the nature of the participant's aviation activity will be developed and disseminated.

Actions

- Change the policy settings of civil aviation rules to increase participant focus on active risk identification and management. This may include changes to civil aviation rules.
- Build internal capability to adequately support industry.

Sector risk profiling

In support of the risk-based regulatory approach, risk profiles are being developed for sub sectors of the aviation system.

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. This will enable development of more effective monitoring and measurement of sector performance, and enable efforts to be focused in a more cost-effective way. Development work is being prioritised to poorly performing areas, with the first profile completed for the Flight Training sector and those for Agricultural Aviation and areas of sport and recreational aviation to follow.

Action

- Continue refinement of sector risk profiling that was adopted over 2011/12.

ENABLING TRANSPORT CONNECTIONS

Currently, New Zealand is regarded as being an effective aviation regulator, internationally. This enables efficient and effective aviation connections to be made, enhancing New Zealand's economic position, and enabling social connections for New Zealanders and others.

The Civil Aviation Authority has had past successes in influencing international policy development in international aviation forums such as the International Civil Aviation Organisation. New Zealand is able to influence the International Civil Aviation Organization and other major organisations beyond its size and

scale. The advantage of New Zealand's reputation is that it facilitates economic activity in the aviation sector, and thus in many other sectors of the economy dependent or partially dependent on aviation for their business.

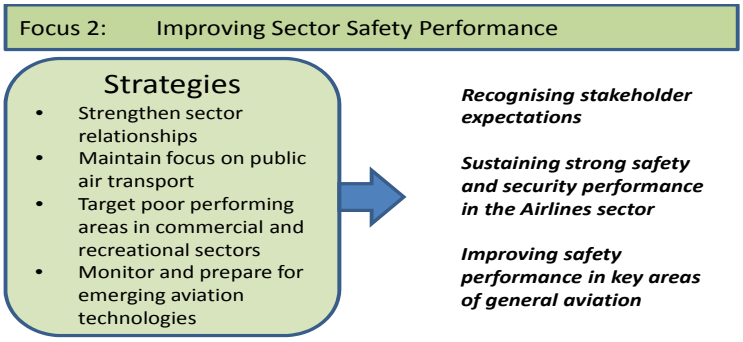
Certification and approvals by the Authority are required in a broad number of contexts including participants wanting to set up in business, existing participants wanting to bring an aircraft into the New Zealand fleet, organisations wanting to introduce new products and services, and participants wanting to introduce changes to flight operations. For example, because the Authority operates a sound regulatory system, the ability of Air New Zealand to gain the requisite Federal Aviation Administration approvals is enhanced (at times, the Federal Aviation Administration will accept the Authority's approvals for at least part of the design work). Similarly, Air New Zealand's wholly owned aircraft interiors business ("Altitude") has accreditation for its services through the Australian Civil Aviation Safety Authority, the European Aviation Safety Agency, and the Federal Aviation Administration, through a partnership agreement, facilitated by the Authority's current robust approach to its responsibilities.

Actions

- Continue active engagement with the International Civil Aviation Organization and other aviation regulatory agencies to ensure that international aviation connections are maintained and enhanced.
- Improve ability to enable the introduction of new technologies through staff development and maintaining technical connections with overseas agencies and suppliers, and with key stakeholders, regarding new approaches to aviation management.

FOCUS 2 – IMPROVING SECTOR SAFETY PERFORMANCE

The Civil Aviation Authority monitors the performance of the entire civil aviation system under three main categories: Public Air Transport; Other Commercial Operations; and Recreational Aviation. Further segmentation into sub-sectors highlights different accident and incident rates and enables identification of specific safety risks and targeted action. Reflecting its overall priorities, the Authority has the following key aims and strategies:



RECOGNISING STAKEHOLDER EXPECTATIONS

Over the next few years the Authority will put greater emphasis on communication and engagement with stakeholders, to sustain their confidence through a time of major development in the regulatory system and of change for the organisation. The Authority will also seek to gain a better understanding of user perceptions of the safety of the air transport system, to inform assessments of risk.

Strengthen sector relationships

To become a more influential regulator, the Authority needs to work with the aviation community to understand where the issues, risks and examples of best practice lie and to draw on the expertise that the industry has. Making better use of sector capability to assist in development processes for regulatory

standards and to implement initiatives in partnership with industry, will help ensure that interventions are focused on those things that are most important to enhancing safety, fitness-for-purpose, and that they are developed in a cost effective way. It is also important to be well informed and well prepared to optimise efficiency and maintain customer-focused security standards.

In order for the Authority to achieve our outcomes and strategic priorities, the Authority must work in partnership with organisations such as the Ministry of Transport, the Transport Accident Investigation Commission, and other agencies.

Collaboration between participants and the Authority will also be critical to the successful implementation of the Safety Management System, as will clear understanding of the respective roles and obligations of all aviation stakeholders.

Survey responses from users, including the travelling public, will help to determine which parts of the system are perceived to be more or less safe than others, highlighting variations in views between stakeholders and will enable better understanding of what drives different perceptions. This will provide an on-going measure of user confidence and key information for organisational decision making and communication, and guide the Authority's actions to address perceived and actual risks.

Actions

- Build more effective working relationships with industry bodies (e.g. the Aviation Industry Association and the New Zealand Airports' Association, etc.) and support appropriate industry safety initiatives.
- Strengthen international relationships and linkages in order to better enable technical knowledge transfer and forewarning of emerging technologies.
- Continue to strengthen relationships with the Ministry of Transport the Transport Accident Investigation Commission and other agencies, as appropriate.
- Work closely with airlines and airports to ensure security service delivery is aware as early as possible of new or changed airline schedules which require security services and to be involved in the development and configuration of airport infrastructure.
- Continue the survey programme to gauge public and participant perceptions about the safety and security of the civil aviation system will continue, building on the baseline data obtained for the 2011/12 year.

SUSTAINING STRONG SAFETY AND SECURITY PERFORMANCE IN THE AIRLINES SECTOR

Maintain focus on public air transport

New Zealand airlines employ a proactive safety approach, invest in new technology and promote a positive safety culture. Aviation organisations in the region actively share safety information with other participants. This commitment to safety has resulted in an excellent record of safety performance. It is important to learn from the limited number of serious safety incidents and security failures that do occur in the airline sector globally. In pursuit of the goal of nil accidents for airlines, the Authority engages closely with international agencies to ensure awareness of emergent trends offshore. The Authority also shares and analyses information that supports its security activities, with the wider security community.

The safety performance of public transport operations will remain a key focus for the Authority, because of the scale of impact any accident could have in terms of loss of life and consequent reduction in confidence in New Zealand's aviation.

The Authority will develop and manage the implementation of behavioural analysis and security questioning techniques.

Actions

- Work closely with New Zealand airline operators to ensure their systems, training, technology, safety and security data and processes pinpoint and address all relevant safety risks.
- Continue to ensure that changes in services and flight schedules can be responded to, and that security service delivery continues to meet user expectations, without compromising security outcomes.
- Further develop behavioural analysis and security questioning techniques

Target poor performing areas in commercial and recreational sectors

New Zealand has a large and diverse general aviation sector, covering public air transport operations, other transport commercial operations and private recreational or business operations, which total 96% of all aircraft on the New Zealand register. General aviation supports major parts of the economy in that aircraft are widely used for fertilising, crop spraying and other operations supporting agri-business. New Zealand is an adventure tourism destination and thus the use of aircraft for sport and recreation purposes is growing. In both cases, aircraft are frequently pushed to their operational limits.

While, overall, the numbers of fatalities and serious accidents in general commercial and recreational aviation sectors are reducing, there are some sub-sectors where accident rates are not trending downwards as rapidly as targeted, and others where improved performance has stalled or is even starting to show signs of reversal. At this stage, the sub-sectors warranting particular attention are: Adventure Aviation, some sport and recreational activities, and the Flight Training Sector (which crosses over several target groups). It is important to arrest this degradation in performance because of the potential risk to public transport operations sharing the same airspace, as well as the human and financial benefits that fewer accidents bring for the participants directly involved. A new rule has been introduced for Adventure Aviation which will enable the Authority to exercise oversight on adventure aviation operations for the first time.

The Authority's focus in the General Aviation sector is aimed at reducing the frequency and severity of accidents and incidents by developing and applying a more sophisticated approach to risk profiling to inform the areas of attention and types of interventions required. Addressing the poor safety record in these areas needs to recognise the motivations and constraints of small or newly established participants who may tend to tolerate more risk to become or remain profitable.

Actions

- Implement the rule for Adventure Aviation over 2012/13.
- Increase use of non-rule-based interventions to influence participant behaviour.
- Improve safety regulation and performance in key areas of general aviation.
- Further develop sector risk-profiling to inform better interventions in sub-sectors requiring attention.

Monitor and prepare for emerging aviation technologies

The Authority is putting increasing focus on monitoring emerging technologies, to assess what kinds of opportunities for system enhancements and conversely new safety risks will be posed by new approaches to flying. While many new technologies have been developed overseas with specific uses in mind, potential adaptations in New Zealand may result in different opportunities and risks from those identified elsewhere. For example, Unmanned Aerial Systems is a rapidly emerging sub-sector which will require new guidelines and new forms of intervention, possibly including rules. This is to ensure no new safety risks are introduced into the civil aviation system, without unreasonably constraining the application of

these technologies. The Authority will continue to build its information base on emerging technologies and enhance its relationships with participants to understand how they plan to use new technologies.

Actions

- Build an information base on emerging aviation technologies.
- Develop and apply interim policy and procedures regarding emerging aviation technologies.
- Maintain, and enhance, staff technical currency.

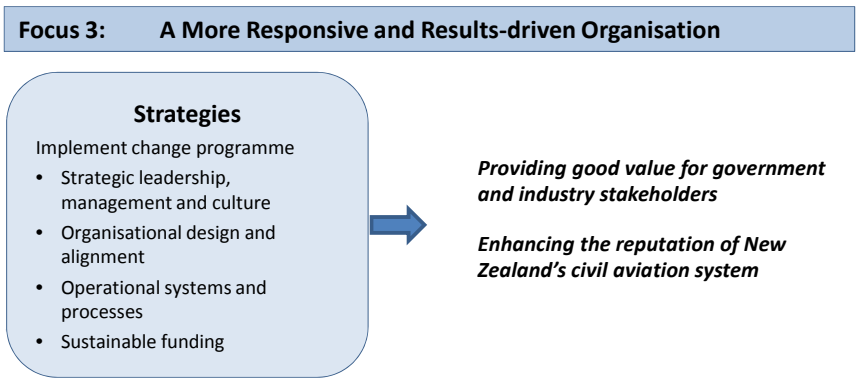
FOCUS 3 – A MORE RESPONSIVE AND RESULTS DRIVEN ORGANISATION

The Civil Aviation Authority is changing the way in which it approaches the oversight of the civil aviation system. The rapid changes occurring in the way civil aviation activity occurs, the technologies are used, and the risks and threats to security are managed, place significant emphasis on the need for an adaptive and resilient organisation.

Successive reviews identified that the Authority's core regulatory processes were slipping behind best practice and emphasised the need for investment in capability and capacity. Areas where effectiveness and efficiency require improvement have been identified for both the regulatory and security service delivery activities of the Authority. Regulatory funding did not keep up with the increasing scope and complexity of aviation activity and the last major review of funding was in the mid-1990s.

The Government has approved changes to the Authority's funding arrangements with effect from 1 November 2012.

The third area of strategic focus for the Authority is on how it will change as an organisation.



The Authority has embarked upon a comprehensive change programme to better equip the organisation to deal with future challenges, and support the aviation industry developments. Key to this is maintaining 'fitness to deliver', and being prepared to adapt ways of engaging with the aviation community and other key stakeholders, determining how interventions are selected, and where and when to deploy resources.

There are three key elements:

- Build capability to engage effectively with industry participants
- Building capability to develop and select the best interventions to address risk
- Enabling resourcing to be targeted effectively to mitigate risk and enhance system performance.

Key outcomes sought are:

- **A change in culture** and leadership style to provide a more flexible, responsive and outcome-focused organisation, with clear strategic direction

- **A "fit for purpose" organisation** which operates as a single entity with shared support functions, performing two sets of legislative responsibilities
- Improved efficiency and effectiveness of core operational processes
- Enhanced confidence of key stakeholders, particularly government and industry.

The improvements brought about by the change programme will result in an organisation that is capable and can utilise a broad range of interventions to influence good practice and address safety and security risks. Thus, the Authority becomes adaptive and responsive to future change and will have the requisite technical expertise and robust processes to ensure that it can discharge its responsibilities properly.

The change programme consists of a number of areas of work that will enable the work streams described below. A summary table is provided as Appendix 3.

PROVIDING GOOD VALUE FOR GOVERNMENT AND INDUSTRY STAKEHOLDERS

Strategic Direction and Regulatory Operating Model

The Authority's Strategic Directions document describes the high level direction and vision for the Authority and its priorities over the next three to five years. The Strategic Plan is underpinned by the Regulatory Operating Model which contains the enduring regulatory principles and strategies that guide the Authority's approach as regulator of the civil aviation system.

Actions

- Review the Strategic Directions document to integrate regulatory and security strategies.
- Reinforce the Regulatory Operating Model through on-going staff training.

Leadership and culture

A leadership model has been designed and development programmes have commenced for senior and middle management, to communicate expectations, build competence and enhance performance. Work has also started on defining and measuring the desired organisational culture and associated values. A baseline staff engagement survey has been run and targeted actions are in train to address key areas of focus identified through the survey responses.

Actions

- Leadership and management development programmes continue.
- Re-align organisational policies and processes to reinforce the desired culture, particularly performance management practice.

Organisational design and alignment

This element of the change programme is aimed at determining the best operating structures to support the Authority's strategic directions and its desired development as an organisation. All three phases of organisational design review have taken place in 2011/12 with design and implementation of changes to top level management structures and corporate support services, and the operational structure for delivery of the Authority's regulatory functions. Phase 3 considered the management and support structure for the Aviation Security Service in the context of the new shared service arrangements, and the strategic capability of the new combined organisation. The new organisational design recognises the need for enhanced capability in a number of areas of regulatory oversight, particularly to support the implementation of risk-based management approaches, and makes changes to the management structure of the Aviation Security Service.

