

CIVIL AVIATION AUTHORITY 2020–2021

# ANNUAL REPORT



## Board Statement

This Annual Report has been prepared in accordance with:

- Section 38A of the Third Schedule to the *Civil Aviation Act 1990*; and
- Section 150 of the *Crown Entities Act 2004*.

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2020 to 30 June 2021.



**Janice Fredric**  
Chair of the Civil Aviation Authority of New Zealand  
21 December 2021

## Statement from the General Manager, Aviation Security Service

This Annual Report separately identifies all financial and performance matters relating to the Aviation Security Service in accordance with Section 38A of the Third Schedule to the *Civil Aviation Act 1990*. These matters are presented in the body of the report.



**Mark Wheeler**  
General Manager, Aviation Security Service  
21 December 2021

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## PART ONE

# Introduction

## From the Chief Executive and Director of Civil Aviation

Kia ora koutou katoa!  
Throughout 2020/21 the COVID-19 pandemic continued to impact New Zealand's aviation sector and the Civil Aviation Authority (the Authority). Constantly changing levels of aviation activity, and safety and security risks, have tested the aviation sector's resilience.



International and domestic aviation participants have been under severe pressure to find ways to continue to operate. The Authority has adjusted the way it engages with and supports participants to ensure that safety and security is maintained. This has included adjusting regulatory requirements, without compromising safety. We have also stepped up as part of the Government's focus on keeping COVID-19 out at the border and provided staff and expertise for managed isolation and quarantine efforts.

### A focus on the future – a modern regulator

Parallel with these challenges and opportunities, the Authority has been evolving its approach as a regulatory organisation. In the first half of the year we began to implement new organisational arrangements for our aviation safety responsibilities, from a structure based on types of aviation activity, to one based on the kind of regulatory activity we do. For example, rather than having rotary and fixed wing divisions, we now have teams for product and operator certification, monitoring and inspection, personnel licensing, and investigation.

In aviation security, organisational changes were made to create a team to support the operation of managed isolation and quarantine facilities, while continuing to advance improvements in airport-based security infrastructure and security intelligence activities for aviation security risks.

The Authority also began to implement a programme to enhance its organisational culture. We are well on our way in embedding a new values-based organisational environment within which our staff feel safe, empowered, and supported. This will be a culture of effective leadership, diversity and inclusion, with a strong focus on learning and development.

The development of our new values – collaboration, transparency, integrity, respect and professionalism – is integral to how we operate and will support good internal and external engagement. This work will underpin our future success.

During the second half of the year the Authority refreshed its strategic framework, providing a clear direction for the coming years. This framework reinforces our role as New Zealand's aviation safety and security regulator with the identification of three key pathways to deliver our purpose and vision: leadership and influence, active regulatory stewardship, and professional regulatory practice. In support of this, we also developed our Regulatory (Safety and Security) Strategy making it clear that the Authority is one organisation, including its aviation safety and aviation security functions.

A key enabler of being a modern regulator is the Authority's move towards an intelligence-led, risk-based approach, helping us to target our resources towards the aspects of the aviation safety and security system that present the most risk. Capability enhancements in the latter half of the year included the development of a stronger whole of organisation portfolio approach to joining up our safety and security intelligence functions.

In the safety area, this means moving towards risk-based approaches such as differential auditing systems that recognise the effectiveness of participants' safety management systems, therefore requiring fewer audits and more tailored re-certification. Overall, the Authority's engagement with participants intends to support an environment where it is "easy to comply" rather than one where "compliance is easy" due to lower standards.

Fit for purpose information and technology systems are vital for our ability to source, analyse and use data on safety risk at all levels of the aviation system. We have started the groundwork to replace our outdated safety regulatory platform, with a new system – EMPIC-Enterprise Aviation Processing (EMPIC-EAP). This will allow us to better perform all our core safety regulatory activities and functions.

In the security area, our aviation security group (AvSec) is on the road to implementing new technology at airport screening locations to improve security for passengers. This includes the continued roll-out of body scanners and trialling new screening machines. These machines have improved explosive detection and 3D imaging to enable

We can't predict what will happen to the aviation sector, but our focus will remain on ensuring a safe and secure aviation system so that people are safe, and feel safe, when they fly. We will continue to adapt in terms of the kind of safety and security regulatory activity we are able to undertake with the resources available.

our security officers to detect a wider range of threat items or substances. We will continue to provide people to support the government's managed isolation and quarantine activity and ensure that we are able to step up whenever and however borders re-open. As part of this we commenced a much-needed recruitment campaign to grow by over 200 new staff at locations around New Zealand.

We can't predict what will happen to the aviation sector, but our focus will remain on ensuring a safe and secure aviation system so that people are safe, and feel safe, when they fly. We will continue to adapt in terms of the kind of safety and security regulatory activity we are able to undertake with the resources available.

### Enabling sector activity

Many of New Zealand's aviation participants are under extraordinary pressure. Without compromising our role as an independent regulator or compromising safety and security standards, we have a role to enable aviation activity where we can. Change, particularly highly disruptive change, can be an enabler in the development of better practices, ways of working, new technology and innovation.

It is testament to many of those in our sector that they are using this time to review how they manage their operations and develop more innovative approaches and ideas. There is considerable growth of new technology and innovation within the aviation industry. Regulatory systems always struggle to keep up with this type of change. Nevertheless, we are intent on playing our role in supporting innovation through the exercise of leadership and influence, active regulatory stewardship, and professional regulatory practice.

Consistent with this, we are strengthening relationships with stakeholders by engaging constructively, listening, and understanding their challenges and needs. The best results happen when participants feel respected and are confident that we understand the issues they are dealing with.

At the international level, aviation activity relies on international engagement including the development and maintenance of conventions and bi-lateral and multilateral agreements with aviation authorities around the world. The Authority has continued to engage internationally, despite COVID-19 restrictions, to ensure that New Zealand continues to contribute to and learn from international developments.

Finally, I would like to acknowledge our people who have remained motivated and committed to supporting aviation safety and security through a year of extraordinary challenge.



**Keith Manch**  
Chief Executive and Director  
of Civil Aviation Authority

# The Authority

## The Authority has a key role to play in the aviation system

We are the Government's primary aviation safety and security regulator. This takes many different forms.

We control the entry of people, products and organisations into the aviation system to ensure that they have the skills, qualifications and systems to operate safely. We do this through regulatory activities such as licensing people including pilots and air traffic controllers, enforcing currency requirements, and certificating organisations. We also control which aircraft, equipment and flight systems can be used in New Zealand, ensuring they are airworthy.

We maintain oversight of the aviation system by monitoring flight activity, undertaking surveillance, auditing operators, analysing data, and identifying and managing risk. This includes administering the provisions of the Health and Safety at Work Act 2015 for aircraft in operation. Where safety issues are identified, we work with operators to make improvements to their systems.

We represent New Zealand internationally on aviation safety and security matters and provide advice and support to the Ministry of Transport and Minister of Transport on aviation and security policy.

New Zealand has an active role in International Civil Aviation Authority Organization (ICAO), represented by the Director of Civil Aviation. The Authority also takes a leading role in other international aviation activity including support to Pacific nations.

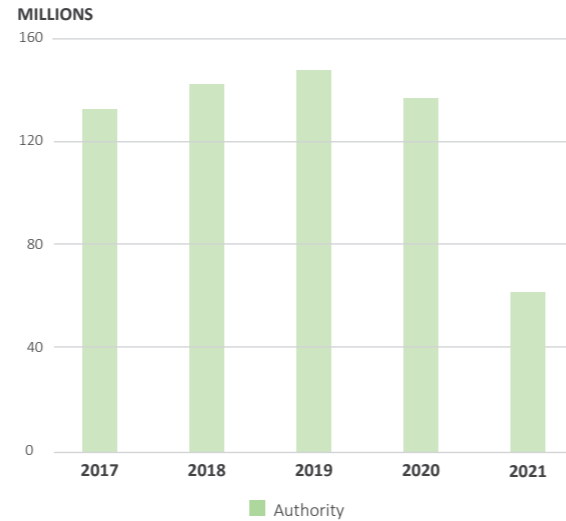
We influence and improve people's behaviour in the aviation system by engaging with them, providing safety and technical advice, and running educational programmes. We ensure compliance with the aviation rules and laws by investigating occurrences – including complaints, accidents and deaths – and taking enforcement action where appropriate.

We regulate key aspects of security in the aviation system, including oversight to ensure that required security standards are met. Our Aviation Security team supports security through passenger and non-passenger screening, behavioural detection teams, explosive detector dog teams, and perimeter patrols at six security-designated airports across the country.

## The Authority continued to face risks from COVID-19

Like every part of the aviation system, we have needed to respond to rapidly changing circumstances due to the COVID-19 pandemic. Every participant within the system continues to feel the pandemic's impacts.

### Third party revenue from levies, fees and charges



Over the last year, the Authority's resources have been severely limited by the pandemic. Our third-party revenue (the funds we receive through fees, levies and charges) was \$61.2 million in 2020/21 – 55 percent lower than in 2019/20 (before the pandemic). To address this shortfall, we have relied heavily on Crown-funding through the COVID-19 liquidity facility, which was established to support Crown entities to remain solvent.

Despite the resourcing constraints, the Authority's workload – especially our regulatory workload – has continued to grow in volume and complexity. We have also needed to adapt quickly to policy decisions like the introduction of quarantine-free travel, COVID-19 testing requirements for border staff, and vaccination requirements, as well as other matters like Airways' proposals to withdraw air traffic services from regional airports.

## Despite the challenges, the Authority continued to manage the risks and keep the aviation system safe and secure

In the face of ongoing uncertainty, increasing demand, and resourcing constraints, the Authority has continued to deliver its core safety and security functions that are critical to aviation safety. A key enabler of this has been the Authority's move towards an intelligence-led, risk-based approach – which is helping us to target our resources towards the aspects of the aviation system that present the most risk.

The delivery of our core functions has, at times, required difficult prioritisation decisions to ensure our people are working in ways that provide the most benefit to the aviation system. For example, due to resource limitations, we did not develop an international engagement strategy as intended, and some internal systems upgrades have been postponed.

### 2020/21 BY THE NUMBERS



1,070

organisation certification activities



7,033

licensing procedures



407

audits, inspections and spot checks



978

safety and regulatory investigations



5,384,397

passengers screened at airports



14,210,744

bags scanned

# About the Authority

## Who we are and what we do

### WHO WE ARE

We are the Government's primary aviation safety and security regulator.

### WHAT WE DO

We undertake safety and security functions contributing to an integrated, safe, responsive and sustainable transport system.

### OUR VISION AND PURPOSE

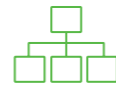
A safe and secure aviation system so people are safe and feel safe when they fly.

### ABOUT THE AUTHORITY

Established in 1992 as a Crown entity, operating under the Crown Entities Act 2004. Civil aviation in New Zealand operates in a system established and maintained by the Civil Aviation Act 1990.



**Responsible**  
to the Minister of Transport



**Governed**  
by a board of between five and seven members ("the Board")



**Primary objective**  
is safety and security

### OUR REGULATORY FUNCTIONS

The Authority (as the Civil Aviation Authority and the Aviation Security Service are collectively referred to) delivers regulatory functions through two operations:

**The Civil Aviation Authority – Te Mana Rererangi Tūmatanui o Aotearoa (CAA)** – responsible for maintaining the safety and security of the aviation system, through regulation.



**Policy and Regulatory Strategy**



**Outreach**



**Certification and licensing**



**Surveillance and investigation**



**Security service delivery**

**The Aviation Security Service – Kaiwhakamaru Rererangi (AvSec)** – provides aviation security regulatory services at New Zealand's security designated airports and maritime security screening, as needed.



# The aviation system

Aviation is part of the wider transport system moving people and goods over land, sea and by air.

## The aviation system is large, complex and varied

The range of operators in the aviation system is broad, and includes airlines, tourism operators, agricultural aviation organisations, aero clubs, flight schools, aircraft design and maintenance organisations, drone operators and others. Aircraft can include large jets, small aeroplanes, helicopters, hot air balloons, gliders, parachutes and drones.

## COVID-19 introduced new risks to the aviation system

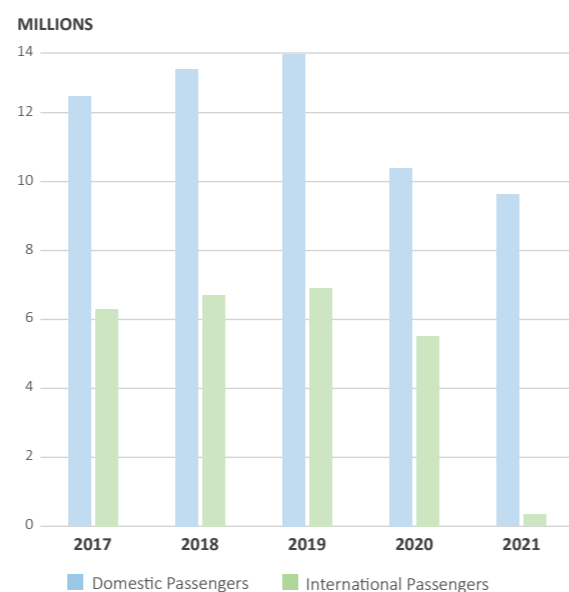
The closure of New Zealand’s international border, the implementation of the COVID-19 alert level system, and the introduction of enhanced health standards for airlines impacted aviation in New Zealand.

Like many other businesses, many aviation operators have been financially affected by the COVID-19 response. Many aviation operators – like airlines, tourism operators and flight schools – rely heavily on international travel, meaning that they continue to face existential challenges as a result of the closed international border.

Whenever aviation operators face economic or other challenges, it is important that we work with them to identify consequential risks to safety and to manage these appropriately. For example, when operators downsize in response to the changes in the economic environment, they risk losing important aviation safety experience, when they seek to change the nature of their operations they face new risks, and operators who are financially struggling are at greater risk of cutting corners as a way of staying financially viable.

Overall, the aviation system has demonstrated exceptional resilience over the last year, and continues to operate safely. We will continue to work with all participants in the system to support them to do so.

Passenger Numbers by Financial Year



## The aviation system functions within the broader government transport system

The Aviation system is one part of the New Zealand government’s integrated transport system, which also includes land transport and maritime transport. For this reason, we must work closely with our transport partners to address joint challenges and to work together towards our shared goals.

The transport sector is led by the Ministry of Transport and includes:

- the Civil Aviation Authority
- Maritime New Zealand
- Waka Kotahi, New Zealand Transport Agency
- the Transport Accident Investigation Commission
- City Rail Link.

The role of AvSec providing security at New Zealand’s borders means that we also work closely with the border sector. This includes Biosecurity (Ministry of Primary Industry), Customs, Immigration (Ministry of Business, Innovation and Employment), the Ministry of Health, the Ministry of Foreign Affairs and Trade, and the Ministry of Transport.

The Border Sector Governance Group was established in 2007 to ensure a joint approach. This was updated in 2020 to the Border Executive Board and the inter-department executive board – on which we are represented by the Secretary of Transport.

## New Zealand’s aviation system functions within the international aviation system

We work, and maintain standardisation, with our international counterparts.

The ICAO is the lead international body for civil aviation. It is a specialised United Nations agency.

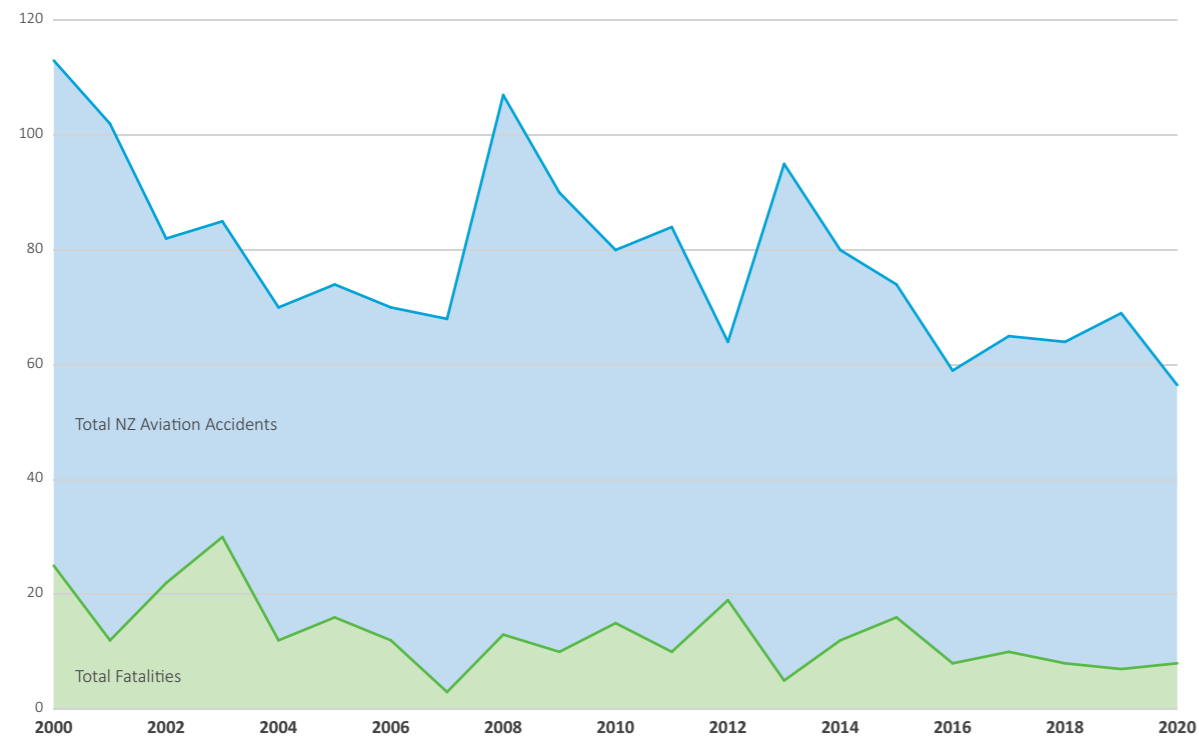
ICAO adopts standards and recommended practices (which are known as SARPs), and signatory states have a responsibility to either comply with these, or file ‘differences’. The filing of differences lets ICAO know where New Zealand’s national standards or practices differ from those adopted by ICAO.