Actions

- Implement Phase 1 and Phase 2 organisational design work into 2012/13.
- Implement changes from Phase 3 of organisational design work.

OPERATIONAL SYSTEMS AND PROCESSES

Core regulatory processes: Certification and surveillance

Over 2011 and early 2012 a Certification Improvement Project and a Surveillance Improvement Project were undertaken to address the weaknesses in these core regulatory processes that were identified by the Office of the Auditor General. Continued monitoring will ensure that improvements are embedded and sustained in the organisation.

Action

- Monitor results achieved from the Certification Improvement and Surveillance Improvement Projects closely.

Improving effectiveness and efficiency of the security service

There will be a continuing focus on screening point review and assessment to ensure the Authority's security service is operating at an optimal level. Monitoring of, and reporting on, staffing levels, selected effectiveness and efficiency indicators, including passenger processing costs, screening activity capacity, and rostering productivity will continue. These measures are:

Indicator	Measure	TARGET For 2011/12	FORECAST For 2011/12	TARGET For 2012/13
SECURITY EFFICIENCY AND EFFECTIVENESS				
INTERNATIONAL PASSENGER PROCESSING	International passenger processing cost. (2010/11 average $9.86)	In range: **$10.08 – $10.17**	$10.77	$10.23
DOMESTIC PASSENGER PROCESSING	Domestic passenger processing cost (2010/11 average $3.93)	In range: **$3.67 – $3.86**	$3.82	$3.90
SCREENING ACTIVITY CAPACITY	Throughput % based on the international standard optimum of 270 passengers per hour	Metro-Domestic Metro International Regional Domestic	67.2% 62.4% 57.4%	> 67.2% > 62.4% > 57.4%
ROSTERING SURPLUS	Operational Productivity percentage[5] identifies the rostered surplus.	**88.5%**	88.8%	88.5%
HUMAN RESOURCES CAPACITY				
RESOURCING	Aviation security staffing level Aviation security staff turnover (rolling average)	**787.3** **In range 7.5 – 10% pa**	768.58 6.47%	769.64 7.5% - 10%

Other activity 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. The existing Hold Baggage Screening (HBS) system is due for replacement at the end of 2013.

Actions

- Plan for, and implement, the replacement/upgrade of existing Hold Baggage Screening (HBS) system in December 2013.

[5] Operational Productivity percentage is the measure of total hours of operational staff performing the various duties that are required as part of their role over the total hours of employed operational staff. The balance is the unproductive time.

- Ongoing monitoring of international best practice and innovations in detection technology to anticipate developments in security deployment and enhance security operations in New Zealand.

Improved safety analysis and intelligence capabilities

The safety analysis undertaken by the Authority currently is not able to adequately support the problem identification and diagnosis needed for targeted, risk-based interventions. This includes the ability to look beyond transactional data to analysis of human factors and behavioural risk for aviation safety. Phase 2 of the organisation change provides for building a new team with the competencies and skills required to generate intelligence from the information and data the Authority holds. A more effective safety analysis capability will enable more targeted and proactive intervention, and minimise the cost of compliance for those participants with strong safety performance and risk management practices.

Actions

- Invest in analytical and intelligence capability.
- Develop more effective safety analysis capability.

Enhanced performance reporting and financial forecasting

Work is underway to improve performance reporting and financial forecasting, including: refining the set of outcome indicators and impact measures monitored by the Authority and reported in accountability documents; further development of organisational effectiveness, efficiency and capability indicators; a revised framework and presentation of reports at management and governance levels; and better financial forecasting, with a particular focus on longer-term rolling forecasts.

Action

- Implement improvements in performance measurement and reporting.

FUNDING FOR AN EFFECTIVE CIVIL AVIATION AUTHORITY

Regulatory activities

The Civil Aviation Authority is committed to addressing the problems in its regulatory activities that have been identified in a series of reports commencing in 2005. These have been canvassed earlier. The Authority wants to:

- Be responsive to the needs of the sector and be an enabler of, rather than brake on, innovation within, and growth of, the aviation sector (subject to maintaining appropriate safety standards)
- Assure safe and secure air transport to underpin growth in passenger and cargo revenues and enable access to valuable international tourism and business markets
- Be risk-based and outcomes-focused consistent with modern regulatory practice
- Become a more influential regulator, more proactive and focused in its approach to identifying and managing safety risk
- Be internationally influential so that regulatory developments in the international arena are fit for purpose in a New Zealand context
- Use a broader regulatory toolkit to influence safety outcomes
- Have a more consistent interpretation and application of core regulatory tools
- Be more timely, effective and efficient in the performance of regulatory functions.

The Authority's change programme, that is currently underway, will result in a fit-for-purpose regulator that enables the aviation sector to deliver substantial safety and economic benefits for New Zealand. The agreed changes to the Authority's funding arrangements will enable the Authority to be more proactive and focused; engage more extensively with the aviation industry; make better use of a wide range of interventions; and improve expertise and capacity to respond to technological change.

The aviation sector and New Zealand more generally will benefit in several ways.

- **The effectiveness of the civil aviation system will be enhanced**: The Authority will have enhanced capacity and capability to anticipate and provide a regulatory response to opportunities involving more efficient and structured management of New Zealand's airspace and the introduction of new aviation technology and services. A broader suite of interventions will be used and the Authority will make better decisions regarding the choice of intervention. Improvements to the certification function will provide greater assurance that operators who enter the civil aviation system have robust and effective safety systems, and changes to the approach to surveillance activities will increase the detection of safety failures before they contribute to loss.

  Aviation sector participants will see changes in terms of the frequency of audits and the focus of the Authority's auditors. Participants with a good safety record and sound safety management systems should be audited less frequently than those that pose a higher risk, and the aviation sector will have earlier and more collaborative engagement with the Authority.

- **A sustained improvement in safety performance will be achieved**. Smarter risk identification and analysis will inform more targeted interventions aimed at lifting safety performance (particularly for those segments of the aviation sector which currently fall below the standard sought) and enable sector participants to proactively embrace their responsibility for safe systems and practices. A strong and embedded safety culture within the sector should mean that, over time, there is less demand on the Authority's resources.

- **Stakeholder, including public, trust and confidence in the regulatory system and regulator will be maintained.** New Zealand will be seen as having a competent and reliable regulatory regime. Maintaining high levels of trust and confidence is a necessary part of being an influential and effective regulator. Trust and confidence will assist the Authority to attract and retain competent regulatory expertise, respond fully to failures in the aviation system and engage with the international aviation system from a position of strength and in a way which influences the development of international standards to better fit with New Zealand's context and situation.

Over the next three financial years, the cost of the Authority's regulatory operations, and to complete the change programme (including embedding the benefits of the programme into business-as-usual) will incur operating expenditure of $37.7 million per year. This compared with current underlying operating expenditure of almost $35.5 million due to an operating deficit and about $2.8 million of costs associated with the change programme. Revenue for 2011/12 is about $30.5 million[6]. The Authority will fund the increased operating expenditure from a mix of increasing revenue and decreasing the Authority's regulatory operations cash reserves.

The Authority is mindful of the difficult economic conditions and the need to constrain its costs and limit any additional funding burden on industry. However, the Authority had reached a point where new capacity and capability was required to deliver appropriate regulatory functions effectively, in the face of an aviation industry undergoing constant change and development.

In 2010, the Authority commissioned an independent Value for Money review, and has taken steps to achieve cost efficiencies. This includes about $0.95 million in annual savings arising from reducing staff

6 The operating deficit of about $4.9 million expected in 2011/12 is being funded by using reserves including $7.5 million which the Government agreed to transfer from the Aviation Security Service to the Civil Aviation Authority.

numbers, changes in property management, improvements in procurement and other business processes, and changes to information technology. The Authority has also implemented shared organisational and corporate services between its regulatory and security services delivery activities as part of the first phase of the change programme.

To enable the achievement of the benefits outlined above, additional funding has been agreed. This will ensure better alignment with the principles which underpin the user-pays model upon which the Authority is funded. The Authority recommended to Government that:

- The hourly charge and the hourly rate upon which fixed fees are based increase, reflecting the fact that these rates have not been adjusted since the mid-1990s;
- A new fee be introduced for tasks performed by the Authority in relation to processing an application for medical certification (these are currently funded by levies which is not consistent with the government's cost-recovery principles;
- The existing domestic passenger levy reduce and the international passenger levy increase. The intention was to progressively move the two levies to a common rate, and to complete the process of equalisation at the next funding review; and
- The existing Aviation Information Services Levy be terminated because the current funding arrangements were unnecessarily complex and did not align well with cost-recovery principles. Costs would be recovered through the passenger and participation levies.

In addition, the Authority proposed that civil aviation fees, charges and levies be reviewed every three years.

The Authority sought to ensure that the funding changes proposed were, for the most part, similar to those included in the consultation document issued in October 2010. Feedback from that consultation, and subsequent consultation with the aviation community, was taken into account in framing the Authority's proposal.

The Cabinet agreed to the Authority's proposal in August 2012.

Actions

- Following Cabinet agreement to the Authority's funding proposal, the Authority will implement the new funding arrangements with effect from 1 November 2012.

Security service delivery

In addition to proposals for changes to the funding model for the Authority's regulatory activities, a review of passenger security charges is scheduled for the 2012/13 financial year. This review is required because of the substantial replacement cost of the Hold Baggage System (HBS), and the utilisation of the build-up of prior year passenger security charges surpluses.

Action

- Consultation with the industry to review passenger security charges during 2012/13, with changes in passenger security charges to take effect no later than 1 July 2013.

Enhancing the Reputation of New Zealand's Civil Aviation System

The Civil Aviation Authority has had past successes in influencing international policy development in such international aviation forums such as the International Civil Aviation Organisation. The Authority is well able to apply New Zealand's influence and ability to protect and achieve outcomes that support our economic interests within global aviation.

Work done by the Authority on the International Civil Aviation Organization Airways Volcano Watch operations system — the proper operation of the Airways Volcano Watch operations system in Australia and New Zealand, following the eruption of the South American Puyehue Cordon Caulle volcano — facilitated a successful risk based response from airlines, with most Air New Zealand operations completed. This is in stark contrast to the European response to the 2010 Eyjafjallajökull eruptions in Iceland where European aviation systems did not allow the same risk based approach, with enormous commercial and economic consequences in Europe and affecting other areas of the globe.

Actions

Continue active engagement with International Civil Aviation Organization, and other international stakeholders, seeking to contribute as appropriate.

HOW THE AUTHORITY'S STRATEGIES AND OUTPUTS CONTRIBUTE

Increasing overall system effectiveness

The Authority's Class 1 outputs and its strategic priorities in this area have a major influence on achievement of the system outcomes of *a* ***safe airspace environment for all aviation activities*** and the country's ***positive international reputation for air safety and security.***

Policy development
Policy advice, based on in-depth expertise in civil aviation regulation, ensures that Government policies and decisions are well-informed and robust. The National Airspace and Air Navigation Plan will enable better anticipation of future needs, and better coordination of the different elements of the air transport system, to achieve optimum levels of safety and efficiency.

Standards development
The Authority designs and develops regulatory interventions, including civil aviation rules that are aligned with international aviation requirements. This enables aviation activities to adapt to emerging technology and operate safely as part of a wider system. Work on Regulatory Development Reform aims to provide a clearer framework and appropriate standards in a timely way, giving certainty for industry to make business plans and investments.

International relations and obligations
The Authority maintains connections with international aviation regulatory agencies, obtains bilateral/multilateral agreements and ensures that the Government's obligations in respect of international aviation safety and security agreements are met. Such arrangements enable a safer and more secure interface between international and domestic aviation operations, to reduce the potential for accidents or incidents. They are also the foundation for air travel connections and a secure supply chain for air freight, supporting the country's economic development.

Risk-based safety management
The Authority places priority on working with industry to instil a systemic, collaborative approach to safety management, coupled with developing sector risk profiles for better risk identification and targeted action. These strategic programmes provide strong direction and support for ***aviation participants acting safely and actively managing risks.***

Improving sector safety performance

The Authority works to minimise the risk of accidents or incidents and protect the public through its core regulatory processes applied to individual participants in all aviation sectors:

- **Outreach** — providing information and educational programmes so that participants are conversant with the civil aviation system, their responsibilities, causes of accidents and their prevention (Output Class 2)
- **Certification and licensing** — controlling entry to and continued operation within the civil aviation system of appropriately qualified and suitable organisations and participants (Output Class 3).
- **Surveillance and investigation** — monitoring adherence to safety and security standards by participants: including inspections and audits, identifying breaches and taking appropriate action (Output Class 4)

These activities are the foundation for ***aviation participants acting safely and actively managing risks.*** Additionally the Authority places priority on engagement and collaboration with sector bodies to focus on key safety needs and deploy more effective interventions, as well as anticipate any new risks that could be posed by emerging technologies.

The areas of general aviation with higher risks (Adventure; Sport & Recreation; Flight training) are being targeted through enhanced risk analysis and industry engagement, to identify and act on particular risks to reduce accident frequency and severity. At the same time the Authority will maintain an unremitting focus on public air transport through consistent application of regulatory standards in all aspects of airline operations and continuing high quality and rigour of its security service (Output Class 5).

The Authority's attention to airlines contributes to the travelling public and other stakeholders ***having confidence in the safety and security of air transport.*** The on-going programme to survey user perceptions of the safety and security of the air transport system will build understanding of the factors that generate confidence in public travellers and air participants, as well as informing risk assessment and mitigation.

MANAGING ORGANISATIONAL HEALTH, CAPABILITY AND RISKS

Organisational change

The Civil Aviation Authority is an organisation in transition. Further phases of the change programme that commenced in late 2011 will be implemented over 2012/13 and a period of embedding new ways of working will follow. The change programme is a critical area of focus for the organisation and the major work streams are covered within the Strategic Priorities section above.

People capability

Currently the Authority's regulatory resources are spread thinly, with little contingency to react quickly to new or unexpected requirements. There is an international job market for the range of skills and expertise required for the New Zealand Civil Aviation Authority to be effective. Many other aviation-related industries compete for the same scarce resources. These factors necessitate continuous capability development, innovative recruitment and retention programmes and a strong Employer Value Proposition.

There is a similar age demographic across the regulatory and security operations of the Authority, with many specialist staff in their late 50s and 60s. It is important to provide for transfer of their knowledge base through sound succession planning, as well as investment in a flexible workforce, so that the organisations are able to keep delivering on their statutory functions.

Twelve new positions are planned consistent with the changes to organisational design and the need to address the various issues with regulatory staffing arrangements discussed above.

The new positions are aimed at strengthening the analytical capability that supports the work of the regulatory operational teams. The new positions are, reflecting this, primarily in the areas of operational policy and regulatory strategy, intelligence and safety analysis, risk identification and management, and organisational development and strategy.

The underlying rationale for enhancing the capability and capacity in these areas is twofold. First, the Authority needs to be much more intelligence-led and proactive. The second is the need to implement the safety management system model and the risk-based approach to regulatory intervention leading to more targeted and proactive interventions. The Authority's own risk identification and management systems will be enhanced.

In the security service, employment costs are some 80% of total expenditure and staffing numbers and costs are closely controlled against budgeted levels to ensure cost-efficient operations. A new electronic rostering system ensures the optimal allocation of staff to day-to-day security functions.

Organisational health and capability measures

The Authority monitors indicators of its Human Resources capability and staff engagement along with measures of its financial position and the quality and efficiency of core regulatory and security processes. A scorecard of key indicators is provided to the Board on a regular basis.

Alongside general staff turnover and vacancy rates the Authority uses a qualitative indicator of resourcing risk for key skills groups, looking at current capacity and future readiness.

A staff engagement survey has been carried out as part of the Change Programme, covering all regulatory employees as well as management and administrative staff in the security service. This has set a baseline for measurement of behavioural and cultural dimensions that underpin the organisation's development. In response to initial survey results, management teams have established action areas and regularly report progress.

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. 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.

Consultation and reporting to the Minister

As a Crown Agency, our agenda and direction is set by the Government; therefore we consult, brief, and report to the Minister regularly. Our communications with the Minister must be relevant, timely, and produce collaborative and innovative solutions.

The Board Chair and the Chief Executive provide the Minister with regular reports covering;

- Progress against the Statement of Intent
- Risks and issues around performance and organisational capability (including relationship management)
- Financial management
- Other matters as agreed with the Minister.

The Board reports to the Minister, other stakeholders, and the New Zealand public, annually on full-year progress against the Statement of Intent, including reference to progress against key actions and priorities.

Physical assets

The Authority's regulatory processes rely upon a legacy environment for the majority of the core information technology systems. It is intended to develop a modern information technology architecture over time, based on business needs. This will require a significant investment during the period of this Statement of Intent and beyond.

The 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 2013/14.

The proposed capital expenditure for the Authority's regulatory functions for 2012/15 including provision for updating core aviation safety information systems, the electronic document and record management system, and online medical certification systems..

THE Authority's security service is making provision for the replacement of Hold Baggage Screening (HBS) equipment in December 2013, at a forecast cost of $26 million. To facilitate this, the Authority will operate within finance leasing arrangements approved by Joint Ministers.

Projections also cover replacement of cabin, portable x-ray and cargo screening equipment over the Statement of Intent period. Planning is in progress to ensure that the new generation equipment meets international standards and is procurable when required.

The Authority will continue to engage with individual airport companies that are planning or implementing infrastructural changes, including reconfiguration around security screening positions and their location in relation to Customs. Potential redesigns could result in capital expenditure requirements for buildings and facilities.

The proposed capital expenditure for the Aviation Security Service also includes normal cyclical replacement of existing assets, in line with its capital asset replacement programme.

The Authority continues to look at commonalities in infrastructure between its regulatory and security operations that could have potential to reduce costs.

Capital Expenditure Intentions

The table below identifies planned capital expenditure for the 2012-2015 period.

	CIVIL AVIATION AUTHORITY $000				AVIATION SECURITY SERVICE $000			
	Forecast 2012	**Budget 2013**	**Forecast 2014**	**Forecast 2015**	**Forecast 2012**	**Budget 2013**	**Forecast 2014**	**Forecast 2015**
Computer hardware	305	120	120	389	87	80	32	103
Computer software	1,181	1,125	2,030	2,380	842	180	120	120
Plant & equipment	13	10	10	10	2,416	1,975	3,095	4,677
Furniture & fittings	-	-	-	-	-	-	-	-
Motor vehicles	80	80	80	80	640	1,009	831	580
Leasehold Improvements	402	-	-	-	190	688	-	-
Leased assets	-	-	-	-	-	-	26,000	-
Total	1,981	1,335	2,240	2,859	4,175	3,932	30,078	5,480

Note that separate prospective financial statements are shown for the CAA and the Aviation Security Service in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the CAA and the Aviation Security Service to maintain separate accounts, record and reports.

Risks

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. There are 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.

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.

SYSTEM RISKS	POTENTIALLY LEADING TO . . .	BUT MITIGATED BY . . .
SPEED AND EXTENT OF TECHNOLOGY CHANGE Rapid changes in aviation and security technologies require recurrent development or updating of standards and operating processes.	• The Authority not having the capacity (skills, equipment and funds) to keep pace. • Industry uptake of new technology, with safety and economic benefits, is curtailed. • Rules not being in place for new forms of aviation leading to unsafe practices. • Security screening techniques being unable to detect latest types of threats. • Stakeholders losing confidence in the organisation.	• Planning ahead to ensure funding for security equipment. • Collaboration with industry to stay aware of and plan for aviation developments. • Regular interaction with International Civil Aviation Organization and regulatory bodies overseas. • Ensuring staff members are knowledgeable and trained for regulating / operating new technology.
CHANGES IN SECURITY THREATS The New Zealand threat level is low, but civil aviation, key infrastructure and high-profile events are all potential targets for global terrorism.	• Death/ injury/ property loss. • Prolific media coverage, potentially highly detrimental. • Consequent damage to New Zealand's reputation for safe flight and to associated economic benefits. • Disruption to efficient passenger and cargo flows.	• Applying rigorous quality standards in security operations and ensure aviation security staff members remain vigilant. • Intelligence gathering, monitoring and planning in collaboration with other security agencies and aviation organisations. • Refreshing business continuity plans and contingency plans for various scenarios. • Maintaining capability (people, processes and equipment) in readiness to respond to security requirements.
UNCERTAIN/REDUCED REVENUE FLOWS Financial viability put at risk. Changes in passenger volumes resulting from natural disasters (e.g., volcanic ash, pandemic), global unrest and recession, failure of a large airline, etc. interrupt revenue flow from passenger safety levies. With respect to the Funding Review, financial constraint signals being sent by the government generally, Minister of Transport and Secretary for Transport. Significant decreases in passenger volumes, coupled with continuing fiscal restraint in the government sector, present major difficulties for the Authority's financial viability.	• Revenues from passenger safety levies and security charges being insufficient to finance the required Authority capability in the short to medium term. • Less funding available to the Authority for investment in safety and security performance improvements, at a time when participants may be driven to cut corners through economic constraints. • More accidents and security incidents.	• Approval of the Authority's Funding Review to provide more certain revenue streams. • Developing longer-term rolling forecasts to improve the management of adverse revenue fluctuations. • Working with industry groups to anticipate and address difficulties. • Maintaining financial reserves sufficient to meet any funding pressures. • Managing operations to improve efficiency and effectiveness.

ORGANISATION RISKS	POTENTIALLY LEADING TO . . .	BUT MITIGATED BY . . .
LOSS OF STAKEHOLDER CONFIDENCE Loss of confidence by government and industry stakeholders would seriously impede the organisation's standing and ability to achieve its mandate.	• Reduced organisational credibility impacts the reputation of the Authority. • Reduced international confidence in New Zealand, with economic impacts. • Difficulty recruiting and retaining key staff.	• Improving engagement and collaboration with the sector. • Actively engaging stakeholders to share understanding of achievements, priorities and risks. • Clearly communicating the scope and value of the Authority's role and contribution to ensure aligned expectations. • Monitoring stakeholder confidence through regular surveys, and address identified issues.
REDUCED CAPABILITY AND CAPACITY Strong competition for scarce technical expertise needed for regulatory operations is compounded by a high age profile and very limited depth in capacity in some areas.	• Inability to maintain effective performance in some of the Authority's functions. • High work demands and stress on existing staff. • Lack of knowledge transfer between staff. • Key development projects /Change Programme compromised.	• Improving leadership, communication, skill sharing, and providing training in people management skills. • Developing and implementing resourcing strategies for internationally scarce technical expertise. • Engaging regularly with staff through the change process. • Reviewing employee recognition and reward provisions.
CHANGE PROGRAMME The speed and effectiveness of the Authority's Change Programme may be impacted by the capacity of existing management teams to facilitate and drive the level of change that is sought.	• The extent of organisational performance improvement sought is not forthcoming. • Loss of stakeholder confidence. • Disruption to business operations.	• Expediting completion of the Authority's Funding Review. • Providing strong organisational leadership, communicating and engaging with staff. • Investing in sufficient management resource to execute change as well as sustain business operations. • Keeping key stakeholders informed of progress and benefits of change.

PART B: FORECAST SERVICE PERFORMANCE AND FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

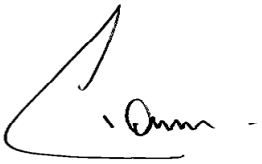
The following Statement of Forecast Service Performance and the Prospective Financial Statements form part of the Authority's Statement of Intent for year ending 30 June 2013.

Pursuant to the Crown Entities Act 2004, 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 forecast service performance and prospective financial statements to be achieved by the Authority for the year ending 30 June 2013, 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 Aviation Security Service.

The Authority certifies that the information contained in this Statement of Intent reflect the operations and financial position of the Civil Aviation Authority.

Signed on: 31 August 2012



Nigel Gould
Chairman of the Authority

Peter Griffiths
Deputy Chairman

Graeme Harris
Director of Civil Aviation

Mark Everitt
General Manager, Aviation Security Service

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 safety and regulatory services and the security services of the Authority
- Separate prospective financial statements for each of the safety and regulatory services and the security service of the Authority.

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the Authority to maintain separate accounting records for each of the safety and regulatory services and the security service of the Authority.

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

Passenger Volumes

Forecasting revenue from safety levies and security charges based on domestic and international passenger volumes remains 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)				
	11/12 Budget	11/12 Forecast	12/13 Forecast	13/14 Forecast	14/15 Forecast
Safety levies: Domestic	10,263	9,827	10,122	10,425	10,738
Security charges: Domestic	6,037	5,674	5,821	6,042	6,311
Safety levy and Security charges: International	4,784	4,652	4,765	4,879	5,053

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

Aviation Security Service Charges are based upon jet aircraft with more than 90 passengers, whereas the Civil Aviation Authority Safety levy is based upon each passenger carried on each domestic sector.

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

- Volumes of passengers departing on international flights are predicted to increase by 2.4% over the 2011/12 forecast to 4.8 million in 2012/13, reflecting some recovery in Christchurch, although not to the levels budgeted for 2011/12
- Screened domestic passenger volumes are forecast to increase 2.6% over the 2011/12 forecast to 5.8 million in 2012/13. It is expected that this will be driven principally through increased jet service capacity
- The total number of passengers departing on domestic flights is forecast to increase by about 3.0% per annum over the 2012/15.

Other assumptions for the Statement of Intent 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.

Regulatory Service Delivery

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 2012/13 budget and out-year budgets have been set using the current regulated international and domestic passenger safety levy charges of $0.89 and $1.77 respectively (GST exclusive). These charges will be amended to $1.30 and $1.71 respectively (GST exclusive) from 1 November 2012.

Fees and Charges Revenue

The revenue for fees and charges reflects the outcome of the new funding arrangements. This pricing structure reflects the size of the industry and the income recoverable from regulatory interventions.

From 2013/14 to 2014/15, the hourly charge increases by an average of 17%.

Personnel costs

The 2012/13 budget and out years have been prepared on the increases in the regulatory services staff establishment to approximately 226 full-time

equivalent positions. This is the result of the transfer of shared services staff positions from the Aviation Security Service, together with net increases in positions to strengthen regulatory and safety analysis and surveillance capabilities as a result from the implementation of the Change Programme. The budgeted personnel costs include provision for performance related increases and to assist with attracting and retaining key staff.

Operating Surpluses/Deficits

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

Balance Sheet

The redesign and rebuild of the core business Aviation Safety Management System is budgeted from 2013/14 based on an estimated capital cost of $4M. Provision has been made for the repayment of principal and interest assuming the capital cost is funded from external sources.

No repayment is assumed of the $7.5 million capital transfer from Aviation Security Service to the Civil Aviation Authority that occurred in June 2011.

It is assumed that the $2.54 million residual balance of the Crown loan for the fit-out of 55 Featherston Street, due to be paid on 30 June 2015, will be rolled over and/or a new loan executed.

The Authority has established a $4.0 million cash reserve designed to provide a modest level of financial surety to withstand a decline in revenues for a period of time while a more considered medium to long term assessment would be conducted.

Aviation Security Services

Passenger Security Charges

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

The 2012/13 budget and out-year budgets have been set using the current regulated passenger security charges - $6.96 (GST exclusive) for international and $3.22 (GST exclusive) per sector travelled for domestic passengers.

This level of charges is contributing to operating deficits in the international, domestic and other contracted services, as disclosed in the Reconciliation of Equity. The deficits are a direct result of reducing the passenger security charges to eliminate related accumulated surpluses.

The operating deficits over the period 2012/13 to 2014/15 will result in the need to revise the price of passenger security charges by 1 July 2013 to ensure the full costs of passenger security services are recovered and to consider funding the replacement of international hold baggage screening equipment.

Contracted Services Revenue

The decrease in revenue for the 2011/12 forecast accounts reflects a contraction in contracted services provided to airlines and third parties. Current contracted recovery rates have been utilised in the setting of revenue.

Personnel Costs

Personnel Costs are expected to fall 4% below the 2011/12 forecast level. This is an adjustment for the one-off effects of extra staffing for the Rugby World Cup, the issue of a new uniform for staff and redundancy costs arising from the change programme during 2011/12. Personnel costs have also decreased from 2012/13, due to 17 FTEs transferred to the Civil Aviation Authority under the new shared services arrangements. These costs will no longer be classified as a Personnel cost within the Aviation Security Service, but will be shown as part of a charge for services under the Other Costs of Services category in the Statement of Comprehensive Income. An allowance has been made in 2012/13 for an increase in personnel costs to meet the terms of the collective contract.