Overall, the aviation system has demonstrated exceptional resilience over the last year, and continues to operate safely.

# Aviation safety in 2020/21

The Authority's main purpose is to ensure the safety and security of the civil aviation system in New Zealand. As a result of the work we do, people should both *be* safe and *feel* safe when they fly.

## Aviation accidents and fatalities annually



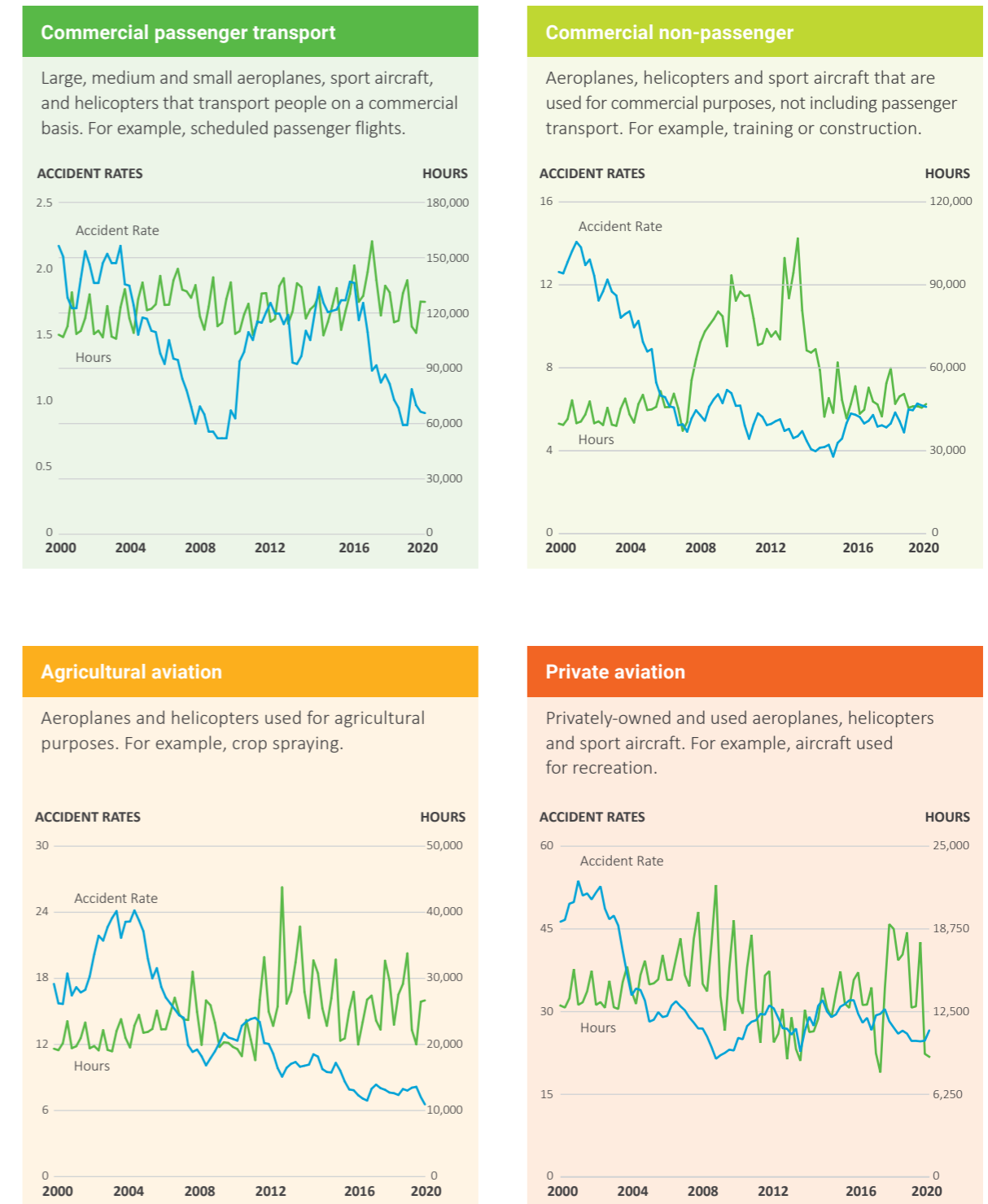
Fatality and accident rates (the number of accidents per 100,000 hours, averaged over a rolling three-year period).

We track fatality and incident rates as part of understanding and seeking to improve the impact of the work we do. There is a wide range of aircraft in use in every sector of the aviation system. For example, aircraft can vary between large aeroplanes used by airlines, to helicopters, gyroplanes, amateur-built helicopters and planes, hang gliders, para gliders and parachutes. This variety can also be seen in the types of accidents that are reported, which can range from relatively minor accidents resulting in no injury or minor injury, to fatal accidents.

## Safety by sector

As expected, aviation safety varies considerably by sector. Commercial passenger transport remains exceptionally safe, while other sectors have additional inherent risks to manage.

### Annual Accident Rate and Annual Flight Hours over the past 20 years





### In 2020/21, were people safe when flying in New Zealand?

Overall, safety in the system has improved over the past 20 years, people were safe when flying in New Zealand in 2020/21. Since 2000 the number of accidents and fatalities has decreased as new aviation technology is brought on board, regulatory interventions more effectively target risk, and participants in the system implement better ways to detect and minimise risk.

### In 2020/21, did people feel safe when flying in New Zealand?

In past years, the Authority commissioned *Feel Safe, Be Safe* surveys every two years to measure how safe passengers feel when flying in or to New Zealand. In 2020/21, we chose not to do this survey, as the results were at risk of being skewed by COVID-19 restrictions and requirements in place for domestic flights. We also considered it would not have been appropriate to add to border system complexity by intercepting international passengers at airports, which is how we previously collected survey responses.

Since we started the survey in 2014, we have found that passengers consistently feel safe flying into New Zealand from international destinations, and feel safe flying domestically. Domestic passengers are more likely to feel safe flying from security-designated destinations (these are airports where AvSec has a security screening presence). We acknowledge that the impact of COVID-19 (for example, the requirement to use masks on flights and reports of COVID-19 exposure in airports/aeroplanes) may have affected how safe people feel when flying.

We most recently undertook the *Feel Safe, Be Safe* survey in 2019. For these results, see page 14 of our 2020 Annual Report: [www.aviation.govt.nz/assets/publications/annual-reports/caa-annual-report-2020.pdf](http://www.aviation.govt.nz/assets/publications/annual-reports/caa-annual-report-2020.pdf)



# Our Organisation

The Authority has over 1,500 people working to keep the aviation system safe and secure. The majority (80%) work directly on the frontline, either in security-designated airports as part of AvSec, or as part of the safety function.



**Janice Fredric**  
Board Chair



**Steve Haszard**  
Deputy Board Chair



**Jill Hatchwell**



**Harry Duynhoven**



**Charles Spillane**

# Governance and leadership

## Our Board

The Authority is governed by a Board – appointed by the Minister of Transport – to guide and direct the organisation in setting and meeting its strategic objectives, managing risks, and meeting performance expectations. The Board holds the Authority's executive leadership to account, and has statutory functions set out in the *Crown Entities Act 2004* and the *Civil Aviation Act 1990*.

The Board has five members, Janice Fredric (Board Chair), Steve Haszard (Deputy Board Chair), Jill Hatchwell, Harry Duynhoven and Charles Spillane.

The Board operates three committees to assist it to discharge its governance responsibilities.

## Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee is chaired by Ms Hatchwell. It is tasked to oversee the Authority's regulatory functions, budgeting and planning, financial management, accounting, audits, performance reporting and risk management.

## Health and Safety Committee

The Health and Safety Committee is chaired by Mr Duynhoven, and assists the Board to oversee all matters relating to the health, safety and wellbeing of workers and those who come into contact with our workplaces.

## Te Kākano Committee

The Te Kākano Committee is chaired by Ms Fredric, and provides oversight of Te Kākano, the Authority's culture change programme.

## Our leadership team

The Authority has two functions:

- the safety function, (often referred to as the Civil Aviation Authority or CAA) which regulates New Zealand's civil aviation system.
- the security function, which is primarily delivered through the Aviation Security Service (AvSec), which is jointly responsible with New Zealand Police for security at security-designated airports and air navigation facilities.

The Chief Executive, who is also the Director of Civil Aviation, and the General Manager of the Aviation Security Service both have statutory functions:

- The Chief Executive is accountable for the exercise of functions under the *Civil Aviation Act 1990*, the *Crown Entities Act 2004* and the *Health and Safety at Work Act 2015*. As the Director of Civil Aviation, this person also makes independent decisions about aviation documents, medical certificates, exemptions and safety and security regulatory interventions.
- The Board delegates responsibility and authority relating to the performance of AvSec to the General Manager of the Aviation Security Service.

The Authority Leadership Team is our most senior executive governance group, charged with ensuring the Authority's performance and effectiveness. The leadership team is organised to ensure that the safety and security parts of the organisation are represented at the top level and that the Authority is led and managed as a single entity. The Authority Leadership Team includes the following roles:

- Chief Executive and Director of Civil Aviation
- General Manager, AvSec
- Deputy Chief Executive System and Practice Design
- Deputy Chief Executive Aviation Safety
- Deputy Chief Executive Aviation Security and Infrastructure
- Deputy Chief Executive Organisational Development and Support
- Deputy Chief Executive Performance Monitoring and Assurance
- Executive Group Manager, AvSec
- Group Manager Operations, AvSec
- Group Manager Compliance, AvSec
- Group Manager Strategic Development, AvSec.

Other governance arrangements include individual Executive Management Teams (overseeing the operational performance of the safety and security regulatory functions, and AvSec), a Regulatory Performance Panel, and a Regulatory Safety Management System panel.

## Our culture

In 2020, a Ministerial Review was conducted into the Authority's workplace culture. The resulting report found that there was a governance and leadership failure over time and identified pockets of a dysfunctional workplace. It made 31 recommendations to address these issues.

The Authority accepted all recommendations, and embarked on Te Kākano, a programme to embed a positive culture at the Authority; and so ensuring our working environment is safe, respectful, inclusive and staff are empowered. Te Kākano has made significant progress against the 31 recommendations, with 29 either complete or partially complete.

Progress has been enabled by the completion of discrete actions and initiatives to establish a strong foundation for an enduring positive culture.

### Work to embed a positive workplace culture

- Developing a range of strategies and policies to ensure we have the foundations in place to achieve lasting improvement. These cover areas such as leadership, diversity and inclusion, and health, safety and wellbeing.
- Through an employee led process we selected and implemented our organisation's values. Our values are regularly discussed and applied across the organisation, and all staff have an important part to play by living our values and speaking up where we see them not being followed.
- Implementing a new *Addressing Workplace Bullying, Harassment and Discrimination* policy which improves accountability and sets clear expectations of what is and isn't acceptable behaviour in the Authority.
- In addition to a new annual staff engagement survey, we have run two pulse surveys seeking feedback from staff to measure the progress of behaviour improvement.
- Ensuring staff feel safe to speak up and raise concerns through a new external complaints process. We have also refreshed our external, confidential counselling service with expanded support for staff.

- Making sure our people understand how we work together and what support is available to them by holding 94 respect and inclusion workshops across the organisation. More than 1,300 of our people came together to create a common understanding of our new values, and discuss what is and what's not acceptable behaviour in a modern public service workforce. These workshops have also supported staff to deal with issues in a common language and ensured they understand what options are available to seek support and to raise concerns.

## Our capability

### Developments in leadership, management and regulatory capability

This year saw us extend our focus from regulatory training to also look at our leadership and management capability.

In late 2020 we ran leadership forums to gain input from leaders and team members. This helped us complete a Leadership Gap Analysis, which then informed our approach to developing our leadership strategy, launched in March 2021. In June 2021 we also launched our management skills programme, *Management Matters*. This programme focuses on four areas: *people matter, performance matters, workload matters and support matters*.

In the regulatory space we also took a strategic approach with the creation of the Regulatory Learning Plan, launched in June 2021. This sets out the change in mindset we want to achieve with our regulators, in moving from a compliance-based approach to one where we lead and influence, act as regulatory stewards and act professionally in our regulatory practice. This included a refresh of the Regulatory Capability triangle and Learning Pathways. Other initiatives included the merger of our Certification and Safety Management System (SMS) programmes to shorten the timeframes for employees to become delegated. We continued our focus in offering the Government Regulatory Programme G-Reg Level 3 qualification to new employees, and piloting our G-Reg level 4 alignment programme. We introduced new courses including Report Writing for Audit reports and had 70 people complete new exemptions training.

### Moving the Regulatory Craft Programme to business-as-usual

The Regulatory Craft Programme (RCP) was a long-term programme designed to improve our effectiveness as a regulator by enhancing the regulatory capability of our people and the quality of our regulatory guidance. A third workstream was the work to replace the regulatory function's core business system – Aviation Safety Management System (ASMS) – with a modern, widely-used regulatory tool, EMPIC (see the digital assets section for an update).

During 2020/21 the Authority focussed on moving much of the activity of the RCP into business-as-usual basis. Key elements of this included:

- An over-arching 'People Strategy' being developed, including leadership and management capability
- Development and finalisation of a Regulatory Strategy spanning the security and safety functions of the Authority, and a learning development strategy for regulatory competencies
- As part of Budget 21, funding was secured for the acquisition of EMPIC, and a three-year implementation programme is being initiated.

Overall, the transition to business-as-usual progressed through 2020/21. However, COVID-19 continued to impact the programme, particularly its funding which required careful management in-line with the Government's liquidity funding arrangements.

### Work of the AvSec Technical Training Unit (TTU)

The TTU continued to develop AvSec specific technical training programmes from face-to-face group delivered workshops, to technical eLearning modules.

The Supervisors Technical Induction Training Course, a 10 day group course developed in 2020, was rolled out to new AvSec Team Leaders in Wellington in July 2021. To meet operational needs of the various stations this course can be delivered as a 10 day course or in two day blocks over a number of months.

The Aviation Security Training Centre (ASTC) in Auckland is an accredited Aviation Security Training Centre approved to deliver the full range of ICAO Aviation Security Training Packages to AvSec managers and specialists throughout the Asia/Pacific region.





The Auckland ASTC has a pool of Certified Instructors. Due to COVID-19, ICAO ASTCs were unable to conduct face to face ICAO courses and workshops. The Auckland ASTC, in collaboration with the ICAO, redeveloped the Face-to-Face ICAO AvSec Risk Management workshop into a virtually delivered workshop. The pilot was delivered in April 2021. As more than 30 nominations were received from throughout the Asia/Pacific region (including those from AvSec NZ) for 18 seats, a second workshop was scheduled in June 2021. Both virtual workshops were delivered successfully and were fully subscribed. Due to its popularity another has been scheduled for October 2021.

In response to an increase in abusive situations at AvSec screening points, the TTU has developed a workshop on dealing with inappropriate behaviour and de-escalation techniques. The first of these workshops was scheduled for Team Leaders in Christchurch in August and will be rolled out to other stations over the following months.

## Our responsibilities as a 'good employer'

The Human Rights Commission has outlined seven elements of good practice that are the basis of being a 'good employer'<sup>1</sup>. The Authority and the external Ministerial Review closely examined the elements and identified the areas below for improvement.

ELEMENT	ACTIONS IN 2020/21 AND NEXT STEPS
 <p><b>Leadership, accountability and culture</b></p>	<ul style="list-style-type: none"> <li>Te Kākano, our programme to embed a positive culture, is implementing the 31 recommendations from the Ministerial Review. This includes strengthening and developing new policies, and developing a new code of conduct.</li> <li>In October 2020, we launched our new organisational values, developed from the input of people throughout the organisation.</li> <li>A Leadership Development Strategy was implemented in the first quarter of 2021 and the Authority's Leadership Programme will be aligned accordingly. This includes the development of Leadership Expectations, a Capability Framework and a Management Skills programme, as well as an induction for new managers.</li> <li>In October 2020, we ran our first Organisational Performance, Culture &amp; Engagement Survey. We had not surveyed staff for a number of years previously. The results of this survey were shared throughout the organisation, with each team undertaking action planning to improve the culture within each team.</li> <li>In March 2021 we launched our Diversity &amp; Inclusion (D&amp;I) Strategy. Together with the D&amp;I working group we established our first rainbow network and we continue to recognise and celebrate key awareness days throughout the year, with a particular focus on building capability in Te Reo.</li> <li>To support accountability, we developed common organisational objectives as part of our Performance &amp; Development template for introduction in July 2021. These objectives focus on building inclusive, positive teams and ensuring we undertake our health, safety and wellbeing responsibilities. This new template also incorporates our new organisational values.</li> </ul>
 <p><b>Recruitment, selection and induction</b></p>	<ul style="list-style-type: none"> <li>A refreshed recruitment strategy was developed and implemented during 2020/21 that is inclusive of our new values and behaviours.</li> <li>In April 2021 we introduced new guidelines for new employees, buddies and managers of new employees to support those new to the organisation.</li> </ul>
 <p><b>Employee development, promotion and exit</b></p>	<ul style="list-style-type: none"> <li>All employees in the regulatory and corporate functions have the opportunity to complete the G-reg (government regulatory practice) Level 3 qualification.</li> <li>In 2021 we also had the first cohort complete the Level 4 G-reg alignment programme.</li> <li>AvSec team members have been deployed in roles supporting the Government's COVID-19 response within the Managed Isolation Facilities.</li> <li>Numerous step-up or acting opportunities are offered across CAA and AvSec. Within AvSec, step-up opportunities are offered including Team Leader opportunities as leadership development, as well as secondments across AvSec. New managers are supported by the Smartway Leadership programme.</li> </ul>

ELEMENT	ACTIONS IN 2020/21 AND NEXT STEPS
 <p><b>Flexibility and work design</b></p>	<ul style="list-style-type: none"> <li>Employees are equipped and supported to work flexibly. Through alert level changes, employees have seamlessly been able to work flexibly where the nature of their work allows.</li> <li>The Authority has reviewed and considered its flexible working policy and updated that to reflect current requirements and provide clarity to employees on how to access flexible working arrangements. The updated policy was published in the second quarter of 2021.</li> </ul>
 <p><b>Remuneration, recognition and conditions</b></p>	<ul style="list-style-type: none"> <li>A remuneration project commenced in June 2021, in conjunction with the Public Service Association, to review job sizing, salary bands, allowances and gender pay.</li> <li>We recognise long service through regular presentations across the organisation.</li> <li>AvSec's Multi-Union-Collective was bargained for, and ratified in March 2021. This Collective covers the large AvSec frontline workforce.</li> <li>Unions commenced the initiation process in June 2021 for a Team Leader/Shift Leader AvSec Collective.</li> <li>The Public Service Association and CAA Collective is due to be bargained in late 2021.</li> <li>We are also reviewing the approach to recognition and non-monetary rewards.</li> </ul>
 <p><b>Harassment and bullying protection</b></p>	<ul style="list-style-type: none"> <li>The Te Kākano programme includes strengthened policies and practices to improve how we identify and deal with harassment and bullying.</li> <li>The Authority's <i>Addressing Workplace Bullying and Harassment Policy</i> was implemented in January 2021. In late 2021 we will also launch an e-learning module for all staff based on this policy.</li> <li>The Authority also implemented its new organisational values in late 2020.</li> <li>Respect and Inclusion workshops were offered in 2020/21 to all employees.</li> <li>Two pulse surveys were undertaken to reflect on the cultural changes across the Authority.</li> </ul>
 <p><b>Safe and healthy environment</b></p>	<ul style="list-style-type: none"> <li>The Authority continues to use (Instep) for our Employee Assistance Programme (EAP).</li> <li>In addition to our EAP service, we appointed an organisational psychologist (Kaiāwhina – which means a 'supporter, nurturer or advocate'). This role commenced 1 July 2020 and provides a support mechanism for our people to discuss any issues they may have.</li> <li>A new Health, Safety and Wellbeing team structure was introduced from 1 July 2020. One of the new roles was a Health, Safety and Wellbeing Manager. A new strategy is being developed with implementation commencing in 2021.</li> </ul>

<sup>1</sup> <http://www.hrc.co.nz/resources/business/reporting-crown-entities-good-employers>

## Our resources

### Our tools and infrastructure

#### Digital assets

Having fit for purpose information and technology is critical to our ability to deliver regulatory and security services. We regularly review our systems and assets – and how we manage them – to encourage continuous improvement.

In 2020/21 work continued to maintain stability, resilience, and security of our technology environments. A health check of information and technology services was conducted and plans to lift our capability, infrastructure operations, security practices and service delivery were developed and initiated.

We strengthened IT services to prepare for further impacts of COVID-19 with the replacement of Skype for Business with Microsoft Teams video conference and telecommunication platform, and strengthening of the remote connection solution.

We expanded information and technology services to support work being carried out at managed isolation and quarantine (MIQ) facilities, providing access to time recording, payroll, and rostering services. This is further supported by service desk and system administration services for MIQ employees.

In 2020/21 funding was secured for the Authority's planned replacement of the regulatory function's core business system, Aviation Safety Management System (ASMS). This is a bespoke application that is over 30-years old. EMPIC-Enterprise Aviation Processing (EMPIC-EAP) – the preferred replacement option – is a commercial-off-the-shelf solution, that is widely used by international aviation jurisdictions. The replacement of ASMS will be critical to our ongoing role as a regulator of New Zealand's civil aviation system and will be carried out over the period covering 2021/22 through to 2023/24.

#### Physical Assets

The Authority's property team led building and infrastructure projects, and provided consultation and advice. This included the opening of a new Explosive Detector Dog Unit in Wellington. Space changes were made at airports to facilitate Advanced Imaging Technology (AIT) and smart lanes were implemented at Auckland Transit, and Dunedin, Christchurch and Wellington Southwest Piers. Planning was undertaken to allow this programme to continue in future years. Plans for screening lanes and staff welfare facilities were delayed at Queenstown airport due to COVID-19 and other local considerations.

In response to COVID-19 we adapted our working environments to ensure the safety and wellbeing of staff and visitors through physical distancing of workspaces, use of QR codes, distribution of hand sanitiser, use of masks and signage.

The financial impact of funding changes due to COVID-19 revenue impacts have affected our ability to undertake some planned improvements and modernisation of workspaces, and caused the re-prioritisation of asset replacements.

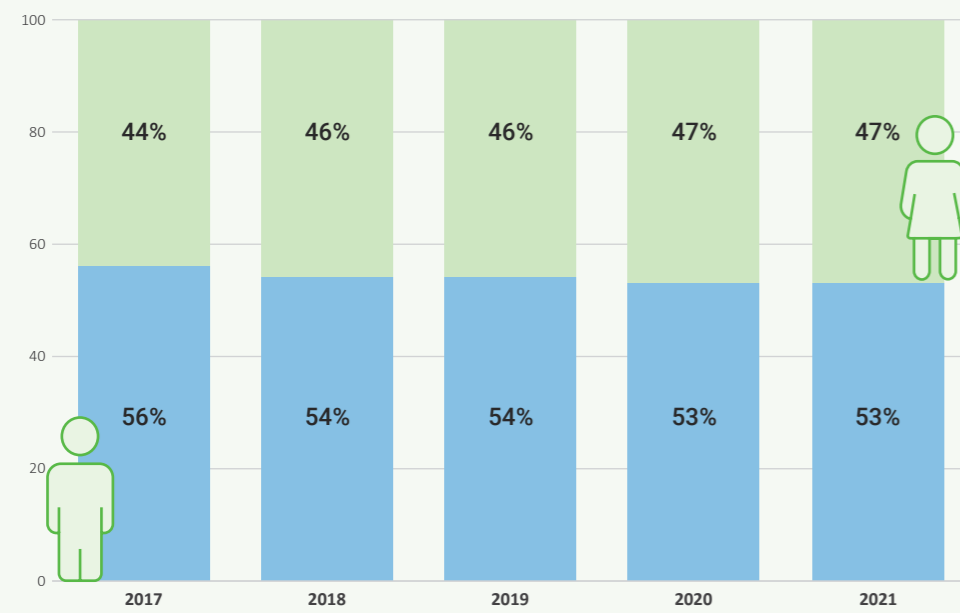


# Our people

## Ethnicity

	2017	2018	2019	2020	2021
Not reported	70%	71%	64%	53%	53%
NZ European	19%	20%	19%	23%	38%
Asian	1%	3%	5%	9%	10%
Pasifika	2%	2%	3%	4%	5%
Māori	3%	2%	3%	4%	5%
Other	5%	2%	6%	7%	1%

## Gender profile



## Management gender profile<sup>2</sup>

	2017	2018	2019	2020	2021
Male	67%	67%	64%	63%	60%
Female	33%	33%	36%	37%	40%

<sup>2</sup> The Authority provides three options to staff who choose to report their gender: 'male', 'female' and 'gender diverse'. While several staff members self-reported as being gender diverse when taking part in the Authority's anonymous engagement survey, no staff member has this option selected in their internal staff profile.


## Total staff numbers

	2017	2018	2019	2020	2021
Headcount (excluding contractors)	1,247	1,359	1,409	1,572	1,530
Full-time equivalent	1,127	1,247	1,295	1,430	1,408

## Staff turnover (unplanned)<sup>3</sup>

	2017	2018	2019	2020	2021
The Authority	11.13%	10.15%	11.42%	10.18%	9.41%
Public Service	11.50%	12.10%	11.8%	10.1%	-


## As at 30 June 2021




**KiwiSaver enrolments**  
**97% enrolled**




**Average age**  
**45 years old**




**Employment relations**  
**57.4%**  
Members of collective agreements




**Proportion of employees who have disclosed disabilities**  
**1.6%**



**42.6%**  
Individual employment agreements



**Employment status**  
**80%**  
Frontline operator



**Employment status**  
**20%**  
Managerial and support

<sup>3</sup> Unplanned turnover is primarily due to resignations but also includes retirements and deaths. It includes fixed-term staff who resign before the expiry of their fixed-term contract but not those that leave on the planned completion date of the contract. The average tenure for unplanned leavers at 30 June 2021 was 5.5 years compared to the average tenure for the Authority of 7.5 years.

# Financial highlights

The financial results of the Authority for the 2020/21 financial year continue to be severely impacted by COVID-19 and the impacts this has had on the aviation industry.

Traditionally the Authority has operated in an environment where its revenues are primarily derived from levies paid by airlines on the basis of departing passengers, as well as 'demand driven' fees and charges. The proportion of total funding received from the Crown had been relatively small at approximately 2.0% of total Authority revenue. This proportion has grown to 63% of revenue.

COVID-19 has had a material negative impact on these revenue drivers. In response, through Budget 2020 Cabinet approved a \$196.4 million appropriation to protect the Authority's core functions, with the Crown effectively purchasing core services from the Authority that are currently no longer able to be cost-recovered from third parties. In December 2020 Cabinet approved an additional appropriation of \$24.6 million to fund AvSec's support of the Managed Isolation and Quarantine program through to 30 June 2022.

However, prior to being able to access this appropriation, the Authority was first required to spend its cash reserves to maintain payment of employees and suppliers, which means its reserves are now significantly depleted compared to prior years and the minimums prescribed in its Reserves and Funding policy. The financial results (in particular the significant deficits in both the Regulatory function and Aviation Security Service function in the 19/20 financial year) represent this utilisation of reserves before the additional Crown support was first accessed.

## Key results

### Regulatory function

For the Regulatory Function, the 2021 year produced an operating deficit of \$1.6 million, a positive variance of \$1.4 million from the budgeted \$3.0 million deficit. Of this variance, revenue was \$0.9 million lower than budgeted, largely reflecting a lower need to access the Crown liquidity appropriation.

Expenses were \$2.3 million less than budget, reflecting cost saving initiatives and higher than budgeted levels of vacant roles from attrition.

The Regulatory Function incurred slightly higher than budgeted capital expenditure (\$0.2 million more than budget), principally because of IT expenditure carried forward from the previous year due to COVID-19 related delays.

### Aviation Security Service

The 2021 year produced a surplus of \$2.4 million, compared to a balanced budget.

This positive variance of \$2.4 million arose from lower expenditure of \$4.9 million due to cost savings in personnel and operating costs, offset by an adverse variance in revenue of \$2.5 million due to lower passenger volumes.

Capital expenditure was \$2.3 million below budget for the year, largely due to the deferral of planned expenditure on new screening equipment.

### Financial health

As a consequence of the financial results described above, both the Regulatory Function's and Aviation Security Service's cash and equity reserve levels are currently significantly below the minimums prescribed in the Authority's Reserves and Funding Policies (six to nine weeks of normal operating expenditure). This situation is expected to continue for the foreseeable future, as cash drawdowns against the Crown liquidity facility appropriation are only permitted to meet funding shortfalls on a month by month basis, not to restore previous reserve levels. Any such 're-capitalisation' of the Authority will be subject to future Cabinet decision making.



### Group Financial Result and Organisation Financial Health Indicators

	REGULATORY FUNCTION 2021		SECURITY SERVICE 2021		GROUP 2021		REGULATORY FUNCTION 2020	SECURITY SERVICE 2020
	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	ACTUAL \$M
<b>COMPREHENSIVE REVENUE AND EXPENSE</b>								
Revenue	46.7	47.6	125.3	127.8	171.6	175.0	40.1	115.3
Expense	48.3	50.6	122.9	127.8	170.8	178.0	48.1	129.7
(Deficit)/surplus	(1.6)	(3.0)	2.4	0.0	0.8	(3.0)	(8.0)	(14.4)
Note that Group Revenue and Expense includes inter-entity eliminations of \$0.4m (Budget \$0.4m).								
<b>EQUITY</b>								
<b>General funds</b>	<b>2.0</b>	<b>0.5</b>	<b>8.8</b>	<b>7.7</b>	<b>10.8</b>	<b>8.2</b>	<b>3.5</b>	<b>6.5</b>
<b>PASSENGER SECURITY CHARGES AND OTHER FEES AND CHARGES RESERVES</b>								
Passenger security levies and other fees and charges	-	-	-	-	-	-	-	-
Managed Isolation and Quarantine	-	-	-	-	-	-	-	-
Other fees and charges	-	-	-	-	-	-	-	-
<b>Sub-total reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>2.0</b>	<b>0.5</b>	<b>8.8</b>	<b>7.7</b>	<b>10.8</b>	<b>8.2</b>	<b>3.5</b>	<b>6.5</b>
<b>LIQUIDITY</b>								
Working capital	0.3	(1.1)	(3.0)	(5.2)	(2.7)	(6.3)	2.0	(4.6)
Bank and investments	2.7	1.5	7.3	8.5	10.0	10.0	6.0	7.6
<b>CAPITAL EXPENDITURE</b>								
Capital expenditure	0.9	0.7	4.6	6.9	5.5	7.6	0.6	8.9
<b>PASSENGER NUMBERS (000'S)</b>								
International	353	206	373	219	373	219	5,046	5,374
Domestic	9,492	7,325	5,011	4,038	9,492	7,325	10,416	5,693

### Capital and Asset Management

The table below shows comparative actual capital expenditure against budget:

	ACTUAL 2021 (\$000)	BUDGET 2021 (\$000)	% OF BUDGET SPENT	VARIANCE COMMENT
<b>REGULATORY FUNCTION</b>				
Computer hardware	398	292	136%	Completion of upgrades of IT storage carried forward from prior year (delayed due to COVID-19).
Computer software	408	245	167%	Completion of the transition to a CAA stand-alone electronic content management system (carried forward from prior year, delayed due to COVID-19).
Plant and equipment	1	15	7%	Not material.
Furniture and fittings	8	30	27%	Budget was reallocated to Leasehold improvements.
Motor vehicles	86	90	96%	Not material.
Leasehold improvements	26	-	-	Replacement of CCTV and Kitchen equipment, budget re-prioritised from furniture and fittings.
<b>Total</b>	<b>927</b>	<b>672</b>	<b>138%</b>	
<b>SECURITY SERVICE</b>				
Computer software	69	520	13%	Deferred to a later date.
Plant and equipment	3,776	5,647	67%	Delay of AIT equipment installation at Queenstown.
Furniture and fittings	(12)	-	-	Adjustment reclassified to operating expenditure.
Motor vehicles	706	426	166%	Reprioritised capital to mitigate expected supply chain disruption.
Leasehold improvements	107	280	38%	Delays due to complications in the consent process have delayed completion.
<b>Total</b>	<b>4,646</b>	<b>6,873</b>	<b>68%</b>	



PART TWO

# Our aviation system



## How we contribute to a safe and secure aviation system

Everything the Authority does should contribute to a safe and secure aviation system. We set out how we would achieve this in our Statement of Intent 2019-2024, by working towards three separate objectives: Improved Sector Safety Performance, effective and efficient security services, and a vibrant aviation system. In this section of the Annual Report, we describe how we have advanced each of these objectives, and the impact that our activities have had.