The 2012/13 budget forecasts an establishment of 765 FTE (834 staff). This is forecast to remain at this level until 2014/15. No provision has been made for changes that may arise following the completion of the organisational review of Aviation Security Services, which is due to be completed in 2012.

Staff turnover is expected to gradually increase as economic conditions improve.

Operating Surpluses/Deficits

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

Equity

The Aviation Security Service established a $7.5 million reserve (International $4.5 million and Domestic $3.0 million), agreed with industry in 2007. This reserve is designed to provide financial surety to Aviation Security Service enabling it to respond immediately to any security threat, situation or adverse event for an initial 6 to 8 week period while a more considered medium to long term assessment would be conducted.

KEY FINANCIAL INDICATORS	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
	Civil Aviation Authority (CAA)				
Revenue	31,402	30,555	34,616	37,001	38,632
Output Expenses	37,255	35,453	37,165	37,352	38,728
Net surplus / (deficit)	**(5,853)**	**(4,898)**	**(2,549)**	**(351)**	**(96)**
Cash and bank balances	7,380	7,737	4,161	4,615	4,332
Net assets	8,456	9,706	7,156	6,805	6,709
Capital Expenditure	(822)	(1,981)	(1,335)	(2,240)	(2,859)
	Aviation Security Services (Avsec)				
Revenue	58,275	55,824	56,363	57,647	59,803
Output Expenses	76,546	76,652	75,982	79,345	82,990
Net surplus / (deficit)	**(18,271)**	**(20,828)**	**(19,619)**	**(21,698)**	**(23,187)**
Cash and bank balances	4,400	4,489	4,000	(4,338)	(32,198)
Net assets	40,300	37,162	17,543	(4,155)	(27,342)
Capital Expenditure	(3,309)	(4,175)	(3,932)	(30,078)	(5,480)
	Consolidated (1)				
Revenue	89,662	86,364	90,964	94,633	98,420
Output Expenses	113,786	112,090	113,132	116,682	121,703
Net surplus / (deficit)	**(24,124)**	**(25,726)**	**(22,168)**	**(22,049)**	**(23,283)**
Cash and bank balances	11,780	12,226	8,161	277	(27,866)
Net assets	48,756	46,868	24,699	2,650	(20,633)
Capital Expenditure	(4,131)	(6,156)	(5,267)	(32,318)	(8,339)

Note 1: Net of elimination related to regulatory compliance audit of Aviation Security Service under 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 work to the development and delivery of achieving an integrated, safe, responsive, and sustainable transport system.

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

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 has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Financial Reporting Standards.

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 security activities;
- Interest income;
- Crown funding through Vote Transport; and
- Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity).

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

Section 72 of the Civil Aviation Act, prevents the Authority from applying revenue from fees, levies and charges made by one part of the entity to the activities of the other part of the entity.

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 Ministry contracts

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

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 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 Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that Avsec 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 New Zealand International Financial Reporting Standards, those derivatives not designated as hedge accounting instruments are classified as held for 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 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

Service's 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.

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	Remaining life of lease	
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.

Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or capital appreciation. Property held to meet service delivery objectives is classified as property, plant and equipment.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in fair value of investment property are recognised in the surplus or deficit.

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 have been calculated on an actuarial basis by Melville Jessup Weaver consulting actuaries. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

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.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified in to the following components:

- General Funds
- Property plant and equipment revaluation reserve
- Passenger security charges and
- Other fees and charges reserves.

Property revaluation reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

Passenger security reserve

This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities.

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 the security services are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilization.

Indirect costs for the regulatory services, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Criteria for apportioning Shared Services costs

The delivery of shared services for both the safety and regulatory services and the security service was established from 7 November 2011. The costs arising in each shared services group (Corporate Services, Organisational Development and Strategy, and Legal Services) will be apportioned to the two operational arms applying an allocation methodology reflecting the underlying key business drivers. These business drivers will be reviewed on a regular basis to ensure that both regulatory services and security services bear an equitable share of the costs of providing shared services.

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.

Prospective statement of comprehensive income

For the years ending 30 June

	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
Income					
Levies revenue	23,135	22,493	23,590	24,424	25,178
Revenue from passenger security charges and other services	60,485	57,604	61,900	65,080	68,189
Crown funding revenue	2,364	2,364	2,365	2,365	2,365
Ministry contract revenue	1,676	1,612	1,337	1,337	1,337
Interest and other income	1,949	2,086	1,292	1,006	1,012
Gain/(loss) on assets	53	205	480	421	339
Total income	**89,662**	**86,364**	**90,964**	**94,633**	**98,420**
Expense					
Personnel costs	80,208	82,448	81,038	83,149	84,339
Other costs of services	26,332	23,137	24,814	24,387	25,218
Audit fees for financial statements audit	100	105	100	100	100
Finance costs	198	188	107	179	470
Depreciation and amortisation expense	6,800	6,065	6,925	8,719	11,428
Capital charge	-	-	-	-	-
Authority member costs	148	147	148	148	148
Total expenses	**113,786**	**112,090**	**113,132**	**116,682**	**121,703**
NET SURPLUS / (DEFICIT)	**(24,124)**	**(25,726)**	**(22,168)**	**(22,049)**	**(23,283)**
Other comprehensive income					
Gain on revaluation of land and buildings	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(24,124)**	**(25,726)**	**(22,168)**	**(22,049)**	**(23,283)**

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

Prospective statement of changes in equity

For the years ending 30 June

	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
Equity					
Opening balance of equity at 1 July					
General funds	28,106	28,402	23,806	21,256	20,905
Property, plant and equipment revaluation reserve	790	746	746	746	746
Passenger security charges and other fees and charges reserves [1]	43,681	43,144	22,316	2,697	(19,001)
Total opening balance of equity at 1 July	**72,577**	**72,292**	**46,868**	**24,699**	**2,650**
Total comprehensive income for the year	(24,124)	(25,726)	(22,168)	(22,049)	(23,283)
Repayment of capital	-	-	-	-	-
Capital contributions	304	304	-	-	-
Total changes in equity during the year	**(23,820)**	**(25,422)**	**(22,168)**	**(22,049)**	**(23,283)**
Closing balance of equity at 30 June					
General funds	22,556	23,806	21,256	20,905	20,809
Property, plant and equipment revaluation reserve	790	746	746	746	746
Passenger security charges and other fees and charges reserves	25,410	22,316	2,697	(19,001)	(42,188)
Total closing balance of equity at 30 June	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**

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.

Prospective statement of financial position

For the years ending 30 June

	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
CURRENT ASSETS					
Cash and cash equivalents	11,780	12,226	8,161	277	(27,866)
Debtors and other receivables	8,375	7,754	8,292	8,557	8,936
Inventories including services work in progress	383	499	499	499	499
Investments - term deposits	33,250	33,000	13,323	-	-
TOTAL CURRENT ASSETS	**53,788**	**53,479**	**30,275**	**9,333**	**(18,431)**
NON-CURRENT ASSETS					
Property, plant and equipment	18,800	18,472	16,428	38,736	39,025
Intangible assets	2,753	3,585	3,975	5,268	6,738
Investment Property	-	310	310	310	310
TOTAL NON-CURRENT ASSETS	**21,553**	**22,367**	**20,713**	**44,314**	**46,073**
TOTAL ASSETS	**75,341**	**75,846**	**50,988**	**53,647**	**27,642**
CURRENT LIABILITIES					
Creditors and other payables	6,293	5,860	5,096	5,448	5,468
Employee entitlements	9,873	11,004	11,626	13,130	12,393
Provisions	-	71	71	71	71
Borrowings	1,585	1,935	1,087	5,322	5,322
TOTAL CURRENT LIABILITIES	**17,751**	**18,870**	**17,880**	**23,971**	**23,254**
NON-CURRENT LIABILITIES					
Employee entitlements	4,545	4,233	4,578	3,695	5,526
Provisions	233	233	233	233	233
Borrowings	4,056	5,642	3,598	23,098	19,262
TOTAL NON-CURRENT LIABILITIES	**8,834**	**10,108**	**8,409**	**27,026**	**25,021**
TOTAL LIABILITIES	**26,585**	**28,978**	**26,289**	**50,997**	**48,275**
NET ASSETS	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**
EQUITY					
General funds	22,556	23,806	21,256	20,905	20,809
Property, plant and equipment revaluation reserve	790	746	746	746	746
Passenger security charges and other fees and charges reserves	25,410	22,316	2,697	(19,001)	(42,188)
TOTAL EQUITY	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**

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

Prospective statement of cash flows

For the years ending 30 June

	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from levies	26,593	26,032	27,094	28,061	28,931
Receipts from Passenger security charges and other services	61,719	59,437	62,462	66,194	69,391
Receipts from Crown funding and Ministry contracts	4,586	4,523	4,417	4,417	4,417
Interest and other income	1,970	2,346	1,125	846	781
Total	**94,868**	**92,338**	**95,098**	**99,518**	**103,520**
Cash was applied to:					
Payments to employees	(74,986)	(75,077)	(78,014)	(80,399)	(81,183)
Payments to suppliers	(32,871)	(30,674)	(29,248)	(28,487)	(29,597)
Interest paid	(198)	(462)	(353)	(397)	(661)
Payments of capital charge to the Crown	-	-	-	-	-
Goods and Services Tax (net)	(2,256)	(2,130)	(3,040)	(3,547)	(3,698)
Total	**(110,311)**	**(108,343)**	**(110,655)**	**(112,830)**	**(115,139)**
Net Cash Flows from Operating Activities	**(15,443)**	**(16,005)**	**(15,557)**	**(13,312)**	**(11,619)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Maturity of investments	10,500	-	19,677	13,323	-
Sale of property, plant and equipment	53	205	480	421	339
Total	**10,553**	**205**	**20,157**	**13,744**	**339**
Cash was applied to:					
Placement of investments		(4,000)			
Purchase of property, plant and equipment	(3,890)	(4,199)	(5,595)	(32,130)	(13,104)
Purchase of intangible assets	(248)	(851)	(180)	(120)	(120)
Total	**(4,138)**	**(9,050)**	**(5,775)**	**(32,250)**	**(13,224)**
Net Cash Flows from Investing Activities	**6,415**	**(8,845)**	**14,382**	**(18,506)**	**(12,885)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Capital contributions from the Crown	304	304	-	-	-
Proceeds from external borrowings	-	-	-	24,532	1,980
Total	**304**	**304**	**-**	**24,532**	**1,980**
Cash was applied to:					
Repayment of capital to the Crown	-	-	-	-	-
Repayment of external borrowings	(1,935)	(400)	(2,890)	(598)	(5,619)
Total	**(1,935)**	**(400)**	**(2,890)**	**(598)**	**(5,619)**
Net Cash Flows from Financing Activities	**(1,631)**	**(96)**	**(2,890)**	**23,934**	**(3,639)**
Net increase/(decrease) in cash and cash equivalents	**(10,659)**	**(24,946)**	**(4,065)**	**(7,884)**	**(28,143)**
Opening cash and cash equivalents at 1 July	22,439	37,172	12,226	8,161	277
Closing cash and cash equivalents at 30 June	**11,780**	**12,226**	**8,161**	**277**	**(27,866)**

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

ADDITIONAL PROSPECTIVE FINANCIAL INFORMATION

Prospective statement of comprehensive income

For the years ending 30 June

	Civil Aviation Authority					Aviation Security Service					Combined				
	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
Income															
Levies revenue	23,135	22,493	23,590	24,424	25,178	-	-	-	-	-	23,135	22,493	23,590	24,424	25,178
Revenue from passenger security charges and other services	4,192	3,986	7,168	8,740	9,611	56,308	53,633	54,747	56,355	58,593	60,485	57,604	61,900	65,080	68,189
Crown funding revenue	2,219	2,219	2,220	2,220	2,220	145	145	145	145	145	2,364	2,364	2,365	2,365	2,365
Ministry contract revenue	1,418	1,418	1,200	1,200	1,200	258	194	137	137	137	1,676	1,612	1,337	1,337	1,337
Interest and other income	438	439	438	417	423	1,511	1,647	854	589	589	1,949	2,086	1,292	1,006	1,012
Gain/(loss) on assets	-	-	-	-	-	53	205	480	421	339	53	205	480	421	339
Total income	**31,402**	**30,555**	**34,616**	**37,001**	**38,632**	**58,275**	**55,824**	**56,363**	**57,647**	**59,803**	**89,662**	**86,364**	**90,964**	**94,633**	**98,420**
Expense															
Personnel costs	20,858	21,109	22,375	22,693	23,082	59,350	61,339	58,663	60,456	61,257	80,208	82,448	81,038	83,149	84,339
Other costs of services	15,112	13,084	13,094	12,805	13,486	11,235	10,068	11,735	11,597	11,747	26,332	23,137	24,814	24,387	25,218
Audit fees for financial statements audit	50	55	100	100	100	50	50	-	-	-	100	105	100	100	100
Finance costs	-	-	-	-	-	198	188	107	179	470	198	188	107	179	470
Depreciation and amortisation expense	1,137	1,107	1,448	1,606	1,912	5,663	4,958	5,477	7,113	9,516	6,800	6,065	6,925	8,719	11,428
Capital charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Authority member costs	98	98	148	148	148	50	49	-	-	-	148	147	148	148	148
Total expenses	**37,255**	**35,453**	**37,165**	**37,352**	**38,728**	**76,546**	**76,652**	**75,982**	**79,345**	**82,990**	**113,786**	**112,090**	**113,132**	**116,682**	**121,703**
NET SURPLUS / (DEFICIT)	**(5,853)**	**(4,898)**	**(2,549)**	**(351)**	**(96)**	**(18,271)**	**(20,828)**	**(19,619)**	**(21,698)**	**(23,187)**	**(24,124)**	**(25,726)**	**(22,168)**	**(22,049)**	**(23,283)**
Other comprehensive income															
Gain on revaluation of land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(5,853)**	**(4,898)**	**(2,549)**	**(351)**	**(96)**	**(18,271)**	**(20,828)**	**(19,619)**	**(21,698)**	**(23,187)**	**(24,124)**	**(25,726)**	**(22,168)**	**(22,049)**	**(23,283)**