### Looking forward: the Statement of Intent 2021-2026

This year, the Authority developed a new strategic framework to underpin and guide the work we do. It takes into account the impacts of COVID-19 on the aviation system, and strengthens our positioning of our role as a regulator.

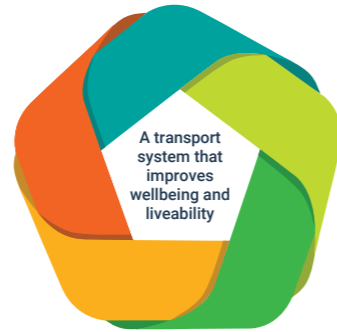
Changes include the identification of three pathways for achieving our purpose and vision, and the addition of organisational building blocks – the tools and resources we use to achieve our purpose and vision. As part of refreshing the strategic framework, we carefully looked at how we frame and measure performance at the Authority. The outcome of this work included enhancements to performance measures for output classes 1-5 that are results driven and aim to provide a good sense of overall performance direction, without being burdensome to read.

The new Statement of Intent 2021-2026 can be viewed on our website at: [CAA Statement of Intent 2021-2026 \(aviation.govt.nz\)](https://www.aviation.govt.nz).

Next year's Annual Report will report against the Statement of Intent 2021-2026. The information in this report references the framework and closes the loop on undertakings set out in the Statement of Intent 2019-2024.



# Our strategic framework from the Statement of Intent 2019–2024



### Healthy and safe people

Protecting people from transport-related injuries and harmful pollution, and making active travel an attractive option.

### Environmental sustainability

Transitioning to net zero carbon emissions, and maintaining or improving biodiversity, water quality, and air quality.

### Resilience and security

Minimising and managing the risks from natural and human-made hazards, anticipating and adapting to emerging threats, and recovering effectively from disruptive events.

### Economic prosperity

Supporting economic activity via local, regional, and international connections, with efficient movements of people and products.

### Inclusive access

Enabling all people to participate in society through access to social and economic opportunities, such as work, education, and healthcare.

#### MINISTER'S EXPECTATIONS

In 2020/21 the Minister of Transport set the expectation that the Civil Aviation Authority contribute towards:

-  Regulatory performance
-  Civil aviation safety and security
-  Cross-government collaboration
-  International engagement
-  Supporting the government's goals for modernising the aviation system
-  Resilience and security

The transport sector outcomes align with the Authority Strategic Framework

## Transport Outcomes Framework

## Authority Strategic Framework

## Benefits



#### IMPACTS

**Feeling safe** – air travellers in New Zealand feel 'extremely' or 'very' safe and secure.

**Being safe** – low and decreasing numbers of deaths and serious injuries in the aviation system.

#### OBJECTIVES

**A safe aviation system** – we target areas of risk within the aviation system, and work to diminish these risks, improving the overall performance of the system.

**Effective and efficient security services** – we continue to effectively identify and mitigate security threats, while making sure passengers and goods can travel smoothly.

**A vibrant aviation system** is one that makes a strong contribution to the wellbeing of New Zealanders, through enabling quality of life, and supporting a strong economy.

#### OUTPUTS

Our five deliverables are set out in our Statements of Performance.

#### FOCUS AREAS AND CHANGE PROGRAMMES

These programmes cut across all parts of the Authority's work programme, specifically addressing areas of risk and working to influence system and organisational change.

We expect that delivering on these commitments will provide these benefits to New Zealand



#### SAFE AND SECURE PEOPLE

Through a decreasing number of accidents, deaths and injuries in the sector, as well as increasing confidence in the safety and security of the system.



#### MINIMISED ENVIRONMENTAL IMPACT

Through reduced greenhouse gas emissions.



#### POSITIVE ECONOMIC IMPACT

Through minimising the aviation related barriers for movement of people and goods.



#### IMPROVED RESILIENCE AND SECURITY

Through reduction of risk due to adoption of Safety Management Systems (SMS) throughout the sector, and few or zero security incidents in the civil aviation system.

# Objective 1

## Improved sector safety performance

Our role is fundamental in ensuring that the New Zealand civil aviation system is safe (Civil Aviation Act 1990). We identify and target areas of risk within the civil aviation system and work to reduce these risks to improve the overall performance of the system.

Safety performance in the civil aviation system ranges from excellent in the large aircraft (airline) sector, to relatively poor in the commercial helicopter and private recreational aviation areas. To maintain and improve safety we carry out a number of functions, including:

- controlling entry, ongoing operation and exit from the civil aviation system – we certify and license organisations, individuals and products
- monitoring activity, such as conducting inspections, audits and investigations, and taking regulatory action as needed to address safety risk
- assessing issues within the civil aviation system and identifying the best approach to resolve these issues – sometimes this may result in rule changes or further policy work
- educating and influencing through outreach to participants in the civil aviation system.

### Our achievements in 2020/21

#### Introduction of the private pilot's licence (PPL) with DL9 – increasing privileges for pilots holding a DL9.

An amendment to the Part 61 rules (Pilot Licences and Ratings) took effect in April 2021. The changes mean private pilot licence holders can operate an aircraft on a Waka Kotahi New Zealand Transport Agency DL9 medical certificate. This medical certificate option was previously available on the now discontinued recreational pilot licence (RPL).

The change was based on overseas practice, public consultation and analysis, and means that the medical standard for a commercial driver licence that is applicable for a class 2, 3, 4 or 5 with passenger endorsement (1) apply to certain privileges for a private pilot licence.

The changes adopt a standard of medical certification for New Zealand private pilots that:

- requires a standard of medical fitness that is commensurate to the risk posed by private pilots; and
- is associated with costs that are commensurate to the risk posed by the sector.

#### Monitoring of the ongoing effects of COVID-19 on the safety of the aviation industry.

COVID-19 had a serious financial impact on many aviation sector operators. In response, the Authority developed a programme to obtain assurance that increases in business risk were not translating into increased levels of operational safety risk.

The programme selected a sample of participants based on assessed risk and looked at their management of risks arising from operational, maintenance and financial hazards. It assessed the adequacy of controls for assurance of compliance, culture, senior persons, competency, work capacity and capability, human factors, management systems, cost reduction and recovery planning.

Financial risks appeared to have been appropriately managed. Responses ranged from detailed timeline-based financial and business planning through cost control and grounding of aircraft, to ceasing operations.

We saw no evidence that the determination by businesses to survive translated into corner cutting on safety matters. There was no evidence of operational or maintenance requirements being compromised.

There was evidence that Safety Management System thinking (see below) had informed decision making in many organisations – in particular, management of change, communication around human factors and emergency response planning.

#### Progress on the certification of Safety Management System organisations and next steps

Safety Management Systems are formal risk management frameworks, informed by Sector Risk Profiles, that embed Risk Mitigation Action Plans for organisations in the aviation system, taking into account their specific risks, needs and circumstances. Their introduction means that operators have effective systems in place for hazard identification and risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education.

The implementation of Safety Management Systems is being undertaken in accordance with Civil Aviation Rule Part 100 – Safety Management, and has been ongoing for four years. The programme was extended in response to the delays caused by the COVID-19 pandemic. 21 Safety Management System implementation certifications are still to be completed. These are scheduled to be completed by the 1 February 2022. Development of policy and process for the post implementation evaluation of Safety Management System is underway.

The certification and ongoing monitoring of operators' Safety Management Systems is also an important aspect of how we will continue to meet our obligations as a regulatory agency under the Health and Safety at Work Act 2015. They will give us additional oversight of individual operators' risks and assurance that they are addressing them and have appropriate response plans and systems.

#### Support to the Trans-Tasman bubble – the role of the CAA

The CAA provided assistance to the Ministry of Transport (MoT) and the Ministry of Health (MoH), acting as a liaison to the aviation industry, primarily the airlines. In order to participate in the 'trans-Tasman bubble', as a quarantine free travel carrier, an airline must complete the MoH's designation process. The CAA's role continues to be that of ensuring that the airlines understand what is required of them to become designated as a quarantine free travel carrier, and to co-ordinate the evidence provided by the airlines, working with the MoH to ensure that the airlines demonstrate their ability to meet the requirements. The CAA have been involved in the designation of Air New Zealand, Qantas, Jetstar, Air Chatham's, and continue to work with other airlines, including Virgin.

#### Approving the Boeing 737 MAX to fly in NZ skies

Following a comprehensive safety review CAA granted Fiji Airways approval to resume flights to New Zealand using Boeing 737 MAX aircraft.

#### MINISTER'S EXPECTATIONS



Regulatory performance



Civil aviation safety and security



Supporting the government's goals for modernising the aviation system

The approval came after the CAA placed a condition on the airline in March 2019, which prevented it from operating these aircraft to New Zealand after serious safety issues were identified following two fatal accidents with other airlines overseas. Aviation regulators around the world put similar conditions in place at the time, which effectively grounded the global fleet.

Since then, aircraft manufacturer Boeing has worked with aviation regulators in the United States, Europe and Canada on packages of system modifications, changes to procedures and updated pilot training, to provide a path for airlines to return these aircraft to service.

CAA worked closely with the Civil Aviation Authority of Fiji to ensure the necessary safety improvements were made for Fiji Airways' 737 MAX aircraft. CAA thoroughly and independently reviewed the work undertaken by Fiji Airways to bring their 737 MAX aircraft back into service and is confident they are safe to return to operation.

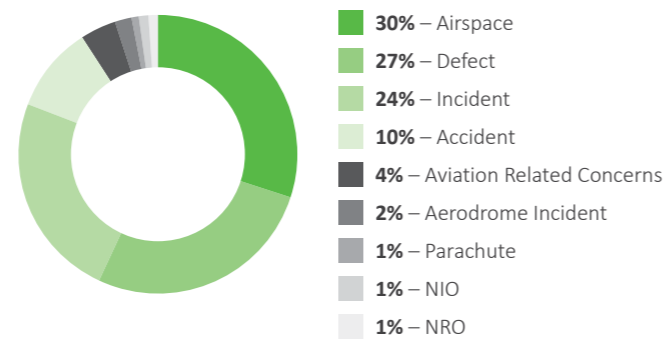
The CAA's approval is in the form of the 737 MAX 8 aircraft being re-added to Fiji Airways' Foreign Air Operators Certificate. This is a CAA-issued certificate which overseas airlines need to hold before they can regularly fly to New Zealand.

**The work of the CAA Safety team in 2020/21**

The CAA carries out a number of functions including safety investigations to maintain and improve safety. Our team of investigators are responsible for investigating and examining accidents, incidents and other occurrences to ascertain what happened and why, and to determine appropriate responses including actions to share lessons learned and prevent recurrences.

**Overview of Safety Investigations 2020-2021**

Breakdown of Safety Investigations Opened 2020-2021



# Measuring outcomes

## Safe and secure skies

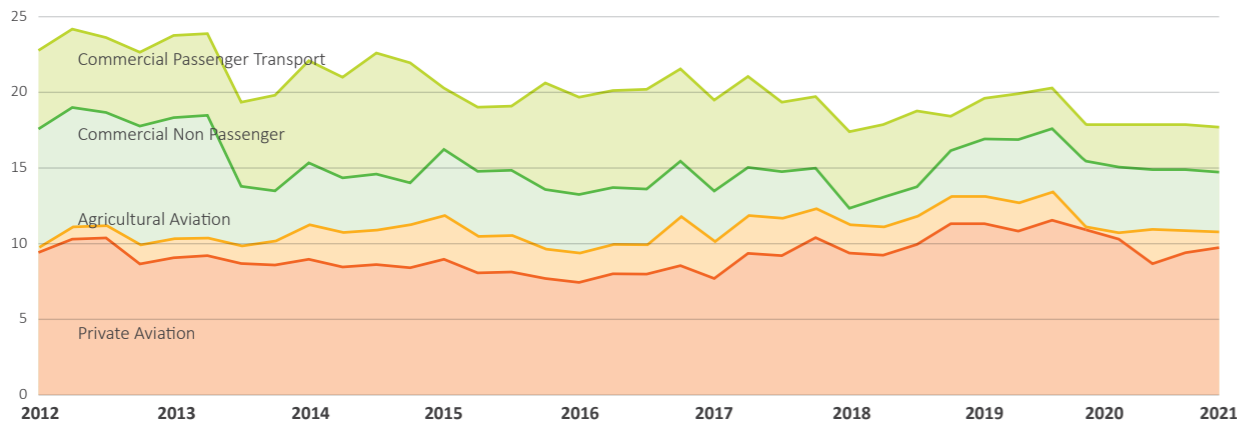
### Low and reducing numbers of accidents

Achieved – aviation accidents have decreased over the past 20 years. Rates of accidents in specific sectors remain a concern and the Authority continues to work to improve safety across the civil aviation system. The overall level of safety failure in the aviation system is low, meaning that one event can cause dramatic shifts or fluctuations in the rates that we measure. This makes it difficult to accurately determine statistically meaningful trends over time, however we are of the view that the safety performance of the sector is generally improving over time.

### Reduced social cost of accidents

Achieved – while the social cost measure is very sensitive to the nature and character of occurrences in the aviation system, the social cost of accidents in the civil aviation system has decreased over time. The Value of Statistical Life (VOSL) was established at \$2 million in 1991 and is regularly indexed to the average hourly earnings to express the value in current dollars. The updated VOSL is \$4.53 million per fatality, at June 2019 prices. Work has been planned at the Ministry of Transport to update the VOSL over the coming year, with an intention to replace the 1991 value. For the full VOSL report, refer to: [www.transport.govt.nz/statistics-and-insights/safety-annual-statistics/sheet/social-cost-of-road-crashes](http://www.transport.govt.nz/statistics-and-insights/safety-annual-statistics/sheet/social-cost-of-road-crashes)

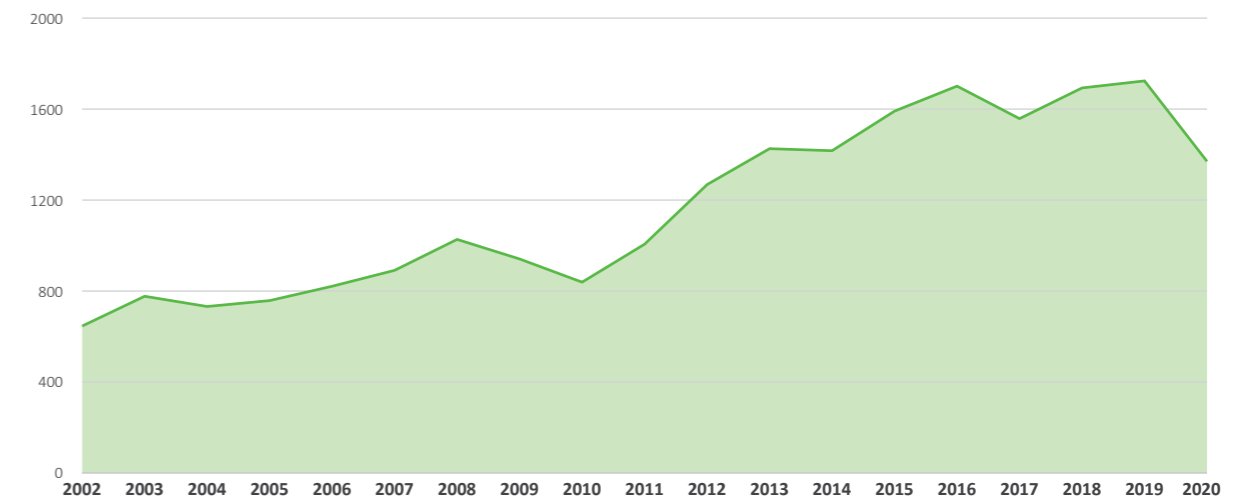
Social Cost by Sector (\$m) – three-yearly moving average



### Airspace occurrences and reports

We actively monitor airspace occurrences (safety events that have been reported to the Authority) with the intent of influencing a safe airspace environment for all aviation activities. We are aiming for a reduction in near misses, loss of separation, and uncontrolled incursions. In general, airspace occurrences are reported to the Authority by participants in the aviation sector. While we aim to reduce the number of airspace occurrences, the increase since 2001 is expected due to the ongoing growth in flight activity and the number of participants in the civil aviation system, as well as the Authority’s increased emphasis on encouraging participants to report these types of occurrences.

#### Airspace occurrences



#### Airspace occurrence data for 2020/21

		2014	2015	2016	2017	2018	2019	2020	2021	TARGET
<b>CLOSE PROXIMITY EVENTS</b>										
<b>'Near misses' and loss of separation incidents</b>	<b>COUNT</b>	107	121	102	89	121	97	99	95	Fewer 'near misses' / loss of separation incidents through time.
	<b>PER 100,000 HOURS</b>	10.3	14.11	11.12	9.16	13.01	10.93	14.19	15.30	
<b>UNAUTHORISED AIRSPACE INCURSIONS</b>										
<b>Uncontrolled incursions (into controlled airspace)</b>	<b>COUNT</b>	300	340	389	341	394	367	351	425	Fewer uncontrolled incursions (into controlled airspace) through time.
	<b>PER 100,000 HOURS</b>	28.8	39.66	42.4	35.08	42.38	41.35	50.30	68.44	

# Objective 2

## An effective and efficient security service

We continue to identify and mitigate security threats, whilst ensuring that passengers and goods can travel smoothly.

The Aviation Security Service (AvSec) is a core part of the Authority and provides aviation security services in New Zealand. AvSec conducts the following activities:

- Screening domestic and international passengers and crew, and their carry-on baggage at six security-designated airports, for weapons, explosives, and prohibited items.
- Screening domestic and international checked baggage at security-designated airports, for weapons, explosives, prohibited items and dangerous goods.
- Conducting perimeter patrols, vehicle searches, guarding aircraft, mobile foot patrols, escort duties, and aircraft searches at security-designated airports.
- Managing the airport identity card system on behalf of the Director of Civil Aviation.
- Operating explosive detector dog teams around New Zealand – searching for explosives in and around airports, and providing support to other agencies as requested e.g. Police bomb threat call outs, venue clearances etc.
- Operating supplemental and complimentary screening and intelligence practices to improve overall detection outcomes.
- Screening of bulk and duty-free goods, and outbound mail and cargo.
- Screening of non-passengers (airport workers) into security enhanced and sterile areas at the six security-designated airports.
- Providing security services to other Government agencies, e.g. All-of-Government COVID-19 Response, national events of significance, etc.

### Our achievements in 2020/21

**AvSec has a critical role in supporting the Government's response to COVID-19. This is keeping New Zealanders safe from COVID-19, while protecting the economy from the harshest impacts of the pandemic.**

The Authority, through AvSec, has continued to dedicate 156 staff to support the management of MIQ facilities, and now also provides rostering and remuneration services for MIQ. This activity is funded by dedicated appropriation through the Ministry of Business, Innovation, and Employment (MBIE).

AvSec's primary focus remains security and screening services at Tier 1 airports, however it remains vigilant and ready to re-deploy staff to assist in the introduction of new border and health orders, further COVID-19 response (e.g. working with Police and Ministry of Health), and generally supporting the whole-of-government effort.

**The Authority has several important initiatives underway to improve and future-proof AvSec and the services they provide.**

Our initiatives aim to develop our staff, improve our processes and systems, and implement new technology. The objective is always to support our security service to carry out its work in smarter and better ways in a continually changing security environment.

A greater focus on strategic thinking and business planning will make AvSec sustainable and encourage continuous improvement over the long-term. In 2020/21, the Authority completed development of the Horizon 2030 Strategic Roadmap. Capability delivery plans are under development and further funding has been secured for their development.

### Airport identity cards and supporting systems.

The Airport Identity Card Information System implementation was completed in 2020/21. It delivers smart security through a solution that is reliable and flexible enough to respond to the dynamic nature of the security environment and facilitates real-time validation of identity cards in restricted areas at New Zealand airports through the use of QR codes.

Work has begun to expand the system to include Regulated Aviation Cargo Agents (RACA) information. This work is planned to be completed in early 2021/22.

**The Screening Point Modernisation Programme (SPAM) is enhancing screening capability through the use of advanced imaging technology and automation.**

The programme has been rolled out at Auckland (International Terminal), Christchurch Airport, Wellington Airport and Dunedin Airport and is improving security and the passenger experience.

The final tranche of the rollout has commenced and will see enhancements to Queenstown, Auckland Domestic Terminal, Wellington (North West Pier) and Invercargill. Additional enhancements including anti-breach provisions and electronic signage will also be added to the whole network.

**The Authority continues to review and improve its security services to encourage effectiveness and efficiency, following the independent value for money (VfM) report and internal capability, capacity and cost (CAPCO) review completed in 2020.**

The Authority has taken the findings from the PWC VfM report and from its first stage of its CAPCO work, to inform its 2021/22 budget bid for continued financial support. Since 2016 costs have increased at a rate higher than passenger growth largely as a consequence of investment in screening point technologies and increased security measures. A 10-year capability development plan has been developed to manage these effects.

The Authority has, beyond its commitment to MIQ, developed plans to ensure its resources are sufficient to support sector recovery (based on border sector scenarios and treasury directives) and meet set security standards.

#### MINISTER'S EXPECTATIONS



Regulatory performance



Civil aviation safety and security



Supporting the government's goals for modernising the aviation system

# Objective 3

## A vibrant aviation system

A vibrant aviation system makes a strong contribution to the wellbeing of New Zealanders, by enabling quality of life and supporting a strong economy.

We contribute to a vibrant aviation system by:

- working across Government
- working internationally
- supporting Pacific Island nations and building regional security
- supporting innovation and new technologies.

### Our achievements in 2020/21

#### The New Southern Sky programme (NSS) continues to deliver significant benefits as more stakeholders adopt new, safer, technology on aircraft

The Automatic Dependent Surveillance-Broadcast (ADS-B) Grant Scheme team has distributed over \$3m of grants for ADS-B OUT and IN as more participants understand the benefits, in all airspace, of the enhanced situational awareness that ADS-B IN provides. As the 31 December 2022 mandate approaches, requiring all aircraft operating in controlled airspace to use ADS-B OUT technology, the number of ADS-B equipped aircraft is steadily increasing. Close to 1,700 aircraft are now equipped and a total of around 2,700 are forecast to be equipped by the mandate. The Grant Scheme will remain active until 30 June 2023.

The NSS programme reached a significant maturity point on 30 June 2021 when residual projects were incorporated within routine workstreams. At this milestone, new rules and technical advice had been developed, on behalf of the Minister of Transport, to deliver a Performance Based Navigation (PBN) regulatory framework that will allow more pilots to use Global Positioning System (GPS) navigation to achieve further safety, environmental, economic and social benefits.

This included the development of:

- guidance on how to navigate safely if there is a GPS outage (extraction and recovery procedures)
- a recommendation on a minimum operational network (MON) of back-up ground-based navigation aids to get aircraft back on the ground safely in the event of a GPS outage.

The NSS System Assessment conducted earlier this year in the Airways simulator used projected 2023 system capabilities, including the anticipated PBN rules and the MON, to populate the test environment. The assessed outcome for 2023 was a safe and effective aviation system.

A further benefits evaluation was conducted to assess the impact of COVID-19 on the programme. It concluded that flight efficiency benefits remain in line with expectations from the 2018 Acuo Cost Benefit Analysis and include:

- 4.9m kg fuel burn saved
- 15.4m kg CO2 emissions reduction
- \$NZ 7.3m saving in aircraft direct operating costs
- \$NZ 5.7m value of passenger time saved

#### The NSS programme worked with Australian, British and United States colleagues to increase safety in the civil aviation system and deliver economic benefits

NSS continued to participate virtually in the Australian Strategic Air Traffic Management Group (ASTRA) Council meetings to ensure that a joined-up approach is being taken in areas of mutual interest – in particular the joint Australia/New Zealand Satellite Based Augmentation System, planned to be introduced in 2024. The Satellite Based Augmentation System will reduce Controlled

Flight into Terrain, as well as operational safety benefits to helicopter emergency medical services and economic benefits to regional airlines and airports.

The New Southern Sky programme also engaged with our Australian counterpart, the Civil Aviation Safety Authority (CASA), the UK CAA and the United States Federal Aviation Administration (FAA) to examine the wider benefits of ADS-B in all airspace, including the potential use of electronic conspicuity devices beyond the current ADS-B implementation.

#### Monitoring NSS Progress

The NSS programme will continue to the end of 2023. Benefits are expected to accrue to at least 2033. Progress with the range of projects being delivered by the programme will be reported quarterly and can be monitored through [www.nss.govt.nz](http://www.nss.govt.nz)

#### We worked internationally to increase safety in the civil aviation system and deliver economic benefits

Engagement with our international partners is important to keeping aviation safe and secure in New Zealand and its neighbours, and to encourage a strong economy.

We maintained close contacts with our partners in Canada and Australia as part of our formal trilateral arrangement. This work has included papers for the ICAO High Level Conference on COVID-19. A workstream on remote surveillance has been established, in which the Pacific Aviation Safety Office (PASO) has been invited to participate. A separate work stream on mutual recognition for medical certificates, is set to commence in the second half of 2021.

We entered into a Network of National Aviation Authorities with the UK, USA, Canada and Australia to facilitate greater collaboration in areas of shared interest. Initial topics for collaboration are:

- COVID-19 response/post-COVID-19 safety recovery/assurance (short-medium term focus)
- Innovation/emerging technologies (medium-longer term focus).

#### MINISTER'S EXPECTATIONS



Regional development



Cross-government collaboration



Supporting the government's goals for modernising the aviation system



Work is underway on a Technical Arrangement on Aircraft Maintenance with Singapore aimed at reducing the need for both states to undertake duplicate inspections and evaluations resulting in savings for operators, while continuing to maintain safety.

#### **Our ongoing work with our pacific neighbours is keeping the region safe and secure**

In 2020/21 the Authority's work in the Pacific included operational and policy support to the Pacific Aviation Safety Office, and offering technical and training support, and infrastructure to Pacific Island nations.

#### **We responded to emerging aerospace technology**

An aerospace and aerospace-related technology sector is emerging in New Zealand. Sector participants range from developers of rocket powered satellite launch vehicles, to companies looking to develop the commercial opportunities of drone technology. Regional growth centres are also emerging, including Christchurch and the Canterbury region.

The Government is exploring its role in this sector, and the development of an Aerospace Strategy is being led by the Ministry of Business Innovation and Employment (MBIE). The Authority is committed to contributing to the successful development and implementation of this strategy alongside the Ministry of Transport.

In addition to this work on a government-wide strategy, the Authority has worked closely with sector participants as it administers its regulatory responsibilities.

The interconnected work streams with MBIE on drones, aerospace and advanced aviation involved MBIE reallocating funds for five positions to support the Authority in this work. This funding will come to an end in June 2022. The growing complexities of the aerospace sector is presenting the Authority with resourcing challenges, and it is working through longer term options to address them.

To ensure the Authority is well prepared to work through these challenges, a Director Emerging Technologies Programme role was implemented. The role will work across the Authority to bring together certification, monitoring and inspection, policy development, and engagement with the new technologies sector.



PART THREE

# Statements of Performance



# Statement of responsibility

Pursuant to the *Crown Entities Act 2004*, the Authority accepts responsibility for:

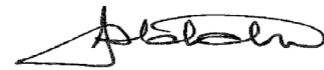
- the preparation of the financial statements and the statements of performance and for the judgments used therein
- the establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting
- any end-of-year performance information provided by the Civil Aviation Authority under section 19A of the *Public Finance Act 1989*.

In the opinion of the Authority, the financial statements and statements of performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2021.

Signed on behalf of the Board:



**Janice Fredric**  
Chair of the Civil Aviation Authority of New Zealand  
21 December 2021



**Jill Hatchwell**  
Board member of the Civil Aviation Authority of New Zealand and Chair of the Audit, Finance and Risk Committee  
21 December 2021

# Independent Auditor's Report

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2021.

The Auditor-General is the auditor of the Civil Aviation Authority (the Authority). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statements of performance, including the performance information for appropriations, of the Authority on his behalf.

## We have audited:

- the financial statements of the Authority on pages 87 to 123, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the statements of performance of the Authority on pages 34 to 48 and 56 to 85.

## Opinion

### **Unmodified opinion on the financial statements**

In our opinion, the financial statements of the Authority on pages 87 to 123:

- present fairly, in all material respects:
  - its financial position as at 30 June 2021; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards.

### **Qualified opinion on the statements of performance**

In our opinion, except for the possible effects of the matter described in the Basis for our opinion section of our report, the statements of performance on pages 34 to 48 and 56 to 85:

- presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2021, including:
  - for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - what has been achieved with the appropriations; and
  - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 21 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of COVID-19 on the Authority. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the statements of performance, we comment on other information, and we explain our independence.

## Basis for our opinion

***Our work was limited in the prior year in relation to the performance measure on verifying passenger wait times through security screening at international and domestic airport screening points***

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

Passenger screening is a key service provided by the Authority to the travelling public in New Zealand, and the timeliness of this service impacts on the public's view of the Authority's performance. In respect of the 30 June 2020 comparative information only, the Authority's performance against "passenger wait times through security screening at international and domestic airport screening points" was not based on a representative sample and evidence to support these wait times had not been retained by the Authority.

As a result, our work was limited in the prior year and there were no practicable audit procedures we could apply to obtain assurance the reported result for this performance measure was materially correct for the year ended 30 June 2020.

This issue has been resolved for the 30 June 2021 year. As the limitation on our work cannot be resolved for the 30 June 2020 year, the Authority's statements of performance information reported for this performance measure for the 30 June 2021 year may not be directly comparable to the 30 June 2020 performance information.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of matter – Impact of COVID-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Authority as set out in note 19 on page 120 and note 23 on page 123 to the financial statements.

#### Responsibilities of the Board for the financial statements and the statements of performance

The Board is responsible on behalf of the Authority for preparing financial statements and statements of performance that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal

control as it determines is necessary to enable it to prepare financial statements and statements of performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statements of performance, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

#### Responsibilities of the auditor for the audit of the financial statements and the statements of performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of performance.

For the budget information reported in the financial statements and the statements of performance, our procedures were limited to checking that the information agreed to the Authority's Statement of Intent, the Estimates and Supplementary Estimates of Appropriations, and the statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statements of performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statements of performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statements of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statements of performance, including the disclosures, and whether the financial statements and the statements of performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

#### Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 33, 49 to 52, 86, and 124 to 133, but does not include the financial statements and the statements of performance, and our auditor's report thereon.

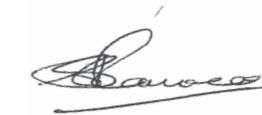
Our opinion on the financial statements and the statements of performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statements of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statements of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.



**Clint Ramoo**  
Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

# An introduction to the Statements of Performance

The Statements of Performance report against the performance measures contained in the Statement of Performance Expectations 2020/21. The performance measures are divided into five output classes. Output classes are the functional activities which we are funded to deliver:

## Output Class 1 – Policy and Regulatory Strategy

## Output Class 2 – Outreach

## Output Class 3 – Certification and Licensing

## Output Class 4 – Surveillance and Investigation

## Output Class 5 – Security Service Delivery

### Reporting the ongoing impact of COVID-19

In 2019/20, the Authority reported its performance in a different format, and included results as at 31 March 2020 and as at 30 June 2020. This was because the arrival of COVID-19 and the all-of-government response to the pandemic severely disrupted activity – there was a major shift in our activity between the first three quarters of the financial year, compared to the fourth quarter.

While COVID-19 has continued to impact our activity, there has been no sudden disruption at the same level. As such, our non-financial performance reporting is now provided in the same format we used in prior years, and only includes performance as at 30 June 2021.

This does not mean that our reporting does not reflect the realities of operating in the COVID-19 environment. Our Statement of Performance Expectations 2020/21 indicated which measures we expected to be impacted by COVID-19.

### Activities funded through Crown appropriation

To comply with our responsibilities under the *Public Finance Act 1989*, activities that are – as a standard – funded through the Crown from Vote Transport (excluding funding from the Protection of Transport Sector Agency Core Functions multi-year appropriation) are included in both the Authority's Statement of Performance Expectations 2020/21 and in Vote Transport. Relevant activities are funded through a number of separate appropriations within Vote Transport. These activities are denoted by an asterisk\*, and a description of the relevant appropriations are included below.

#### Policy Advice and Related Outputs – Civil Aviation

The multi-category appropriation 'Policy Advice and Related Outputs – Civil Aviation' is intended to achieve a safe and secure airspace environment through the implementation and maintenance of rules and regulations and the management of risk for all aviation activities. The activities funded through this appropriation include:

- International Relations and International Civil Aviation Organization Obligations (Output Class 1)
- Ministerial Servicing (Output Class 1)
- Policy Advice (Output Class 1).

This appropriation also included funding to improve safety in the aviation system through the recruitment of technical capability to support the integration of unmanned aircraft (drones) into controlled airspace (Output Class 4).