Note 1: The projected operating deficits shown for aviation security service delivery are a direct result of government's decisions to reduce accumulated surpluses by 2012/13 by reducing the Passenger Security Charges. The continuing operating deficits demonstrate the need to review the level of Passenger Security Charges during 2012/13.
Note 2: The consolidation is net of the elimination of the cost of CAA compliance audit of Avsec under part 140 and 141 of the Civil Aviation Act 1990.
The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of changes in equity

For the years ending 30 June

	Civil Aviation Authority					Aviation Security Service					Combined				
	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
EQUITY															
Opening balance of equity at 1 July															
General funds	14,309	14,605	9,706	7,156	6,805	13,797	13,797	14,100	14,100	14,100	28,106	28,402	23,806	21,256	20,905
Property, plant and equipment revaluation reserve	-	-	-	-	-	790	746	746	746	746	790	746	746	746	746
Passenger security charges and other fees and charges reserves [1]	-	-	-	-	-	43,681	43,144	22,316	2,697	(19,001)	43,681	43,144	22,316	2,697	(19,001)
Total opening balance of equity at 1 July	**14,309**	**14,605**	**9,706**	**7,156**	**6,805**	**58,268**	**57,687**	**37,162**	**17,543**	**(4,155)**	**72,577**	**72,292**	**46,868**	**24,699**	**2,650**
Total comprehensive income for the year	(5,853)	(4,898)	(2,550)	(351)	(96)	(18,271)	(20,828)	(19,619)	(21,698)	(23,187)	(24,124)	(25,726)	(22,168)	(22,049)	(23,283)
Repayment of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	304	304	-	-	-	304	304	-	-	-
Capital transfers [2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in equity during the year	**(5,853)**	**(4,898)**	**(2,550)**	**(351)**	**(96)**	**(17,967)**	**(20,524)**	**(19,619)**	**(21,698)**	**(23,187)**	**(23,820)**	**(25,422)**	**(22,168)**	**(22,049)**	**(23,283)**
Closing balance of taxpayers' equity at 30 June															
General funds	8,456	9,706	7,156	6,805	6,709	14,100	14,100	14,100	14,100	14,100	22,556	23,806	21,256	20,905	20,809
Property, plant and equipment revaluation reserve	-	-	-	-	-	790	746	746	746	746	790	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	-	-	25,410	22,316	2,697	(19,001)	(42,188)	25,410	22,316	2,697	(19,001)	(42,188)
Total closing balance of taxpayers' equity at 30 June	**8,456**	**9,706**	**7,156**	**6,805**	**6,709**	**40,300**	**37,162**	**17,543**	**(4,155)**	**(27,342)**	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**

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

Prospective statement of financial position

For the years ending 30 June

	Civil Aviation Authority					Aviation Security Service					Combined				
	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
CURRENT ASSETS															
Cash and cash equivalents	7,380	7,737	4,161	4,615	4,332	4,400	4,489	4,000	(4,338)	(32,198)	11,780	12,226	8,161	277	(27,866)
Debtors and other receivables	2,748	2,678	2,861	3,031	3,176	5,627	5,076	5,431	5,526	5,760	8,375	7,754	8,292	8,557	8,936
Inventories including services work in progress	278	394	394	394	394	105	105	105	105	105	383	499	499	499	499
Investments - term deposits	-	-	-	-	-	33,250	33,000	13,323	-	-	33,250	33,000	13,323	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	**10,406**	**10,809**	**7,416**	**8,040**	**7,902**	**43,382**	**42,670**	**22,859**	**1,293**	**(26,333)**	**53,788**	**53,479**	**30,275**	**9,333**	**(18,431)**
NON-CURRENT ASSETS															
Property, plant and equipment	5,290	5,923	4,960	3,837	2,877	13,510	12,549	11,468	34,899	36,148	18,800	18,472	16,428	38,736	39,025
Intangible assets	1,545	1,888	2,738	4,494	6,403	1,208	1,697	1,237	774	335	2,753	3,585	3,975	5,268	6,738
Investment Property							310	310	310	310	-	310	310	310	310
TOTAL NON-CURRENT ASSETS	**6,835**	**7,811**	**7,698**	**8,331**	**9,280**	**14,718**	**14,556**	**13,015**	**35,983**	**36,793**	**21,553**	**22,367**	**20,713**	**44,314**	**46,073**
TOTAL ASSETS	**17,241**	**18,620**	**15,114**	**16,371**	**17,182**	**58,100**	**57,226**	**35,874**	**37,276**	**10,460**	**75,341**	**75,846**	**50,988**	**53,647**	**27,642**
CURRENT LIABILITIES															
Creditors and other payables	3,384	2,714	2,068	2,381	2,744	2,909	3,146	3,028	3,067	2,724	6,293	5,860	5,096	5,448	5,468
Employee entitlements	1,585	1,876	1,966	2,077	1,635	8,288	9,128	9,660	11,053	10,758	9,873	11,004	11,626	13,130	12,393
Provisions	-	71	71	71	71	-	-	-	-	-	-	71	71	71	71
Borrowings	-	400	400	400	400	1,585	1,535	687	4,922	4,922	1,585	1,935	1,087	5,322	5,322
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**4,969**	**5,061**	**4,505**	**4,929**	**4,850**	**12,782**	**13,809**	**13,375**	**19,042**	**18,404**	**17,751**	**18,870**	**17,880**	**23,971**	**23,254**
NON-CURRENT LIABILITIES															
Employee entitlements	476	513	513	513	513	4,069	3,720	4,065	3,182	5,013	4,545	4,233	4,578	3,695	5,526
Provisions	-	-	-	-	-	233	233	233	233	233	233	233	233	233	233
Borrowings	3,340	3,340	2,940	4,124	5,110	716	2,302	658	18,974	14,152	4,056	5,642	3,598	23,098	19,262
TOTAL NON-CURRENT LIABILITIES	**3,816**	**3,853**	**3,453**	**4,637**	**5,623**	**5,018**	**6,255**	**4,956**	**22,389**	**19,398**	**8,834**	**10,108**	**8,409**	**27,026**	**25,021**
TOTAL LIABILITIES	**8,785**	**8,914**	**7,958**	**9,566**	**10,473**	**17,800**	**20,064**	**18,331**	**41,431**	**37,802**	**26,585**	**28,978**	**26,289**	**50,997**	**48,275**
NET ASSETS	**8,456**	**9,706**	**7,156**	**6,805**	**6,709**	**40,300**	**37,162**	**17,543**	**(4,155)**	**(27,342)**	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**
EQUITY															
General funds	8,456	9,706	7,156	6,805	6,709	14,100	14,100	14,100	14,100	14,100	22,556	23,806	21,256	20,905	20,809
Property, plant and equipment revaluation reserve	-	-	-	-	-	790	746	746	746	746	790	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	-	-	25,410	22,316	2,697	(19,001)	(42,188)	25,410	22,316	2,697	(19,001)	(42,188)
TOTAL EQUITY	**8,456**	**9,706**	**7,156**	**6,805**	**6,709**	**40,300**	**37,162**	**17,543**	**(4,155)**	**(27,342)**	**48,756**	**46,868**	**24,699**	**2,650**	**(20,633)**

Prospective statement of cash flows

For the years ending 30 June

	Civil Aviation Authority					Aviation Security Service					Combined				
	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000	2012 Budget $000	2012 Forecast $000	2013 Budget $000	2014 Forecast $000	2015 Forecast $000
CASH FLOWS FROM OPERATING ACTIVITIES															
Cash was provided from:															
Receipts from levies	26,593	26,032	27,094	28,061	28,931	-	-	-	-	-	26,593	26,032	27,094	28,061	28,931
Receipts from Passenger security charges and other services	4,830	4,495	8,143	9,954	10,978	56,889	54,942	54,319	56,240	58,413	61,719	59,437	62,462	66,194	69,391
Receipts from Crown funding and Ministry contracts	4,183	4,184	4,135	4,135	4,135	403	339	282	282	282	4,586	4,523	4,417	4,417	4,417
Interest and other income	375	379	224	204	211	1,595	1,967	901	642	570	1,970	2,346	1,125	846	781
Total	**35,981**	**35,090**	**39,596**	**42,354**	**44,255**	**58,887**	**57,248**	**55,502**	**57,164**	**59,265**	**94,868**	**92,338**	**95,098**	**99,518**	**103,520**
Cash was applied to:															
Payments to employees	(19,414)	(18,421)	(22,010)	(22,294)	(23,223)	(55,572)	(56,656)	(56,004)	(58,105)	(57,960)	(74,986)	(75,077)	(78,014)	(80,399)	(81,183)
Payments to suppliers	(18,367)	(17,306)	(15,603)	(15,069)	(15,714)	(14,504)	(13,368)	(13,645)	(13,418)	(13,883)	(32,871)	(30,674)	(29,248)	(28,487)	(29,597)
Interest paid	-	(274)	(246)	(218)	(191)	(198)	(188)	(107)	(179)	(470)	(198)	(462)	(353)	(397)	(661)
Payments of capital charge to the Crown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goods and Services Tax (net) [1]	(2,211)	(2,288)	(3,073)	(3,532)	(3,695)	(45)	158	33	(15)	(3)	(2,256)	(2,130)	(3,040)	(3,547)	(3,698)
Total	**(39,992)**	**(38,289)**	**(40,932)**	**(41,113)**	**(42,823)**	**(70,319)**	**(70,054)**	**(69,723)**	**(71,717)**	**(72,316)**	**(110,311)**	**(108,343)**	**(110,655)**	**(112,830)**	**(115,139)**
Net Cash Flows from Operating Activities	**(4,011)**	**(3,199)**	**(1,336)**	**1,241**	**1,432**	**(11,432)**	**(12,806)**	**(14,221)**	**(14,553)**	**(13,051)**	**(15,443)**	**(16,005)**	**(15,557)**	**(13,312)**	**(11,619)**
CASH FLOWS FROM INVESTING ACTIVITIES															
Cash was provided from:															
Maturity of investments	-	-	-	-	-	10,500	-	19,677	13,323	-	10,500	-	19,677	13,323	-
Sale of property, plant and equipment	-	-	-	-	-	53	205	480	421	339	53	205	480	421	339
Total	**-**	**-**	**-**	**-**	**-**	**10,553**	**205**	**20,157**	**13,744**	**339**	**10,553**	**205**	**20,157**	**13,744**	**339**
Cash was applied to:															
Placement of investments	-	-	-	-	-	-	(4,000)	-	-	-	-	(4,000)	-	-	-
Purchase of property, plant and equipment	(862)	(1,455)	(1,840)	(2,169)	(2,899)	(3,028)	(2,744)	(3,755)	(29,961)	(10,205)	(3,890)	(4,199)	(5,595)	(32,130)	(13,104)
Purchase of intangible assets	-	-	-	-	-	(248)	(851)	(180)	(120)	(120)	(248)	(851)	(180)	(120)	(120)
Total	**(862)**	**(1,455)**	**(1,840)**	**(2,169)**	**(2,899)**	**(3,276)**	**(7,595)**	**(3,935)**	**(30,081)**	**(10,325)**	**(4,138)**	**(9,050)**	**(5,775)**	**(32,250)**	**(13,224)**
Net Cash Flows from Investing Activities	**(862)**	**(1,455)**	**(1,840)**	**(2,169)**	**(2,899)**	**7,277**	**(7,390)**	**16,222**	**(16,337)**	**(9,986)**	**6,415**	**(8,845)**	**14,382**	**(18,506)**	**(12,885)**
CASH FLOWS FROM FINANCING ACTIVITIES															
Cash was provided from:															
Capital contributions from the Crown	-	-	-	-	-	304	304	-	-	-	304	304	-	-	-
Return of investment capital	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from external borrowings	-		-	1,980	1,980	-	-	-	22,552	-	-	-	-	24,532	1,980
Total	**-**	**-**	**-**	**1,980**	**1,980**	**304**	**304**	**-**	**22,552**	**-**	**304**	**304**	**-**	**24,532**	**1,980**
Cash was applied to:															
Repayment of capital to the Crown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of external borrowings	(400)	(400)	(400)	(598)	(796)	(1,535)	-	(2,490)	-	(4,823)	(1,935)	(400)	(2,890)	(598)	(5,619)
Total	**(400)**	**(400)**	**(400)**	**(598)**	**(796)**	**(1,535)**	**-**	**(2,490)**	**-**	**(4,823)**	**(1,935)**	**(400)**	**(2,890)**	**(598)**	**(5,619)**
Net Cash Flows from Financing Activities	**(400)**	**(400)**	**(400)**	**1,382**	**1,184**	**(1,231)**	**304**	**(2,490)**	**22,552**	**(4,823)**	**(1,631)**	**(96)**	**(2,890)**	**23,934**	**(3,639)**
Net increase/(decrease) in cash and cash equivalents	**(5,273)**	**(5,054)**	**(3,576)**	**454**	**(283)**	**(5,386)**	**(19,892)**	**(489)**	**(8,338)**	**(27,860)**	**(10,659)**	**(24,946)**	**(4,065)**	**(7,884)**	**(28,143)**
Opening cash and cash equivalents at 1 July	12,653	12,791	7,737	4,161	4,615	9,786	24,381	4,489	4,000	(4,338)	22,439	37,172	12,226	8,161	277
Closing cash and cash equivalents at 30 June	**7,380**	**7,737**	**4,161**	**4,615**	**4,332**	**4,400**	**4,489**	**4,000**	**(4,338)**	**(32,198)**	**11,780**	**12,226**	**8,161**	**277**	**(27,866)**

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

Prospective Reconciliation of Equity: Regulatory Services

For the years ending 30 June

Fixed Fees Reserve GST Exclusive	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Safety:			
Revenue	2,893	3,532	3,532
Expenditure	(3,874)	(3,919)	(4,060)
Transfer from General Funds	981	387	528
Net surplus / (deficit)	**-**	**-**	**-**
Opening balance at 1 July	-	-	-
Closing balance at 30 June	**-**	**-**	**-**

Hourly Charges Reserve GST Exclusive	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Safety:			
Revenue	4,277	5,211	6,082
Expenditure	(10,468)	(10,612)	(11,007)
Transfer from General Funds	6,191	5,401	4,925
Net surplus / (deficit)	**-**	**-**	**-**
Opening balance at 1 July	-	-	-
Closing balance at 30 June	**-**	**-**	**-**