There are two timeliness measures in this appropriation, which were included in Vote Transport in error. These activities are not included in our Statement of Performance Expectations 2020/21, and are not funded by the appropriation. As such, the Authority has not provided reporting against the following measures in this year's Annual Report:

- We will complete assessments, investigations and audits (work types) within 180 days
- We will complete assessments, investigations and audits (work types) within 12 months.

Similar measures against our Health and Safety at Work Act activities are reported under Output Class 4: Surveillance and Investigation.

#### Health and Safety at Work Activities – Civil Aviation

The 'Health and Safety at Work Activities – Civil Aviation' appropriation is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system (Output Class 4).

#### Maritime Port Security

The 'Maritime Security Support' appropriation is intended to achieve preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers (Output Class 5).

#### Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme

The Authority received funding through the 'Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme' appropriation and the 'Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme'. These appropriations are intended to provide rebates to operators required to install ADS-B transponders and to enable the administration of the scheme (Output Class 3).



# Protection of Transport Sector Agency Core Functions

The 'Protection of Transport Sector Agency Core Functions' appropriation is intended to achieve the protection of core services provided by transport border agencies whose third party revenue has been significantly impacted as a result of COVID-19.

The appropriation operates as a liquidity facility. The Authority draws down funding where the cost of our core functions exceeds the third-party revenue we receive, essentially bridging the gap between our revenue and our expenses. It was established directly in response to the impact COVID-19 had on the fees, levies and charges we receive.

As part of this funding, the Authority is reporting on two additional measures, relating to the maintenance of appropriate capability and the mitigation of costs to the Crown. These are included below.

## Performance measures under the Supplementary Estimates of Appropriations 2020/21 (Vote Transport)

HOW WILL WE MEASURE OUR PERFORMANCE?	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
Maintain appropriate capability for core functions- appropriate resourcing to meet service level requirements.	Achieved	Achieved	Achieved	
Mitigate costs to the Crown- delivery of a plan to minimise the fiscal costs to the Crown by 30 June 2020.	Achieved	Achieved	Achieved	



# Output Class 1: Policy and Regulatory Strategy

We administer the regulation for the civil aviation system, administer New Zealand’s international civil aviation obligations, and support the Minister of Transport and other parts of Government to make informed decisions on issues to do with the civil aviation system.

### What we do under this output class

- Coordinate the Authority’s strategic engagement in the international aviation system;
- Administer New Zealand’s civil aviation obligations and interests within the delegation of the Minister of Transport;
- Deliver Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials;
- Develop options and solutions for specific issues within the aviation regulatory system;
- Proactively identify emerging issues for aviation;
- Deliver major policy and regulatory projects; and
- Develop and maintain linkages internally, across government, internationally and within industry.

**KEY**

- Quality
- Timeliness
- Quantity
- Organisational focus

PERFORMANCE MEASURE		2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>1.1 International Relations and International Civil Aviation Organization Obligations</b>  <b>What is intended to be achieved</b> Administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.	To meet our delegated obligations we will attend the international annual Directors-General of Civil Aviation meeting; the Pacific Aviation Safety Office (PASO) Council meetings; and other international meetings/fora, as appropriate.	New measure	100%	No meetings attended in person	The Authority met New Zealand's international engagement obligations through using additional video, voice and written communications.
	We will ensure New Zealand’s obligations as a signatory State to the Chicago convention <sup>5</sup> are met through: <ul style="list-style-type: none"> <li>• maintained alignment with existing Standards and Recommended Practices (SARPs) where appropriate</li> <li>• alignment with new SARPs where appropriate for New Zealand</li> <li>• filing of Differences<sup>6</sup> within required timeframes.</li> </ul>	Maintained	Maintained	Maintained	
		Achieved	Achieved	Achieved	
		100%	100%	100%	

<sup>5</sup> The Convention on International Civil Aviation, also known as the Chicago Convention, established the International Civil Aviation Organization, a specialised agency of the UN charged with coordinating and regulating international air travel.

<sup>6</sup> Filing of differences<sup>6</sup> is where New Zealand formally notifies ICAO that we will not be adopting a Standard and Recommended Practice (SARP) for one of a few reasons: it may be that our unique national means of addressing the identified issue assures the same/better level of safety as in the SARP, or it could be that the issue justifies the level of regulatory oversight set out by the SARP. Regardless of the reason, we file a difference with ICAO.

## KEY

 Quality
  Timeliness
  Quantity
  Organisational focus

	PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>1.2 Ministerial Servicing – Civil Aviation</b>  <b>What is intended to be achieved</b> The effective delivery of support to executive government and parliamentary processes.	 Our reports, correspondence and Parliamentary questions will be acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.	No response received	Met expectations	Met expectations	
	  Reports and responses will be delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	100%	100%	100%	
<b>1.3 Policy Advice – Civil Aviation</b>  <b>What is intended to be achieved</b> A high level of safety and security standards within the New Zealand civil aviation system.	 The policy advice we provide to Ministers, government departments and agencies will meet the Authority’s internal guidelines for quality policy advice.	100%	100%	100%	
	 All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies. <sup>7</sup>	100%	100%	100%	
<b>1.4 System Level Design and Intervention</b>  <b>What is intended to be achieved</b> An effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.	  All new issue assessments <sup>8</sup> that impact the aviation regulatory system completed according to the Authority’s issue assessment procedures and align with the Government’s expectations for good regulatory practice.	100%	100%	100%	
<b>1.5 Rules and Standards Development</b>  <b>What is intended to be achieved</b> Timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.	  Documentation provided to the Ministry of Transport that is accepted by the Ministry as meeting timeliness and quality standards established in the Ministry’s “Regulatory Development and Rule Production Handbook” (the Handbook) and Treasury’s “Guide to Cabinet’s Impact Analysis Requirements”.	100%	100%	100%	


<sup>7</sup> This also includes variations to timeframes that are agreed between parties.

<sup>8</sup> An issue is any problem, or potential problem, in the aviation system that is raised with the Authority. The Authority uses a prescribed process to assess the issue and to make recommendations for the next steps – the ‘issue assessment’ process.



## KEY

 Quality
  Timeliness
  Quantity
  Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>1.6 Pacific Support</b>  <b>What is intended to be achieved</b> Provision of support for our Pacific region neighbours to improve regional aviation security.				
 Provision of regulatory assistance and advice to eight South Pacific Island States to further develop and enhance aviation regulatory security requirements across the region as agreed with the Ministry of Foreign Affairs and Trade (MFAT).	100%	100%	<b>100%</b>	
<ul style="list-style-type: none"> <li>Meet quality and timeliness requirements in annual programme of work as agreed with MFAT.</li> <li>Evaluation Reports provided to the Pacific Security Coordination Committee meet the project objectives and deliverables.</li> </ul>	No reports were submitted	100%	<b>100%</b>	


	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
<b>Cost to deliver output class 1: Policy and Regulatory Strategy</b>				
Crown funding (Vote Transport: Policy advice)	1,297	1,780	(483)	2,029
Crown – COVID liquidity	762	1,371	(609)	-
Ministry of Transport contract revenue (rules development & Pacific)	1,351	2,470	(1,119)	1,529
Levies	2,313	930	1,383	1,287
Fees and charges	-	-	-	5
<b>Revenue</b>	<b>5,723</b>	<b>6,551</b>	<b>(828)</b>	<b>4,850</b>
<b>Expense</b>	<b>(5,723)</b>	<b>(6,551)</b>	<b>828</b>	<b>(4,850)</b>
<b>Net surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Output Class 2: Outreach

We engage with participants, organisations and other aviation sector stakeholders so we can better understand each other. We seek to improve aviation safety by raising awareness of good safety practices and behaviour. We inform about risks and how they can be addressed. We also raise awareness with the public about their responsibilities to keep the civil aviation system safe.

### What we do under this output class

- Foster and promote safety and security across the civil aviation sector;
- Raise public awareness on the transport of dangerous goods by air; and
- Raise public awareness of Civil Aviation Rules for the safe use of Unmanned Aerial Vehicles (drones).

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>2.1 Outreach</b> <b>What is intended to be achieved</b> Increased understanding and knowledge of aviation safety amongst participants and the public.				
 We will proactively build safety awareness through: <ul style="list-style-type: none"> <li>• targeted education courses, workshops or seminars to participants nation-wide</li> <li>• publishing research reports on the Authority's website</li> <li>• our face to face Aviation Safety Adviser visits to participants.</li> </ul>	13	12 delivered	<b>15</b>	
	4	4	<b>4</b>	Dedicated Human factors/threat and error management (HF/TEM) portion of CAA website opened.
	1,400	500 individual participants	<b>1,461</b>	Aviation Safety Advisers continuing to assess the ongoing impact of COVID-19 on the aviation industry as part of routine visits.
 <b>(Demand driven)</b> We will proactively build safety awareness in response to specific areas of concern, or new issues that arise, via: <ul style="list-style-type: none"> <li>• targeted safety awareness campaigns to participants and/or the general public<sup>9</sup>.</li> </ul>	5	5 campaigns	<b>6</b>	Intervention Unit has started a focus into the risks involved in flight training in the areas of potential collision risk and airspace incursions. This builds on previous and ongoing work in the same aviation area. Engagement and Communications team collaborated with various units to run safety campaigns targeting passengers travelling with batteries, drone rule compliance and aviation laser attacks.
 Quality: We will measure the success of our outreach through: <ul style="list-style-type: none"> <li>• the percentage of participants that rate our education courses, workshops or seminars as a 3 or higher in their overall rating<sup>10</sup></li> <li>• the percentage of safety awareness campaigns that meet or exceed their agreed success criteria<sup>11</sup>.</li> </ul>	97.49%	85%	<b>98%</b>	
	85%	85%	<b>100%</b>	

	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
<b>Cost to deliver output class 2: Outreach</b>				
Crown – COVID liquidity	737	2,396	(1,659)	-
Levies	925	1,627	(703)	4,447
Other revenue	13	24	(11)	76
<b>Revenue</b>	<b>1,675</b>	<b>4,048</b>	<b>(2,373)</b>	<b>4,523</b>
<b>Expense</b>	<b>(1,675)</b>	<b>(4,081)</b>	<b>2,406</b>	<b>(5,528)</b>
<b>Net surplus/(deficit)</b>	<b>-</b>	<b>(33)</b>	<b>33</b>	<b>(1,005)</b>

<sup>9</sup> Campaigns are delivered in response to particular areas of concern. We budget for 5 campaigns per year, but delivery is in response to need.

<sup>10</sup> Based on a total score from a post-seminar assessment completed by participants.

<sup>11</sup> Based on a combination of web and social media analytics and completion of communications objectives.

#### KEY

 Quality  Timeliness  Quantity  Organisational focus

# Output Class 3: Certification and Licensing

We make sure the people and organisations maintain the skills, knowledge, and attributes for safe participation in the New Zealand civil aviation system. We control who can participate by managing entry into the system (through certification and licensing), and exiting those who do not meet the required standards.

### What we do under this output class

- Exercise control over the entry into New Zealand’s civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; and
- Exercise control over the exit from New Zealand’s civil aviation system through the suspension and revocation of documents.





KEY

- Quality
- Timeliness
- Quantity
- Organisational focus

PERFORMANCE MEASURE		2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>3.1 Certification and Licensing</b>  <b>What is intended to be achieved</b> Robust assessment of participants and products as safe and fit to participate in New Zealand’s civil aviation system.	<b>(Demand driven)</b> We will license personnel, and certify organisations, aircraft and service providers within our prescribed certification standards.	100%	100% of the time	<b>100%</b>	
	• Organisational Certification: After receiving a Rule compliant application and conducting any necessary site visits and interviews, an organisational certificate will be issued within ten working days of receiving satisfactory responses to any questions or findings arising from the certification process.	New measure	100%	<b>100%</b>	
	• Product Certification: All target dates met for Regulator-assigned tasks, mutually agreed within the Project Specific Certification Plan.	New measure	100%	<b>100%</b>	
	• Personnel Licensing: All personnel licensing activities will be completed within ten working days of receiving a compliant application.	New measure	100%	<b>100%</b>	

KEY

-  Quality
-  Timeliness
-  Quantity
-  Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<p> <b>(Demand driven – budgeted standard is based on prior year activity, and no adjustments have been made for COVID-19 impacts):</b> We will undertake certification activities, and license entry and ongoing participation in the New Zealand civil aviation system:</p> <p>Organisation certification activities</p> <p>Aircraft certification activities</p> <p>Service provider certification activities</p> <p>Licensing procedures</p>	1,494	1,200-1,600	<b>1,070</b>	This measure is dependent on demand for certification activity. Volumes of amendment requests remained high in the second quarter with no perceivable change in certification or re-certification activity that some had predicted due to COVID-19.
	677	600-800	<b>715</b>	
	103	35-45	<b>87</b>	This measure is dependent on demand for certification activity. There was a high volume of certification activity in quarter 4 of 2019/20, which may have had an impact on demand this quarter.
	5,911	5,000-7,000	<b>7,033</b>	Licensing and medical issues and amendments remained at pre-COVID-19 levels in the second quarter.
<p> Our suspension and revocation activities will be conducted in accordance with our established processes (based on a representative sample of 10% total activities).</p>	New measure	100%	<b>100%</b>	
<p> Our internal assessment of regulatory oversight<sup>12</sup> demonstrates continuous improvement in how we administer regulatory activity through the conduct of<sup>13</sup>:</p> <ul style="list-style-type: none"> <li>• 60 PDCA Reviews</li> <li>• 2 Internal Audits on regulatory effectiveness</li> <li>• 2 Intervention Effectiveness Reviews.</li> </ul>	Not achieved	Achieved	<b>Achieved</b>	
<p> Applications to the ADS-B transponders rebate scheme that meet eligibility criteria are administered within required standards.<sup>14</sup></p>	New measure	100%	<b>100%</b>	

	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
<b>Cost to deliver output class 3: Certification and Licensing</b>				
Crown funding (Vote Transport: New Technologies and ADS-B)	3,114	900	2,214	757
Crown – COVID liquidity	11,402	11,579	(177)	-
Levies	8,541	7,031	1,510	14,586
Fees and charges	5,419	6,535	(1,116)	6,668
Other revenue	230	166	64	378
<b>Revenue</b>	<b>28,706</b>	<b>26,211</b>	<b>2,495</b>	<b>22,389</b>
<b>Expense</b>	<b>(29,537)</b>	<b>(28,101)</b>	<b>(1,436)</b>	<b>(27,365)</b>
<b>Net (deficit)/surplus</b>	<b>(831)</b>	<b>(1,890)</b>	<b>1,059</b>	<b>(4,976)</b>

12 Our Regulatory Oversight Review carries out three types of assessment – Plan, Do, Check, Act (PDCA) reviews, Internal Audit (Regulatory Effectiveness), and Intervention Effectiveness. One, all, or a combination of the three types are carried out each quarter to assess progress.

13 The 64 assessments referenced in this measure are the total to be conducted across Output Class 3: Certification and Licensing and Output Class 4: Surveillance and Investigation, dependent on activity levels.

14 Information on eligibility criteria and required standards is available at [www.aviation.govt.nz](http://www.aviation.govt.nz)

# Output Class 4: Surveillance and Investigation

We monitor people and organisations who participate in the New Zealand aviation system (carrying out audits, spot checks and investigations where necessary) to ensure that health, safety and security standards are met and risks are managed well.

### What we do under this output class

- Monitor the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the respective Acts;
- Conduct inspections, audits and investigations under the *Health and Safety at Work Act 2015* and *Hazardous Substances and New Organisms Act*;
- Assess safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- Take appropriate action in the public interest to enforce the provisions of the Act and Rules and to address safety risk.

**KEY**

- Quality
- Timeliness
- Quantity
- Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>4.1 Surveillance and Investigation</b>  <b>What is intended to be achieved</b> Continued assurance that the civil aviation system in New Zealand is safe and secure.				
Our internal assessment of regulatory oversight <sup>15</sup> demonstrates continuous improvement in how we administer regulatory activity through the conduct of <sup>16</sup> : <ul style="list-style-type: none"> <li>• 60 PDCA Reviews</li> <li>• 2 Internal Audits on regulatory effectiveness</li> <li>• 2 Intervention Effectiveness Reviews.</li> </ul>	Not achieved	Achieved	<b>Achieved</b>	
Technical capability is recruited into the Authority that provides technical advice to support the integration of unmanned aircraft/drones into controlled airspace.	New measure	Unmanned aircraft/drones capability recruited	<b>Recruitment is underway</b>	
<b>Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms Act</b>				
We will monitor adherence to the relevant Acts through the conduct of: <ul style="list-style-type: none"> <li>• Scheduled audits and outreach activities</li> <li>• Non-scheduled assessments and investigations.</li> </ul>	33	24	<b>0</b>	Following last year's Organisational Design Review, responsibility for this activity was moved into a new team. Staff are currently undergoing training to pick this work up.
	35	30-50	<b>21</b>	Responsibility for this activity has moved to a new team and staff are being trained to pick this work up.
We will develop and maintain aviation-specific good practice guides and guidance material	2	2-5	<b>6</b>	The capability to provide this guidance material increased following the Organisational Design Review. Also, two of the guidance materials were written in response to COVID-19.
We will complete <sup>17</sup> assessments, investigations and audits (work types <sup>18</sup> ) within: <ul style="list-style-type: none"> <li>• 180 days of receipt</li> <li>• 12 months of receipt.</li> </ul>	64%	60%	<b>(Investigations) 83%</b>	
	94%	100%	<b>(Investigations) 100%</b>	

<sup>15</sup> Our Regulatory Oversight Review carries out three types of assessment – Plan, Do, Check, Act (PDCA) reviews, Internal Audit (Regulatory Effectiveness), and Intervention Effectiveness. One, all, or a combination of the three types are carried out each quarter to assess progress.

<sup>16</sup> The 64 assessments referenced in this measure are the total to be conducted across Output Class 3: Certification and Licensing and Output Class 4: Surveillance and Investigation, dependent on activity levels.

<sup>17</sup> A completed work type is when the recommendations/findings are made.

<sup>18</sup> All work types include assessments and audits as well as investigations.

KEY

-  Quality
-  Timeliness
-  Quantity
-  Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/21 ACTUAL	COMMENTS
<b>Civil Aviation Act 1990</b>				
 We will monitor adherence to the Act through the conduct of: <ul style="list-style-type: none"> <li>• Oversight activities, e.g. audits, inspections, spot checks and system performance reviews<sup>19</sup></li> <li>• Themes and Systems Safety Investigations<sup>20</sup></li> <li>• Safety Investigations<sup>21</sup></li> <li>• Enforcement Investigations</li> <li>• Aviation Related Concerns (ARC) Investigations</li> <li>• Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).</li> </ul>	434	500-600	<b>407</b>	Responsibility for this activity has moved to a new team and staff are being trained to pick this work up.
	2	2-4	<b>0</b>	The Authority is investigating how to best resource new themes and safety systems investigations.
	317	300-390	<b>400</b>	Closed a number of historic cases so figure increased over the final quarter.
	54	20-40	<b>42</b>	
	662	500-600	<b>578</b>	
	3	5-10	<b>0</b>	Responsibility for this activity has moved to a new team and staff are being trained to pick this work up.
 We will close Aviation Related Concerns <sup>22</sup> within: <ul style="list-style-type: none"> <li>• 180 days of receipt</li> <li>• 12 months of receipt.</li> </ul>	80.1%	80.0%	86.8%	
	98%	100%	100%	
 <ul style="list-style-type: none"> <li>• Closed Aviation Related Concerns comply with the Authority's related policy and procedures</li> <li>• Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our Regulatory Operating Model.</li> </ul>	63%	90%	68%	
	100%	100%	100%	

Cost to deliver Output Class 4: Surveillance and Investigation	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
Crown funding – Vote Transport (Health and Safety at work and improving safety in the aviation sector)	1,201	1,201	-	1,694
Crown – COVID liquidity	3,534	5,131	(1,597)	-
Levies	5,785	4,297	1,487	6,347
Fees and charges	29	109	(80)	117
Other revenue	89	70	19	144
<b>Revenue</b>	<b>10,638</b>	<b>10,809</b>	<b>(171)</b>	<b>8,302</b>
<b>Expense</b>	<b>(11,374)</b>	<b>(11,886)</b>	<b>512</b>	<b>(10,384)</b>
<b>Net (deficit)/surplus</b>	<b>(736)</b>	<b>(1,077)</b>	<b>341</b>	<b>(2,082)</b>

19 System performance reviews analyse sector, geographic and individual participant level act adherence.

20 Themes and Systems Safety Investigations review safety information (including occurrences) with the aim of identifying any themes and/or system influences, which may lead to system safety issues.

21 The aim of a safety investigation is to investigate aviation occurrences where a safety benefit can be derived.

22 Aviation Related Concern (ARC) – the report of an aviation safety or security concern, that may include complaints, or allegations of suspected breaches of civil aviation legislation.

# Output Class 5: Security Service Delivery

Aviation security screening identified threats and manages associated risks at security-designated airports.

**At security-designated airports, we carry out screening of:**

- all passengers and their carry-on baggage on departing international flights and domestic flights over security screening size threshold;
- all hold baggage on departing international flights and domestic flights over security screening size threshold;
- airport workers with access to security enhanced areas; and
- bulk goods entering sterile areas and cargo travelling on international passenger flights.

**We also:**

- conduct perimeter patrols and access control checks at security designated airports and navigation facilities;
- support other Government agencies (e.g. New Zealand Police, Department of Corrections, Ministry of Foreign Affairs and Trade) with security services (e.g. bomb threats, venue and route clearances, etc.);
- operate the Airport Identity Card system for all designated airports in New Zealand;
- undertake Behavioural Detection at Auckland and Christchurch International Airports; and
- maintain preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships and their passengers.

**KEY**



- Quality
- Timeliness
- Quantity
- Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/2021 ACTUAL	COMMENTS
<p><b>5.1 Screening Activity</b></p> <p><b>What is intended to be achieved</b> Keeping passengers and people on the ground safe from a security threat.</p> <ul style="list-style-type: none"> <li> Proportion of passengers and their permitted carry-on items screened against optimum screening lane throughput of 270 people per hour.</li> <li> Passenger wait times through security screening at international and domestic airport screening points</li> <li>• Staff are efficiently deployed to meet screening fluctuations<sup>23</sup></li> <li>• Compliance with aviation security regulation requirements as required under Civil Aviation Rule Part 140.</li> </ul>	69.3%	>60%	<b>61.7%</b>	Reduced passenger numbers due to COVID-19 has caused resourcing challenges due to changeable flight schedule demand. This is seen in the passenger wait times being above expectations due to the smaller number of passengers.
	98.82%	95% processed within 10 minutes of entering security queue	<b>97.78%</b>	
	8.2%	<12%	<b>11.1%</b>	
	100%	100%	<b>100%</b>	
<ul style="list-style-type: none"> <li> No unjustified flight delays resulting from security screening activities</li> <li>• No airside access by unauthorised or unscreened personnel as a result of failure by the Aviation Security Service</li> </ul>	Nil	Nil	<b>Nil</b>	
	5	Nil	<b>Nil</b>	

<sup>23</sup> To determine efficient deployment we calculate the 'rostering surplus' – this is the percentage of time that operational staff are deemed to be unproductive due to fluctuating peaks in demand. When our rostering system indicates <12% rostering surplus, this is a good indication that all staff are assigned to a duty and are linked to a flight schedule.

KEY

-  Quality
-  Timeliness
-  Quantity
-  Organisational focus

PERFORMANCE MEASURE	2019/20 ACTUAL	2020/21 TARGET	2020/2021 ACTUAL	COMMENTS
<ul style="list-style-type: none"> <li> • Number of prohibited items or dangerous goods not recovered before reaching an aircraft<sup>24</sup>.</li> </ul>	3.25	<3.0 items per million screened	<b>17.6</b>	<p>Most prohibited items not recovered before reaching an aircraft occur on domestic flights. Ongoing low volumes of international passengers continues to have an adverse effect on this result.</p> <p>However, after causal analysis, AvSec stepped up coaching and training initiatives, which improved the result towards the end of the year.</p>
<p><b>5.2 Audit Performance; Access Control; Maritime Security Services</b></p> <p><b>What is intended to be achieved</b> Compliance of security screening to the standards required for airside and maritime security.</p> <ul style="list-style-type: none"> <li> • Audit Performance: Percentage of any audit findings cleared within the specified timeframes</li> <li>• Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit</li> <li>• Access Control: Number of corrective action requests pertaining to access control issued by the Regulator</li> <li>• *Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support</li> <li>• Customer Complaints: Percentage of customer complaints responded to within 5 working days.</li> </ul>	100%	100%	<b>100%</b>	<p>A minor finding was raised in relation to AIC field checks being completed by mobile patrol officers.</p> <p>The lower percentage reported is due to an Information Technology (IT) issue that prevented some complaints from being received through the regular complaints management process. The affected complaints could not be responded to within our target timeframes. The issue has been rectified, and all complaints followed up. The cause is being investigated by the Authority's IT Unit.</p>
	3	Nil	<b>Nil</b>	
	Nil	Nil	<b>Nil</b>	
	Nil	Nil	<b>Nil</b>	
	94.41%	100%	<b>75.41%</b>	

<sup>24</sup> The 2020/21 actual is the number of prohibited items or dangerous goods that made it onto an aircraft and were discovered later, for example during screening for a connecting flight, or were self-declared by passengers.



<b>Cost to deliver Output Class 5: Security Service Delivery</b>	<b>2021 ACTUAL \$000</b>	<b>2021 BUDGET \$000</b>	<b>2021 VARIANCE \$000</b>	<b>BUDGET EXPLANATION</b>	<b>2020 ACTUAL \$000</b>	<b>2020 VARIANCE \$000</b>	<b>ACTUAL EXPLANATION</b>
Crown funding – Vote Transport (Maritime Security Service)	145	145	-		145	-	
Crown funding – Protection of Transport Sector Agency Core Functions	86,609	95,947	(9,338)	Combination of better than expected Levy revenue (\$8m), Total Expenses (\$5m), Current Assets (\$3m) offset by lower Other revenue (-\$1m), and lower Fixed assets caused by delayed Capex projects (-\$2m) required reduced Crown funding compared to Budget.	13,000	73,609	COVID-19 related: lockdowns and travel restrictions applied from late March 2020, AvSec utilised reserves from this date but required Crown funding of \$13m. 2021 was full year in which AvSec had already used reserves and required Crown funding.
Levies	36,870	28,776	8,094	Better than expected Levy revenue as domestic passenger volumes were stronger than anticipated (volume recovered to 86% in June), and brief increase in International passenger volumes with opening of Trans-Tasman bubble.	99,878	(63,008)	COVID-19 impact on passenger volumes, lockdowns and travel restrictions applied from late March 2020.
Contracted services <sup>25</sup>	1,371	2,780	(1,409)		1,863	(492)	
Other income	302	139	163		479	(177)	
<b>Total output revenue (+ve)</b>	<b>125,297</b>	<b>127,787</b>	<b>(2,490)</b>		<b>115,365</b>	<b>9,932</b>	
<b>Total output expenses (-ve)</b>	<b>(123,328)</b>	<b>(127,787)</b>	<b>4,459</b>		<b>(129,735)</b>	<b>6,407</b>	
<b>Output surplus/(deficit)</b>	<b>1,969</b>	<b>-</b>	<b>1,969</b>		<b>(14,370)</b>	<b>16,339</b>	

<sup>25</sup> Third party contracted services include cargo screening and aircraft guards.

Regulatory Function Cost to deliver output classes 1 – 4	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
Crown funding	22,047	24,358	(2,311)	4,480
Ministry of Transport contract revenue	1,351	2,470	(1,119)	1,529
Levies	17,564	13,887	3,677	26,667
Fees and charges	5,448	6,644	(1,196)	6,790
Other revenue	332	260	72	598
<b>Revenue</b>	<b>46,742</b>	<b>47,619</b>	<b>(877)</b>	<b>40,064</b>
<b>Expense</b>	<b>(48,309)</b>	<b>(50,619)</b>	<b>2,310</b>	<b>(48,127)</b>
<b>Net (deficit)/surplus</b>	<b>(1,567)</b>	<b>(3,000)</b>	<b>1,433</b>	<b>(8,063)</b>

Cost to deliver outputs Output Class Financials	2021 ACTUAL \$000	2021 BUDGET \$000	2021 VARIANCE \$000	2020 ACTUAL \$000
Policy and regulatory strategy	(5,723)	(6,551)	828	(4,850)
Outreach	(1,675)	(4,081)	2,406	(5,528)
Certification and licensing	(29,537)	(28,101)	(1,436)	(27,365)
Surveillance and investigation	(11,374)	(11,886)	512	(10,384)
<b>Regulatory Function delivery total</b>	<b>(48,309)</b>	<b>(50,619)</b>	<b>2,310</b>	<b>(48,127)</b>
<b>Security Service delivery</b>	<b>(122,934)</b>	<b>(127,787)</b>	<b>4,853</b>	<b>(129,735)</b>
<b>Security Service delivery total</b>	<b>(122,934)</b>	<b>(127,787)</b>	<b>4,853</b>	<b>(129,735)</b>

#### Output classes financial commentary

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. The eliminations, which have been included in the Financial Statements, include audit work conducted by the Regulatory Function for the Security Service and inter-entity rent amounting to \$430,000 (2020: \$351,000).



# Regulatory Oversight Review Programme

The Regulatory Oversight Review Programme is an outcome-based system for evaluating the Authority’s regulatory performance. It is designed to assess the quality and effectiveness of regulatory functions with a focus on the consistent application of the Regulatory Operating Model (ROM).<sup>26</sup>

The Regulatory Oversight Review (ROR) programme integrates three components:

- **Plan-Do-Check-Act (PDCA) process**
- **Measurement of the Effectiveness of Interventions (IEM)**
- **Internal audits of regulatory operations**

The ROR Programme is used to:

- **Determine the level of regulatory effectiveness**
- **Provide assurance of regulatory effectiveness**
- **Drive continual improvement**
- **Inform the Authority's accountability document reporting**

## Overview

This financial year there were 61 PDCA reviews, three internal audits of regulatory operations, and two IEM panel reviews.

### ROR programme reviews and audit completions

	2019/20	2020/21	2020/21 TARGET
PDCA reviews	75	61	60
IEM reviews	0	2	2
Internal Audits – Regulatory Operations	2	3	2

### Plan, Do, Check, Act (PDCA) Overview

PDCA's are used by operational Team Managers and Team Leaders to critically analyse aspects of their teams’ work. It is a method of providing assurance about the delivery of functions which contribute to the CAA’s regulatory outputs. Opportunities for Improvement are identified during the analysis. This embeds continuous improvement into operational delivery.

PDCA reviews included the Senior Person process, Operational Specifications, Airspace Designations, and multiple regulatory audits.

PDCA reviews in 2020/21 found instances of:

- Required documentation not completed/incorrectly completed/not available
- Poor record keeping/lack of evidence to support decision making
- Incorrect/poor filing/archiving of information/records/evidence
- Poor timeliness
- Failure to follow correct policy/procedure/process
- Uncontrolled/incorrect documentation used
- Procedure or guidance for this activity unclear/does not exist.

In order to address these findings, 68 opportunities for improvement were identified, resulting in 32 corrective or preventative actions being raised. This is a reduction from the 90 opportunities, and 40 actions raised last year.

### Intervention Effectiveness Methodology (IEM) Overview

The IEM is a post-intervention analysis tool used to determine the effectiveness of a regulatory intervention.

It is designed to assess the appropriateness of the chosen intervention; the consequences of the intervention; costs associated with the intervention; and the desirability of the outcomes. This evaluation allows improvements to be built into intervention processes, ensuring they remain fit-for-purpose.

Two IEMs were performed in FY20/21.

- Temporary suspension of a regulated air cargo agent (RACA)
- Prosecution of a licensed participant (pilot).

The IEMs showed that the interventions were executed successfully, with positive outcomes. Outcomes achieved include:

- Reducing participants risk within the aviation sector
- Improving compliance with Civil Aviation Rules and legislation
- Providing education to the participant
- Improving the participants' relationship with the CAA.

### Internal Audit – Regulatory Focus Overview

Three internal audits with a focus on regulatory activities were performed in 2020/21, as set out in the table below.

Recurring themes included a lack of clear ownership of processes and responsibilities, lack of documented guidance material, and inconsistencies within operational processes and electronic filing conventions.

Corrective recommendations have been identified and have been implemented, or are being actioned.

AUDIT TITLE	Actions		TOTAL
	OPEN	CLOSED	
Management of Part 12 – Reported Occurrences	3	4	7
Statement of Performance Expectations: Output Class 3	1	4	5
Exemptions Process	6	1	7

<sup>26</sup> The Authority’s Regulatory Operating Model is an internal policy that identifies the regulatory principles and approach we adopt in regulating safety in the civil aviation system. It is the highest level regulatory policy at the Authority, and informs how we work, the tools we use, and the policies we adhere to.

## PART FOUR

## Financial Statements

## Statement of comprehensive revenue and expense

For the year ended 30 June 2021

	NOTE	2021		2020
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
<b>REVENUE</b>				
Levies		54,434	42,662	126,565
Revenue from other services		6,810	9,412	8,640
Crown funding revenue		108,801	120,450	17,625
Ministry contract revenue		1,351	2,470	1,529
Interest revenue		6	-	504
Other revenue		214	34	215
<b>Total revenue</b>	<b>2</b>	<b>171,616</b>	<b>175,028</b>	<b>155,078</b>
<b>EXPENSE</b>				
Personnel costs	3	134,986	137,970	141,928
Depreciation and amortisation expense	10, 11	5,328	5,737	4,465
Finance costs	4	22	96	115
Other expenses	5	30,477	34,225	31,003
<b>Total expenses</b>		<b>170,813</b>	<b>178,028</b>	<b>177,511</b>
<b>Net (deficit)/surplus</b>		<b>803</b>	<b>(3,000)</b>	<b>(22,433)</b>
<b>Total other comprehensive revenue and expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense</b>		<b>803</b>	<b>(3,000)</b>	<b>(22,433)</b>

Explanations of major variances against budget are provided in note 22.  
The accompanying notes form part of these financial statements.