Reserves - Other (Vote Transport & MOT Contract) GST Exclusive	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Safety:			
Revenue	3,420	3,420	3,420
Expenditure	(4,694)	(4,753)	(4,944)
Transfer from General Funds	1,274	1,333	1,524
Net surplus / (deficit)	**-**	**-**	**-**
Opening balance at 1 July	-	-	-
Closing balance at 30 June	**-**	**-**	**-**

General Funds GST Exclusive	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Safety:			
Passenger & Participation Levies	23,591	24,424	25,178
Other Revenue	438	417	423
Expenditure	(18,133)	(18,071)	(18,720)
Transfer to Fixed Fee reserve	(981)	(387)	(528)
Transfer to Hourly Charges reserve	(6,191)	(5,401)	(4,925)
Transfer to Other reserves	(1,274)	(1,333)	(1,524)
Net surplus / (deficit)	**(2,550)**	**(351)**	**(96)**
Opening balance at 1 July	9,706	7,156	6,805
Closing balance at 30 June	**7,156**	**6,805**	**6,709**

Total Equity	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Safety:			
Revenue	**34,616**	**37,001**	**38,632**
Expenditure	**(37,166)**	**(37,352)**	**(38,728)**
Net surplus / (deficit)	**(2,550)**	**(351)**	**(96)**
Opening balance at 1 July	**9,706**	**7,156**	**6,805**
Closing balance at 30 June	**7,156**	**6,805**	**6,709**

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

Prospective Reconciliation of Equity: Aviation Security Services

For the years ending 30 June

International Passenger Security Charge Reserve GST Exclusive	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue	33,295	32,490	33,162	33,959	35,168
Expenditure	(48,167)	(48,481)	(48,754)	(51,683)	(54,820)
Net surplus / (deficit)	**(14,872)**	**(15,991)**	**(15,592)**	**(17,724)**	**(19,652)**
Opening balance at 1 July	35,394	34,582	18,591	2,999	(14,725)
Closing balance at 30 June	**20,522**	**18,591**	**2,999**	**(14,725)**	**(34,377)**

Domestic Passenger Security Charge Reserve GST Exclusive	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue	19,440	18,262	18,744	19,456	20,322
Expenditure	(23,347)	(23,119)	(22,723)	(23,352)	(23,826)
Net surplus / (deficit)	**(3,907)**	**(4,857)**	**(3,979)**	**(3,896)**	**(3,504)**
Opening balance at 1 July	9,596	9,373	4,516	537	(3,359)
Closing balance at 30 June	**5,689**	**4,516**	**537**	**(3,359)**	**(6,863)**

Other Fees and Charges Reserve GST Exclusive	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue	3,975	3,179	3,084	3,153	3,219
Expenditure	(3,467)	(3,159)	(3,132)	(3,231)	(3,250)
Net surplus / (deficit)	**508**	**20**	**(48)**	**(78)**	**(31)**
Opening balance at 1 July	(1,309)	(811)	(791)	(839)	(917)
Closing balance at 30 June	**(801)**	**(791)**	**(839)**	**(917)**	**(948)**

Total Passenger Security charges and other fees and charges reserves GST Exclusive	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue	**56,710**	**53,931**	**54,990**	**56,568**	**58,709**
Expenditure	**(74,981)**	**(74,759)**	**(74,609)**	**(78,266)**	**(81,896)**
Net surplus / (deficit)	**(18,271)**	**(20,828)**	**(19,619)**	**(21,698)**	**(23,187)**
Opening balance at 1 July	**43,681**	**43,144**	**22,316**	**2,697**	**(19,001)**
Closing balance at 30 June	**25,410**	**22,316**	**2,697**	**(19,001)**	**(42,188)**

Property, plant and equipment revaluation reserve	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue					
Expenditure					
Net surplus / (deficit)	**-**	**-**	**-**	**-**	**-**
Opening balance at 1 July	**790**	**746**	**746**	**746**	**746**
Closing balance at 30 June	**790**	**746**	**746**	**746**	**746**

General Funds	2011/12 Budget $000	2011/12 Forecast $000	2012/13 Budget $000	2013/14 Forecast $000	2014/15 Forecast $000
Aviation Security:					
Revenue					
Expenditure					
Net surplus / (deficit)	**-**	**-**	**-**	**-**	**-**
Opening balance at 1 July	**14,100**	**14,100**	**14,100**	**14,100**	**14,100**
Closing balance at 30 June	**14,100**	**14,100**	**14,100**	**14,100**	**14,100**

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

FORECAST SERVICE PERFORMANCE

Output Class One: System Design, and Evaluation

Description

Output Class 1 covers: coordination of New Zealand's response to the International Civil Aviation Organisation, development and administration of bilateral agreements with the civil aviation safety regulatory authorities of other countries, Ministerial servicing, provision of policy advice to Government, design and implementation of interventions in the civil aviation system, development of Civil Aviation Rules, aviation security matters, and working with Pacific Island States to safety and security objectives.

Output Class One: System Design, and Evaluation				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
Aviation System Policy				
1.1 International Relations and Obligations				
Quantity: — **Timeliness:** • 100% **Quality:** • 100%	Enables the Authority to be fully engaged in the international aviation sector policy process by enabling, managing and influencing: • New Zealand's obligations under the Convention on International Civil Aviation • International policy and expectations of the International Civil Aviation Organisation, Federal Aviation Administration (USA), Civil Aviation Safety Authority (Australia), Transportation Security Administration (USA), the Office of Transport Security (Australia, and other civil aviation regulators with whom New Zealand transacts; and • Connection with non-regulatory international 'players' in aviation, including monitoring International trends/ requirements.	Measure: Number of reports and responses. Target: Demand driven and provided as required	Measure: Percentage of advice and representation to the International Civil Aviation Organization completed by due date. Target: 100%	Measure: Percentage of advice and representation to the International Civil Aviation Organization that meets the priorities and goals of the Government and the Authority. Target: 100%
1.2 Government Support				
Quantity: • 6 2 • 35 • 42 • 1 **Timeliness:** • 100% **Quality:** • 100%	Enables the Authority to be fully engaged in the aviation sector policy process by: • Managing the relationship with the Minister and the Minister's office, and the Ministry of Transport; • Ensuring accountability mechanisms are in place and carried out; • Providing briefings and reports to the Minister on sector and Authority activity and issues; • Participation in the Civil Defence National Emergency Plan, Transport Sector Cluster meetings, etc.	Measure: Number of responses and reports provided. Demand-driven – estimated ranges: Target: • 50-70 reports and briefings to the Minister of Transport and other Ministers [7] • 20-50 responses to Ministerial correspondence • 15-40 responses to Parliamentary Questions. • 4-6 reports and responses to Select Committees.	Measure: Percentage of on-time submission of responses and reports at due dates Target: 100%	Measure: Percentage of briefings, responses or reports to ministerial correspondence and Parliamentary Questions acceptable to the Minister and advisers (annual survey). Target: 100%

7 Includes Statement of Intent, Quarterly Reports and Annual Report

Output Class One: System Design, and Evaluation				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
1.3 Policy Advice				
New Output in 2012/13	Enables the Authority to be fully engaged in aviation sector policy by: • Monitoring government policy; • Analysis and formulation of advice to Ministers with respect to international and domestic issues; • Provide robust advice to Government regarding the administration of the civil aviation system in New Zealand (including both aviation safety and aviation security matters), and on other matters impinging on aviation safety (e.g. changes to labour law)	Measure: Number of reports, briefings and responses provided to the Minister of Transport Target: 90-185	Measure: Percentage of on-time submission of responses and reports at due dates Target: 100%	Measure: Percentage of policy reports, briefings, and responses provided to the Minister of Transport that meet the Minister's expectations (annual survey). Target: 100%

System Level Design and Intervention

1.4 System Intervention Design and Development				
New Output in 2012/13	The Authority has in place various aviation system interventions that are fit for purpose, fair, as light-handed as reasonable, and enforceable when necessary; by: • Initiation, analysis, development, and evaluation of appropriate interventions; • Stakeholder engagement and management in relation to initiation and development; • Design and implementation planning; • Project management of intervention design process The Authority distinguishes this activity from Government "policy" advice and "rule making".	Measure: Number of reports and responses. Target: Demand driven and provided as required	Measure: Percentage of on-time submission reports, plans and intervention briefs at due dates Target: 100%	Measure: Percentage reports, plans and intervention briefs acceptable to the recipients. Target: 100%
1.5 Rules and Standards Development				
Quantity: • 88% **Timeliness:** • 100% **Quality:** • 100%	The Authority designs, develops and plans implementation of actions and interventions to improve aviation safety and security. Rules Development is carried out on behalf of the Ministry of Transport. The Authority develops a rule set that is fit for purpose, fair, as light-handed as reasonable, and enforceable when necessary, by ensuring: • Aviation Rules in New Zealand are internationally compliant, or differences are clear; • Development of Regulatory Impact Statements and Notices of Proposed Rule Making; • Delivery of new rules; • Reviews and updates of existing rules	Measure: Number of Rules under development agreed between the Authority and the Ministry of Transport. Target: 6-10 Measure: Number of Rules completed agreed between the Authority and the Ministry of Transport. Target: 3-5	Measure: Percentage of rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness requirements. Target: 100% Measure: Percentage of rules provided to the Ministry of Transport that are completed on time. Target 100%	Measure: Percentage of rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting quality requirements. Target: 100%

Output Class One: System Design, and Evaluation

2011/12 Estimated Actuals	Outputs	Performance Standards 2012/13 Performance standards shown may not relate directly to measures used in previous years		
		Quantity	Timeliness	Quality
1.6 Pacific Support				
Quantity: • 2 **Timeliness:** • 100% **Quality:** • 100%	The Authority seeks to improve the standards of aviation safety and security among Pacific Island states because: • Their capability and capacity to meet international regulatory requirements is low, and they seek assistance from New Zealand; • New Zealanders fly to/from the Pacific and many New Zealanders are resident in the Pacific; • New Zealand promotes and supports a regional solution to the region's aviation regulatory problems as a Council member of the Pacific Aviation Safety Office	Measure: Attendance at Pacific Aviation Safety Office Council meetings. Provided as required. Target: 2 per year.	Measure: Percentage completed within agreed or required period. Target: 100%.	Measure: Percentage of participation is consistent with the priorities and goals of the government and the Civil Aviation Authority Target: 100%, and delivery of safety and security is closer to standards defined by International Civil Aviation Organization Standards and Recommended Practices.

COST TO DELIVER OUTPUT CLASS 1: System Design and Evaluation	For the years ended/ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Crown Funding (Vote Transport: Policy Advice)			1,780	1,780	1,780
Ministry of Transport Contract Revenue (rules development)			1,200	1,200	1,200
Levies			881	1,016	1,195
Other Income			206	204	206
TOTAL OUTPUT REVENUE			4,067	4,200	4,381
TOTAL OUTPUT EXPENSES			(4,162)	(4,214)	(4,385)
NET SURPLUS/(DEFICIT)			(95)	(14)	(4)

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent. Comparative figures for 2011/12 are shown in a table at the end of this section.

Output Class Two: Outreach

Description

Output Class 2 covers promotion of safety and security; promotion of health and safety in employment in the civil aviation sector; and fostering safety and security programmes, including public awareness on transport of dangerous goods by air.

Output Class Two: Outreach				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
2.1 Safety Promotion and Industry Liaison				
Quantity: • 6 reports • 17 publications **Timeliness:** • 100% **Quality:** • 100%	Participants are better informed about: • Risks and failures, and the ways in which to address them; • Causes of accidents/incidents and their prevention; • Rules and their prerogatives under them; • Conditions for entry, continued participation, and exit are clear for those seeking entry and participants; • Specific information about the civil aviation system, changes to the system, conditions, and prerogatives of/limitations on participants; and • Specific information regarding health and safety in employment in the aviation sector.	Measure: Number of safety summary reports, and aviation safety reports, and other publications released Target: • 4 safety summary reports and 2 aviation safety reports are released. • 12-18 other publications • Other activities (on demand).	Measure: Percentage of publications issued on time: Target: • 4 safety summary reports within 40 days of quarter end and 2 aviation safety reports within 6 months of period end. • 95% of other publications issued on-time.	Measure: Percentage of errata published (to determine accuracy of information). Target: • All publications issued without any errata. • 95% of survey respondents rated the publication surveyed to meet its intended impact
2.2 Education Programmes (seminars, workshops and courses)				
Quantity: • 23 units **Timeliness:** • 100% **Quality:** • 100%	Participants are: • Equipped to fulfil a particular role within the civil aviation system; • Better targeted as to content, skills transfer; • More aware and knowledgeable and hence able to make wiser choices.	Measure: Number of units delivered Target: 20-30	Measure: Percentage of activity delivered on schedule. Target: 95%	Measure: Percentage of survey respondents state that activities have intended impact upon target audience. Target: 100%

COST TO DELIVER OUTPUT CLASS 2: Outreach	For the years ended/ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Levies			1,750	1,880	1,945
Fees and charges			177	253	295
Other Income			15	14	14
TOTAL OUTPUT REVENUE			1,942	2,147	2,254
TOTAL OUTPUT EXPENSES			(2,131)	(2,174)	(2,262)
NET SURPLUS/(DEFICIT)			(189)	(27)	(8)

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent. Comparative figures for 2011/12 are shown in a table at the end of this section.

Output Class Three: Certification & Licensing

Description

Output Class 3 covers the 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 and the 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.

Output Class Three: Certification & Licensing				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
3.1 Certification				
Quantity: • 1250 Organisation • 782 Aircraft • 47 Service Provider **Timeliness:** • 9 5 % • N/A **Quality:** • 100%	Certification: • Ensures that organisations entering the civil aviation system have the requisite knowledge, skill and attributes for entry; i.e. they meet the defined standards of being a 'fit and proper person' • Ensures that aircraft and equipment entering the civil aviation system meet the requisite defined standards for approval • Ensures that people and organisations within the civil aviation system maintain the requisite knowledge, skill and attributes for continued membership; i.e. they continue to meet the defined standards of being a 'fit and proper person' • Make specified changes to the status of organisations, aircraft and equipment within the civil aviation system	Measure: Number of certifications carried out. Demand driven Target: • Organisation 1200-1500 • Aircraft 930-1130 • Service provider 35-45)	Measure: From acceptance of fully compliant documentation, the percentage of certification that will occur for renewals, and for new certification (assessed 6 monthly). Target: • 100% of renewals completed within 60 working days, • 100% of new certifications within 90 working days.	Measure: Percentage of certifications where Authority staff follow policy and procedures, as demonstrated by a sample of 5% of events. (assessed 6 monthly) Target: • 100%
3.2 Licensing				
Quantity: • **5,890** **Timeliness:** • 100% **Quality:** • 100%	Licensing: • Ensures that persons entering the civil aviation system have the requisite knowledge, skill and attributes for entry; i.e. they meet the defined standards of being a 'fit and proper person' • Ensures that people within the civil aviation system maintain the requisite knowledge, skill and attributes for continued membership; i.e. they continue to meet the defined standards of being a 'fit and proper person' • Make specified changes to the status of persons within the civil aviation system	Measure: Number of licensing procedures carried out. Demand driven: Target: Estimate: 5,000-7,000	Measure: Percentage of, from acceptance of fully compliant documentation, personnel licensing and certifications completed within timeframe (assessed 6 monthly) Target: • 95% completed within 10 working days. • 100% completed within 15 days	Measure: Percentage of licensing procedures where Authority staff follow policy and procedures, as demonstrated by a sample of 2% of events.(assessed 6 monthly) Target: 100%

COST TO DELIVER OUTPUT CLASS 3: CERTIFICATION AND LICENSING	For the years ended/ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Levies			10,714	11,087	11,332
Fees and charges			4,840	5,670	6,129
Other Income			119	109	111
TOTAL OUTPUT REVENUE			15,673	16,866	17,572
TOTAL OUTPUT EXPENSES			(16,831)	(17,026)	(17,616)
NET SURPLUS/(DEFICIT)			(1,158)	(160)	(44)

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent. Comparative figures for 2011/12 are shown in a table at the end of this section.

Output Class Four: Surveillance and Investigation

Description

Output Class 4 covers the monitoring of adherence to safety and security standards by participants in the civil aviation system, including carrying out inspections and audits, the development and review of New Zealand airworthiness directives, the management of inspections and audits under the Health and Safety in Employment Act 1992, , the recording of complaints of alleged or suspected offences, the investigation of allegations of breaches to the Civil Aviation Act 1990; and initiating and taking appropriate action to rectify breaches.

Output Class Four: Surveillance and Investigation				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
4.1 Surveillance (incl. Audits and Inspections)				
Quantity: • 789 • 7 **Timeliness:** • 98% **Quality:** • 93%	Surveillance provides: • data/information for safety analysis • the basis for carrying out participant and equipment risk assessments • an assurance that participants are (or awareness that they are not) meeting the defined standards for behaviour, knowledge or skill • opportunity for participants to willingly comply in areas of non-compliance • a basis for the Authority to apply either various intervention(s) to ensure compliance or exit from the civil aviation system	Measure: Number of audits and inspections Target: Estimate: 630-750 Measure: Number of health and safety audits and inspections Target: Estimate: 30-45	Measure: Percentage of audit/inspection reports issued to the subject (assessed 6 monthly) Target: 95% issued within 25 working days.	Measure: Percentage of audits and inspections where Authority staff follow policy and procedures, as demonstrated by a sample of 5% of events. (assessed 6 monthly Number of major findings raised in a field audit of the conduct of 2-5 (major) safety monitoring activities. Target: • 100% • Nil

Output Class Four: Surveillance and Investigation				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
4.2 Safety and Regulatory (including HSE) investigations: investigation and reporting of accidents and serious incidents				
Quantity: • 826 • 4-5 **Timeliness:** • 90% • 95% **Quality:** • 97%	Safety and regulatory investigations: • Identify specific types of systemic failure that inform the Authority as to specific actions that it should take within existing policy settings to improve aviation safety, or indicate potential changes to those policy settings; • Enable the Authority (in some circumstances) to take particular action to hold participants to account, where that is deemed to be appropriate in the circumstances • Add to the Authority's intelligence base regarding its interventions and the extent of compliance with the defined standards	Measure: Number of safety and regulatory investigations Target 650-800 Measure: Number of health and safety investigations carried out Target: 5-10	Measure: Percentage completion of safety and regulatory, and health and safety, investigations from period of registration. (assessed 6 monthly) Target: • 75% completed within 12 months of registration • 90% of regulatory investigations completed within 12 months of the event • 100% of health and safety investigations issued within agreed timelines.	Measure: Percentage of safety, health and safety, and regulatory investigations that follow policy and procedures, as demonstrated by a sample of 5% of events. (assessed 6 monthly) Target: • 100%

COST TO DELIVER OUTPUT CLASS 4: Surveillance and Investigation	For the years ended/Ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Crown Funding (Vote Transport: Health and safety in employment)			440	440	440
Fees and charges			2,151	2,818	3,187
Levies			10,245	10,441	10,706
Other Income			98	89	92
TOTAL OUTPUT REVENUE			12,934	13,788	14,425
TOTAL OUTPUT EXPENSES			(14,041)	(13,938)	(14,465)
NET SURPLUS/(DEFICIT)			(1,107)	(150)	(40)

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent. Comparative figures for 2011/12 are shown in a table at the end of this section.

Total cost of delivering Output Classes 1-4

COST TO DELIVER REGULATORY SERVICES OUTPUTS CLASSES 1-4 :	For the years ended/Ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Crown Funding (Vote Transport: Policy Advice)	1,780	1,779	1,780	1,780	1,780
Crown Funding (Vote Transport: Health and safety in employment)	440	440	440	440	440
Ministry of Transport Contract Revenue (rules development)	1,418	1,493	1,200	1,200	1,200
Levies	23,135	22,450	23,590	24,424	25,178
Fees and charges	4,032	3,767	7,168	8,741	9,611
Other income	597	454	438	416	423
TOTAL OUTPUT REVENUE	**31,402**	**30,383**	**34,616**	**37,001**	**38,632**
TOTAL OUTPUT EXPENSES	**(37,255)**	**(34,486)**	**(37,165)**	**(37,352)**	**(38,728)**
OUTPUT SURPLUS / (DEFICIT)	**(5,853)**	**(4,103)**	**(2,549)**	**(351)**	**(96)**

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent. Comparative figures for 2011/12 are shown in a table at the end of this section.

Output Class Five: Security Service Delivery

Description

Output Class 5 covers the screening of all passengers[8] and their carry-on baggage at security designated airports[9], screening of all hold baggage carried on departing international flights, screening airport workers with access to, and within, enhanced security areas at international airports, managing the issue of airport identity cards, perimeter patrols at security designated aerodromes and navigation facilities, together with guarding of aircraft and aircraft searches, and 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.

Output Class Five: Security Service Delivery				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
Aviation Security Services.				
5.1 Screening Activity				
Timeliness: • Nil • Less than 1 min 33 secs	This activity ensures that : • international and domestic aviation security standards are met to the highest possible degree • risks of aviation security incidents are minimised • compliance with international and other regulatory requirements is ensured • delays are minimised consistent with good screening • those subject to screening can have confidence in the intent and efficacy of security services	See footnote 7 below.	Measure: Number of flight delays attributable to screening activities (due to security system failure). Target: Nil Measure: Average passenger wait times[10] at international departure screening points	Measure: Number of verified unauthorised or prohibited items discovered post screening points (due to a security system failure[11]). Target: Less than 3.4 items per million items screened[12]

8 For 2012/13 the numbers of screened passengers are forecasts at: International Passengers 4,764,727 (2011/12 forecast: 4,652,049); Domestic Passengers: 5,821,272 (2011/12 forecast: 5,673,520).

9 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.

10 Benchmark tested six-monthly at Auckland & Christchurch international airports; also note that airport infrastructure can directly impact wait times.

11 Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

12 "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.bqf.org.uk/performance-improvement/about-lean-six-sigma.

Output Class Five: Security Service Delivery				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
• Less than 1 min **Quality:** 0.86 per million **0.086 per million** • 1 complaint per 721,393 passengers screened			Target: No more than 3 minutes Measure: Average passenger wait times[8] at domestic departure screening points Target: No more than 3 minutes	Measure: Number of verified dangerous goods discovered post screening points (due to a security system failure). Target: Less than 3.4 items per million items screened[11] Measure: Number of substantiated complaints against security officers involved in the screening function (includes "free riders")[13]. Target: No more than one formal complaint per 250,000 passengers screened.
5.2 Audit Performance				
Timeliness: • 100% **Quality:** • 100%	Ensures that aviation security operations are at optimum performance through quality tests and measures of aviation security proficiency and response to any audit findings		Measure: Percentage of any audit findings cleared within the specified timeframes. Target: 100%	Measure: Number of corrective action requests issued pertaining to screening functions issued by external auditors during any programmed audit. Target: Nil
5.3 Access Control				
Quality: • N/A	Ensures that the Aviation Security Service's management of access to controlled space at security designated airports is at optimum performance			Measure: Number of corrective action requests pertaining to access control issued by external auditors. Target: Nil

13 " 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.

Output Class Five: Security Service Delivery				
2011/12 Estimated Actuals	**Outputs**	**Performance Standards 2012/13** Performance standards shown may not relate directly to measures used in previous years		
		Quantity	**Timeliness**	**Quality**
Maritime Security Services				
5.4 Maritime security services				
New performance measure in 2012/13	The Authority's security service has a standby and readiness role in case of a high threat situation in the maritime arena, primarily the Port of Auckland where staff are well-trained to respond where cruise ships, or their passengers, might be affected. While not significant on a day-to-day basis, this output ensures that Minister of Transport, or the Director of Maritime New Zealand, can call upon the Authority to assist with response to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.			Measure: Number of major findings from annual audit review of the readiness/ provision of Maritime Security Support Target: Nil

Total cost of delivering Output Class 5

COST TO DELIVER OUTPUT CLASS 5: SECURITY SERVICE DELIVERY	For the years ended/Ending 30 June ($000)				
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
Contracted services	3,573	2,811	2,802	2,871	2,936
Passenger security charges	52,735	51,345	51,907	53,414	55,490
Crown funding – Maritime Security Services	145	145	145	145	145
Other income	1,822	2,206	1,509	1,217	1,231
TOTAL OUTPUT REVENUE	**58,275**	**56,507**	**56,363**	**57,647**	**59,802**
TOTAL OUTPUT EXPENSES	(76,546)	(77,749)	(75,982)	(79,345)	(82,989)
OUTPUT SURPLUS / (DEFICIT)	(18,271)	(21,242)	(19,619)	(21,698)	(23,187)

Note: for the structure of the output classes reporting has changed since last year's Statement of Intent.

Total Output Classes

For the years ending 30 June

COST TO DELIVER OUTPUTS			$000		
	2012 Budget	2012 Forecast	2013 Budget	2014 Forecast	2015 Forecast
System Design and Evaluation			(4,162)	(4,214)	(4,385)
Outreach			(2,131)	(2,174)	(2,262)
Certification and Licensing			(16,831)	(17,026)	(17,616)
Surveillance and Investigation			(14,041)	(13,938)	(14,465)
Security Service Delivery			(75,982)	(79,345)	(82,989)
Policy Advice	(4,237)	(4,012)			
Assessment and Certification	(24,583)	(24,026)			
Investigation, Analysis and Education	(6,887)	(6,122)			
Enforcement	(1,548)	(1,293)			
Aviation Security Services	(76,400)	(76,508)			
Maritime Security Services	(146)	(145)			
Security Service Delivery Total	**(76,546)**	**(76,653)**	**(75,982)**	**(79,345)**	**(82,989)**
Regulatory Services Total	**(37,255)**	**(35,453)**	**(37,165)**	**(37,352)**	**(38,728)**

PART C: APPENDICES

APPENDIX 1: PERFORMANCE OF THE CIVIL AVIATION SYSTEM

GOAL = LOW AND REDUCING NUMBERS AND COSTS OF AIR ACCIDENTS							
Measures / Aviation Safety Target Groups	RATE OF AIRCRAFT ACCIDENTS PER 100,000 HOURS FLOWN (3 year rolling average for years ended June)						
	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	TARGETS FOR 2011/14	TARGETS FOR 2012/15
Public air transport							
1. Airline operations - large aeroplanes	0.00	0.00	0.11	0.32	0.62	0.10	0.10
2. Airline operations - medium aeroplanes	1.50	1.02	0.52	1.11	1.69	0.53	0.53
3. Airline operations - small aeroplanes	3.70	2.83	3.75	5.18	5.32	5.67*	5.32
4. Airline operations – helicopters	1.47	1.46	2.58	5.16	5.25	5.43*	5.25
5. Sport aviation transport operations	Data not available						
Other Commercial operations							
6. Other Commercial operations - aeroplanes	4.79	5.86	5.07	4.73	4.24	4.25*	4.24
7. Other commercial operations - helicopters	9.57	10.50	11.33	7.17	8.95	7.47	7.47
8. Agricultural operations – aeroplanes	12.10	13.36	15.66	19.26	15.92	21.42*	15.92
9. Agricultural operations - helicopters	10.99	9.36	9.55	10.36	9.85	10.48*	9.85
10. Agricultural operations - sport aircraft	Data not available						
Non-commercial operations							
11. Private operations – aeroplanes	23.82	15.17	24.63	26.07	29.93	27.11	27.11
12. Private operations – helicopters	34.90	37.84	26.46	32.97	34.76	33.39	33.39
13. Private operations - sport aircraft	Data not available						

Measures / Aviation Safety Target Groups	SOCIAL COST PER SEAT HOUR (3 year rolling average for years ended June)						
	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	TARGETS FOR 2011/14	TARGETS FOR 2012/15
Public air transport							
1. Airline operations - large aeroplanes	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Airline operations - medium aeroplanes	4.70	0.29	0.00	0.02	0.02	0.02	0.02
3.Airline operations - small aeroplanes	44.59	0.03	0.39	2.35	2.36	2.34	2.34
4. Airline operations – helicopters	2.79	0.00	5.35	9.18	10.21	6.50	6.50
5. Sport aviation transport operations	20.36	14.49	66.39	59.24	63.52	13.00	13.00
Other Commercial operations							
6. Other Commercial operations - aeroplanes	35.38	44.82	25.06	25.43	56.72	6.50	6.50
7. Other commercial operations - helicopters	30.84	71.11	62.92	36.88	57.87	6.50	6.50
8. Agricultural operations – aeroplanes	108.65	114.47	74.61	100.63	51.45	14.00	14.00
9. Agricultural operations - helicopters	18.32	20.21	22.29	8.60	7.25	8.56*	7.25
10. Agricultural operations - sport aircraft	Data not available						
Non-commercial operations							
11. Private operations – aeroplanes	83.74	81.58	48.74	51.23	57.96	10.00	10.00
12. Private operations – helicopters	184.85	163.70	35.11	39.47	92.71	10.00	10.00
13. Private operations - sport aircraft	93.07	98.09	97.94	97.15	88.65	20.00	20.00

*Indicates where performance in 2010/11 was better than target, and the target has been adjusted accordingly

GOAL = NO SECURITY INCIDENTS THAT COMPROMISE SAFETY					
TARGETS	Incidence over:				
	2006/07	2007/08	2008/09	2009/10	2010/11
NIL in-flight security incidents involving offences against the *Aviation Crimes Act 1972* for aircraft which have been screened by the Authority's security service	Nil	Nil	Nil	Nil	Nil
NIL airside security incidents involving offences against the *Aviation Crimes Act 1972* at security designated aerodromes	Nil	Nil	Nil	Nil	Nil
NIL airside incidents involving the introduction of **dangerous goods** into aircraft screened by the Authority's security service	Nil	Nil	Nil	Nil	3*

*These incidents did not compromise safety on domestic or international flights

INTERNATIONAL CREDIBILITY

International Civil Aviation Organization - Universal Safety Organisation Audit Programme (Safety audit cycle 2005 to 2010 - NZ rating 2006)

Critical Elements (*Elements 2-8 are principally attributable to the work of the Civil Aviation Authority)*	1 Primary aviation legislation	2 Specific operating regulations	3 State civil aviation system & safety oversight function	4 Technical personnel qualification and training	5 Technical guidance, tools and provision of safety-critical information	6 Licensing, certification, authorization & approval obligations	7 Surveillance obligations	8 Resolution of safety concerns	Overall Rating
NZ rating (2006)	8	8	8	8	8	9	9	9	8.38
Australia rating	10	7	9	5	9	9	9	9	8.38
OECD average (Feb. 2012)	9	8	7	6	8	9	8	8	7.88
Global average (Feb.2012)	7	6	6	4	6	7	6	5	5.88

Note: Results of the International Civil Aviation Organization Security Audit Programme cannot be publicly disclosed for international security and diplomatic reasons.

USER CONFIDENCE (Survey results as at June 2011)

Resident Travellers	72% felt extremely or very safe and secure on their most recent domestic or international flight
Overseas Travellers	86% feel extremely or very safe and secure on domestic or international flights departing from New Zealand
Participants	44% of 27 key stakeholders are satisfied with the safety and security performance of the NZ civil aviation system

IMPROVING RISK PROFILES						
Sector Activity Type	**Average of Completed Risk Scores for financial years**					**Reduction in risk score from 2007 to 2011**
	2007	**2008**	**2009**	**2010**	**2011**	
Australia AOC with ANZA Privileges			6.2	4.6		
Australia AOC with ANZA Privileges Part 108 Security Programme				5.5	5.9	
Part 108 Security Programme	7.8	7.9	7.7	8.3	7.5	✓
Part 109 Regulated Air Cargo Agent			7.7	13.9	11.2	
Part 119 Air Operator Certificate - Pacific		12.9	9.1	10.0		✓
Part 121 Air Operator Large Aeroplanes	13.8	10.9	9.5	10.5	10.0	✓
Part 125 Air Operator Medium Aeroplanes	24.3	18.3	14.0	15.3	16.1	✓
Part 129 Foreign Air Transport Operator	9.2	12.9	10.6	8.2	8.8	✓
Part 135 Air Operator Helicopters and Small Aeroplanes	28.7	22.0	17.4	16.7	15.9	✓
Part 137 Agricultural Aircraft Operator	33.7	26.5	19.0	16.6	16.3	✓
Part 139 Aerodrome Operator	8.5	6.6	5.3	6.3	5.7	✓
Part 140 Aviation Security Service Organisation	29.7	11.0	4.7	5.5	4.6	✓
Part 141 Aviation Training Organisation	15.1	15.6	11.8	11.4	9.5	✓
Part 145 Maintenance Organisation	14.8	12.0	10.7	10.8	10.3	✓
Part 146 Aircraft Design Organisation	12.2	12.3	9.0	7.6	11.8	✓
Part 148 Aircraft Manufacturing Organisation	14.4	12.2	11.8	10.4	11.2	✓
Part 149 Aviation Recreation Organisation	11.8	3.0	5.1	30.7	8.4	✓
Part 171 Telecom Service Organisation	21.9	10.8	6.0	4.9	6.8	✓
Part 172 Air Traffic Service Organisation	29.2	26.7	7.3	9.7	9.9	✓
Part 173 Instrument Flight Procedure				5.9	8.2	
Part 174 Meteorological Service Organisation	16.3	30.2	7.3	9.6	10.3	✓
Part 175 Aeronautical Info Service Organisation	25.1	34.4	6.2	7.6	12.1	✓
Part 19F Supply Organisation	13.8	12.1	12.6	11.1	11.2	✓

APPENDIX 2: THE CIVIL AVIATION ENVIRONMENT

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 Authority classifies aircraft operations into three broad groups as shown below.

The lowest accident rates are in the Public Air Transport group which covers most of the passenger flights in New Zealand. The highest accident rates are in the Recreational group (including aeroplanes, helicopters and balloons only) which represents around 5% of hours flown.

Civil aviation sectors		*% of seat hours 2010/11*	*% of hours flown 2010/11*	*2010/11 accident rate per 100,000 hours flown*
Public Air Transport - airline operations in large, medium & small aeroplanes, & helicopters		**98.4%**	**52.4%**	**1.4**
Other Commercial Operations - by aeroplane & helicopter, including agricultural aviation		**1.0%**	**42.4%**	**7.2**
Recreational Aviation - private aeroplanes, helicopters and sport aircraft		**0.6%**	**5.1%**	**28.8**

There has been an annual growth rate of 9.5% in aviation revenues from 2005 to 2010.[14]

The rates of growth in passenger volumes, participant numbers, aircraft registrations and movements are shown below (2010/11 figures and the percentage change since 2005/06).

Aircraft, flights, pilots and passengers

4,490 aircraft on the register (+13%)	17-18% growth in helicopters & sport aircraft
4,568 commercial pilot licences (+27%)	3,603 private pilot licences (+3%)
2,097 airline transport pilot licences (+ 17%)	an estimated 945,000 hours flown (+7%)
4, 582,280 international passengers (+8%)	9,823,057 domestic passengers (+13%)

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

International connections

New Zealand has many direct connections to the rest of the world. There are 33 overseas cities with scheduled flights to and from New Zealand, branching out through multiple onward routes.

The government's policy direction for transport, *Connecting New Zealand,* states that it will "continue to negotiate new air services agreement to provide more access to our key and future trade markets". Already "our airports are responsible for moving 0.2 million tonnes of exports and imports with a combined value of more than $14 billion each year."

New Zealand Aviation has a Number of Distinctive Features

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

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.

On a per capita basis, New Zealand has one of the largest and most diverse general aviation sectors in the world, and one of the highest ratios of private pilots. Small businesses and recreational operators face different constraints and issues compared with larger organisations in, for example, the airlines sector. This changes their capacity to establish and operate effective risk management systems.

Physical features influence how aircraft are used in New Zealand. 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. There are a number of parts of the country where there is significant exposure for individuals and property on the ground.

The Civil Aviation Authority deals with difficult risk scenarios. It provides regulatory functions for the full range of air transport that is found in other countries, but with comparably limited resources.

A key feature of aviation in New Zealand is that infrastructure and services are fully cost-recovered from users of the system, with minimal contribution from central government revenues.

APPENDIX 3: STRATEGIC PRIORITIES – OVERVIEW OF ACTIONS & OBJECTIVES

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

STRATEGY	2012/13 ACTIVITY	2013/14 ACTIVITY	2014/15 ACTIVITY	FORECAST PERFORMANCE IMPROVEMENT
INCREASING OVERALL SYSTEM EFFECTIVENESS				
Develop and Implement the Air Navigation Plan	Work closely with the aviation industry to develop the **National Airspace and Air Navigation Plan**	Implement the National Airspace and Air Navigation Plan	Monitor and review	Improved guidance to industry regarding airspace management Compliance with International Civil Aviation Organization requirements
Rules Development Reform	Implement Transport Sector regulatory development reform programme Delivery of approved rules development programmes, within agreed time, cost and quality parameters.	Bedding in and enhancement of changes from rules redesign process	Monitor and review	More streamlined rule development process and faster delivery
Deploy risk-based safety management systems	Change the policy settings of civil aviation rules to increase participant focus on active risk identification and management Safety Management Systems Rule comes into force. Work with industry to enable continued development of a positive safety culture Promote a strong security culture Building internal capability	Monitor and review CAA staff training Transition period – the Authority supports industry implementation of Safety Management Systems	Monitor and review	Better identification and management of participants' and system risk Fewer serious incidents and accidents More effective utilisation of regulatory oversight resources
Sector risk profiling	Continued refinement of the approach to sector risk profiling that was adopted during 2011/12		Monitor and review	
Enabling transport connections	Continue active engagement with the International Civil Aviation Organization and other aviation regulatory agencies Improve ability to enable the introduction of new technologies			International aviation connections are maintained and enhanced
IMPROVING SECTOR SAFETY PERFORMANCE				
Strengthen sector relationships	Build more effective working relationships with industry bodies Continue to strengthen international relationships Continue to strengthen relationships with the Ministry of Transport, the Transport Accident Investigation Commission, and other agencies, as appropriate Work closely with airlines and airports to maintain security awareness On-going user survey programme. Strategies developed for improving confidence levels			Improved confidence and support from sector Improved confidence and support from Government and transport agencies Better informed strategic decisions Improved passenger confidence

STRATEGY	2012/13 ACTIVITY	2013/14 ACTIVITY	2014/15 ACTIVITY	FORECAST PERFORMANCE IMPROVEMENT
Maintain focus on public air transport	Airline operators are encouraged to adopt proactive risk management ahead of Safety Management Systems rule introduction. Adapt certification and surveillance to Safety Management Systems approach. Effective date for part 121 rule for crew member training in human factors. Ensure flexibility of security service to changing requirements of operators.	Active focus on implementing Safety Management Systems rule	Active focus on implementing Safety Management Systems rule	Safety performance is maintained at or above target
Target poor performing areas in commercial and recreational sectors	**Agricultural Aviation**: With the proposed Rule Part 137 not proceeding, the Authority will support and encourage the Agricultural Aviation Association in the introduction of industry initiatives (e.g. the "Aircare" Integrated Accreditation Programme). **Adventure Aviation**: New rule Part 115 implemented — Authority supports industry implementation **Sport and Recreation Aviation**: Continue implementation of Part 21 changes, provide guidelines and support industry applying them **Flight Training:** Analysis programme and development of sector risk profile	Planning interventions, including proposed developments to CAR Part 139 Exercise of new/revised surveillance powers enabled by the rule introduction or change Increase non-rule-based interventions to influence participant behaviour Develop sector risk profiling to inform better its interventions On-going safety promotion and working with industry groups	Increase non-rule-based interventions to influence participant behaviour Develop sector risk profiling to inform better its interventions On-going safety promotion and working with industry groups.	In 2013/14 reduced accident & incident rates or severity Higher participant certification standards Provision for technology advances There are statistically fewer accidents and incidents involving or caused by flight training activities
Monitor and prepare for emerging aviation technologies	Build information base on emerging aviation technologies Develop and apply interim policy on emerging aviation technologies Interim development of policy and procedure for Part 19 pilotless aircraft Maintain and enhance staff technical currency	Authority provides guidelines and supports industry application		Provision for technology advances There are fewer accidents and incidents involving or caused by Unmanned Aerial Systems

STRATEGY	2012/13 ACTIVITY	2013/14 ACTIVITY	2014/15 ACTIVITY	FORECAST PERFORMANCE IMPROVEMENT
A MORE RESPONSIVE AND RESULTS-DRIVEN ORGANISATION –				
Implement Change Programme				
Strategic leadership, management and culture	Review Strategic Directions to include aviation security service delivery Reinforce the Regulatory Operating Model through staff training Define and measure the desired organisational culture and associated values Leadership and management development programmes continue Improve performance management	Application of revised Regulatory Operating Model	Application of revised Regulatory	• Clarity internally and externally about the CAA's Strategic Direction • Consistency with Government policy regarding the preferred regulatory approach • Clarity internally and externally about the regulatory model adopted by CAA • Expectations around leadership, and management established • Clear expectations around culture and behaviour
Organisational design and alignment	Complete implementation of Phases 1 and 2, and implement Phase 3 of the organisational change programme	Post implementation review		• Role clarity • Better alignment between performance and strategic intent
Operational systems and processes	Monitor Certification and Surveillance process improvements Re-align organisational policies and processes Invest in analytical and intelligence capability Plan, and implement the replacement/ upgrade of Hold Baggage Screening equipment Enhance current security staff training in behavioural analysis On-going monitoring of international best practice and innovations in detection technology Implement improvements in performance measurement and reporting	Monitor, review and improve Implement replacement of Hold Baggage Screening equipment Continue improvements in performance measurement and reporting		Tighter, more focused processes and procedures that are effective Improved analysis capability to facilitate better strategic and operational decision making Anticipate developments in security deployment and enhance security operations Enhanced performance reporting and financial forecasting, and accountability reporting
Sustainable funding	Obtain Cabinet's approval for the changed regulatory funding model and implement. Review passenger security charges and implement changes no later than 1 July 2013	Monitor Implement and monitor	Monitor and review Commence planning for update to regulatory funding model	A sustainable regulatory and security funding regime
Enhancing the reputation of New Zealand's civil aviation	Continue active engagement with International Civil Aviation Organization, and other international stakeholders	Continue active engagement with International Civil Aviation Organization, and other international stakeholders	Continue active engagement with International Civil Aviation Organization, and other international stakeholders	Ability to apply New Zealand's influence and ability to protect and achieve outcomes that support our economic interests within global aviation