## Statement of financial position

As at 30 June 2021

	NOTE	2021		2020
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	9,958	9,954*	13,531
Receivables	7	9,244	5,958	6,371
Derivative financial instruments	8, 18	5	-	-
Services work in progress	9	81	36	35
Prepayments		2,389	1,504	1,518
<b>Total current assets</b>		<b>21,677</b>	<b>17,452*</b>	<b>21,455</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10	21,127	22,396	20,854
Intangible assets	11	1,735	2,027	1,791
<b>Total non-current assets</b>		<b>22,862</b>	<b>24,423</b>	<b>22,645</b>
<b>Total assets</b>		<b>44,539</b>	<b>41,875</b>	<b>44,100</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Creditors and other payables	12	9,176	7,199*	7,610
Derivative financial instruments	8, 18	-	-	10
Employee entitlements	13	14,653	16,434	15,382
Provisions	14	523	115	1,048
<b>Total current liabilities</b>		<b>24,352</b>	<b>23,748*</b>	<b>24,050</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		-	-	-
Derivative financial instruments	8, 18	-	-	14
Employee entitlements	13	8,989	9,679	9,679
Provisions	14	399	245	360
<b>Total non-current liabilities</b>		<b>9,388</b>	<b>9,924</b>	<b>10,053</b>
<b>Total liabilities</b>		<b>33,740</b>	<b>33,672</b>	<b>34,103</b>
<b>Net assets</b>		<b>10,799</b>	<b>8,203</b>	<b>9,997</b>
<b>EQUITY</b>				
General funds		10,799	8,203	9,997
Specific reserves	20, 21	-	-	-
<b>Total equity</b>	16	<b>10,799</b>	<b>8,203</b>	<b>9,997</b>

Explanations of major variances against budget are provided in note 22.  
The accompanying notes form part of these financial statements.

\* These amounts differ from those included in the 2020/21 Statement of Performance Expectations (SPE) due to an error in formatting at the time of printing the SPE.

## Statement of changes in equity

For the year ended 30 June 2021

	NOTE	2021		2020
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
<b>EQUITY</b>				
<b>Opening balance of equity at 1 July</b>				
General funds		9,997	11,203	26,331
Specific reserves		-	-	6,099
<b>Total opening balance of equity at 1 July</b>	16	<b>9,997</b>	<b>11,203</b>	<b>32,430</b>
<b>Comprehensive revenue and expense</b>				
Total comprehensive revenue and expense for the year		803	(3,000)	(22,433)
<b>Owner transactions</b>				
Capital contributions from the Crown		(1)	-	-
<b>Total changes in equity during the year</b>	16	<b>802</b>	<b>(3,000)</b>	<b>(22,433)</b>
<b>Closing balance of equity at 30 June</b>				
General funds		10,799	8,203	9,997
Specific reserves		-	-	-
<b>Total closing balance of equity at 30 June</b>	16	<b>10,799</b>	<b>8,203</b>	<b>9,997</b>

Explanations of major variances against budget are provided in note 22.  
The accompanying notes form part of these financial statements.

## Statement of cash flows

For the year ended 30 June 2021

	NOTE	2021		2020
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from levies		51,452	43,091	131,186
Receipts from other services		7,275	10,279	12,061
Receipts from Crown funding and Ministry contracts		110,152	122,920	19,154
Interest and other sundry revenue received		770	34	1,096
Payments to employees		(132,869)	(131,288)	(131,311)
Payments to suppliers		(34,970)	(41,007)*	(41,481)
Goods and Services Tax (net)		162	(60)	1,179
<b>Net cash flows from operating activities</b>		<b>1,972</b>	<b>3,969*</b>	<b>(8,116)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Maturity of investments		-	-	79,233
Sale of property, plant and equipment		1	-	82
Placement of investments		-	-	(57,500)
Purchase of property, plant and equipment		(5,069)	(6,780)	(8,309)
Purchase of intangible assets		(477)	(765)	(1,243)
<b>Net cash flows from investing activities</b>		<b>(5,545)</b>	<b>(7,545)</b>	<b>12,263</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital contributions from the Crown		-	-	-
Proceeds from external borrowings		-	-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		(3,573)	(3,576)*	4,147
Opening cash and cash equivalents at 1 July		13,531	13,530	9,384
<b>Closing cash and cash equivalents at 30 June</b>	6	<b>9,958</b>	<b>9,954*</b>	<b>13,531</b>

Explanations of major variances against budget are provided in note 22.  
The accompanying notes form part of these financial statements.

## Statement of cash flows (continued)

For the year ended 30 June 2021

Reconciliation of net surplus/(deficit) to net cash from operating activities.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>(Deficit)/surplus</b>	<b>803</b>	<b>(22,433)</b>
<b>ADD/(LESS) NON-CASH ITEMS</b>		
Depreciation and amortisation expense	5,328	4,465
Impairment of receivables	(540)	584
Net (gains)/losses on foreign exchange and derivative financial instruments	(17)	(4)
Discount unwind on employee entitlements	22	115
Fair value (gains)/losses on investment property	-	-
<b>Total non-cash items</b>	<b>4,793</b>	<b>5,160</b>
<b>ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES</b>		
(Gains)/losses on disposal of property, plant and equipment and intangibles	(1)	(82)
(Gains)/losses on disposal of intangible assets	-	-
<b>Total items classified as investing or financing activities</b>	<b>(1)</b>	<b>(82)</b>
<b>ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Receivables (increase)/decrease	(2,333)	7,344
Services work in progress (increase)/decrease	(46)	113
Prepayments (increase)/decrease	(871)	(231)
Creditors and other payables increase/(decrease)	1,583	(1,357)
Employee entitlements increase/(decrease)	(1,470)	3,709
Provisions increase/(decrease)	(486)	(339)
<b>Net movements in working capital items</b>	<b>(3,623)</b>	<b>9,239</b>
<b>Net cash flow from operating activities</b>	<b>1,972</b>	<b>(8,116)</b>

The accompanying notes form part of these financial statements.

\* The budgeted figures differ from those included in the 2020/21 Statement of Performance Expectations (SPE) due to an error in formatting at the time of printing the SPE.

# Notes to the financial statements

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## 1. Statement of accounting policies

### Reporting Entity

The Civil Aviation Authority (the Authority) is Government-owned and was established in New Zealand under the *Civil Aviation Act 1990* as a Crown Entity on 10 August 1992, and is domiciled in New Zealand. 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 towards the development and delivery of achieving an integrated, safe, responsive and sustainable civil aviation system.

To fulfil these statutory responsibilities, the Authority comprises the Regulatory Function of the Authority and the separate 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 (PBE) for financial reporting under New Zealand equivalents to International Public Sector Accounting Standards.

These financial statements of the Authority are for the year ended 30 June 2021. The financial statements were approved by the Authority on 21 December 2021.

Section 72B (3B) of the *Civil Aviation Act 1990* states that the Authority shall perform its functions in respect of the Aviation Security Service separately from its other functions and shall maintain accounts, records, and reports accordingly.

### Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The COVID-19 pandemic continues to have a major impact, both on aviation in New Zealand and the operations of the Authority. Note 23 on page 123 has been included to provide further detail around this, including the basis on which it has been determined to prepare these financial statements on a going concern basis.

### Statement of compliance

The financial statements have been prepared in accordance with the requirements of the *Crown Entities Act 2004*, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice. The Authority is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards.

These financial statements comply with PBE Standards.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Standards early adopted

There were no standards that required early adoption or adopted early by the Authority.

### Standards issued that are not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Authority are:

#### **Amendment to PBE IPSAS 2 Statement of Cash Flows**

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Authority does not intend to early adopt the amendment.

#### **PBE IPSAS 41 Financial Instruments**

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Authority has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

#### **PBE FRS 48 Service Performance Reporting**

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Authority has not yet determined how application of PBE FRS 48 will affect its statement of performance.

### Summary of Significant Accounting Policies

Significant accounting policies which materially affect the measurement of financial performance and financial position are included in the notes to which they relate. Those policies that do not relate to a specific note are outlined below:

#### **Foreign currency transactions**

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

#### **Goods and service tax (GST)**

All items in the financial statements are presented exclusive of GST, except for 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.

The net GST receivable or payable at balance date is included in receivables or payables in the Statement of 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 Cash Flows.

#### **Income tax**

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

### Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

#### **Cost allocation**

The Authority has determined the cost of outputs using the cost allocation system outlined below.

#### **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 costs for the Regulatory Function, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

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

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.

#### **Criteria for apportioning support services costs**

The delivery of shared support services for both the Regulatory Function and the Security Service was established from 7 November 2011. The costs arising in each shared services group (Organisational Development and Support, and Performance Monitoring and Assurance) are apportioned to the two operational arms applying an allocation methodology reflecting the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both Regulatory Function and Security Service bear an equitable share of the costs of providing shared services.

### Critical accounting estimates and assumptions

In preparing these 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 that 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:

- Useful lives and residual values of property, plant, and equipment – refer to Note 10
- Useful lives of software assets – refer to Note 11
- Retirement and long service leave – refer to Note 13

These significant estimates and assumptions are included in the relevant note.

### Critical judgements in applying accounting policies

No critical judgements have been applied in the preparation of these financial statements.



## 2. Revenue

### Accounting policy

The specific accounting policies for significant revenue items are explained below:

### Revenue from Levies and Services

#### Levies

The Authority earns revenue from regulated levies on airlines based on outgoing international passenger volumes and domestic sectors travelled by passengers.

#### Fees and charges

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

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>SAFETY LEVIES</b>		
International passenger levies	564	8,074
Domestic passenger levies	15,147	16,631
Other levies	1,853	1,982
<b>Total safety levies revenue</b>	<b>17,564</b>	<b>26,687</b>
<b>SECURITY LEVIES</b>		
International passenger levies	4,698	64,377
Domestic passenger levies	32,172	35,501
<b>Total security levies</b>	<b>36,870</b>	<b>99,878</b>
<b>Total levies</b>	<b>54,434</b>	<b>126,565</b>
<b>REVENUE FROM OTHER SERVICES</b>		
Aviation regulatory and safety services	5,444	6,781
Other contracted aviation security services	1,366	1,859
<b>Total revenue from other services</b>	<b>6,810</b>	<b>8,640</b>

Section 72 of the Civil Aviation Act 1990 prevents the Authority from applying revenue from levies, fees and charges made by one part of the entity to the activities of the other part of the entity.

The various revenue sources have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Revenue from levies does not meet this definition because there is no direct connection between the levy payer and the Authority. However the Authority has decided that there is no material or practical difference between individual levy payers and payers as a group, and that there are no timing differences in the exchange transaction. The Authority has therefore treated revenue from levies and other services as exchange transactions.

### Crown funding and Ministry contract revenue

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the surplus or deficit in the period in which the Authority provides the funded programmes.

Crown funding and Ministry contract revenue have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Funding from the Crown is generally considered to be a non-exchange transaction, however the Authority has provided detailed information in the Statements of Performance to describe the use of these funds and considers that an exchange of approximate value has occurred, and has therefore treated these funding sources as exchange transactions.

### Crown funding revenue

The Authority has been provided with funding from the Crown through Multi-Category Expense and Multi-Year Expense Appropriations and specifically from the Ministry of Transport for the following specific purposes of the Authority as set out in the Civil Aviation Act 1990. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2020: nil).

### International relations and International Civil Aviation Organization obligations

The Authority has been provided funding from the Crown to provide technical information and advice in relation to international matters affecting New Zealand aviation, to ensure the Minister's obligations in relation to international civil aviation agreements are met, and to promote the development of New Zealand aviation in the international context.

### Ministerial servicing

The Authority has been provided funding from the Crown to provide services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

### Policy advice

The Authority has been provided funding from the Crown to enable it to provide advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to civil aviation.

### Improving safety in the aviation sector

The Authority has been provided funding from the Crown which is limited to the investigation, determining compliance, and enforcement of safety in the aviation sector. This is for the purpose of implementing the requirements of the Hazardous Substances and New Organisms Amendment Act 2015 and undertaking activity associated with innovative aviation certification.

### Health and safety at work activities - Civil Aviation

The Authority has been provided funding from the Crown for the purpose of implementing the requirements of the Health and Safety at Work Act 2015 ('HSW') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

- conduct HSW investigations, audits and inspections;
- provide advice and education on HSW in the aviation sector; and
- fund other activities connected with HSW practice in the aviation industry.

**Automatic Dependent Surveillance - Broadcast (ADS-B) transponders rebate scheme**

The Authority has been provided funding from the Crown to establish an ADS-B rebate scheme for the purpose of incentivising the uptake of ADS-B transponders for the owners of aircraft that operate in controlled airspace in New Zealand below flight level 24,500 feet.

**Protection of transport sector agency core functions**

The Authority has been provided with a Multi-Year Appropriation from the Crown for the purchase of core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19. \$103,044,000 of this appropriation was drawn down in 2021 (2020: \$13,000,000).

**Maritime port security**

The Authority receives funding directly from the Crown, through the Ministry of Transport, that is restricted in use for the purposes of meeting the Authority's maritime security obligations.

**Ministry contract revenue**

The Authority provides rules development services under contract to the Ministry of Transport and receives funding directly from the Ministry of Foreign Affairs and Trade's Pacific Security Fund (PSF) as a reimbursement of training and consultancy services provided to agencies and airlines of the South Pacific region.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Rules development (Ministry of Transport)	800	800
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	551	729
<b>Total Ministry contract revenue</b>	<b>1,351</b>	<b>1,529</b>

**Interest revenue**

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

**Other revenue**

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Gain on sale of property, plant and equipment	8	82
Net foreign exchange gains	22	4
Other revenue	184	129
<b>Total other revenue</b>	<b>214</b>	<b>215</b>

**Asset disposals**

During the year the Authority disposed of property, plant and equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$8,000 (2020: \$82,000).

**3. Personnel Costs****Accounting policy****Salaries and wages**

Salaries and wages are recognised as an expense as employees provide services.

**Defined contribution schemes**

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 surplus or deficit.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Salaries and wages	127,807	127,012
Employer contributions to defined contribution plans	4,433	4,298
Other personnel expenses	4,165	6,774
Increase/(decrease) in employee entitlements	(1,419)	3,844
<b>Total personnel costs</b>	<b>134,986</b>	<b>141,928</b>

**Total employee remuneration paid or payable that is or exceeds \$100,000**

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
\$100,000 – \$109,999	55	56
\$110,000 – \$119,999	40	41
\$120,000 – \$129,999	50	46
\$130,000 – \$139,999	48	38
\$140,000 – \$149,999	22	23
\$150,000 – \$159,999	11	17
\$160,000 – \$169,999	15	13
\$170,000 – \$179,999	10	8
\$180,000 – \$189,999	6	7
\$190,000 – \$199,999	3	4
\$200,000 – \$209,999	6	3
\$210,000 – \$219,999	1	1
\$220,000 – \$229,999	1	2
\$230,000 – \$239,999	3	-
\$240,000 – \$249,999	1	1
\$250,000 – \$259,999	2	4
\$260,000 – \$269,999	-	-
\$270,000 – \$279,999	1	2
\$280,000 – \$289,999	1	1
\$300,000 – \$309,999	-	-
\$310,000 – \$319,999	-	1
\$330,000 – \$339,999	2	-

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
\$340,000 – \$349,999	1	1
\$400,000 – \$409,999	-	1
\$420,000 – \$429,999	-	-
<b>Total number of employees</b>	<b>279</b>	<b>270</b>

During the year ended 30 June 2021, 19 (2020: 7) employees received compensation and other benefits in relation to cessation totalling \$583,000 (2020: \$51,000).

#### Board member remuneration paid or payable to each Board member during the year

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
A Adams (resigned December 2019)	-	10
H Duynhoven (appointed May 2019)	24	24
J Fredric (Chair – appointed December 2019)	48	28
N Gould (Chair – resigned August 2019)	-	8
S Haszard (appointed March 2021)	9	-
J Hatchwell (appointed July 2019)	24	24
D Huse (resigned November 2019)	-	17
C Spillane (appointed December 2019)	24	14
<b>Total Board member remuneration</b>	<b>129</b>	<b>125</b>

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year.

The Authority has effected Directors and Officers Liability and Professional Indemnity insurance cover for the financial year, in respect of any liability or costs it may incur arising from the activities of Board members and employees.

No Board members received compensation or other benefits in relation to cessation (2020: nil).

## 4. Finance Costs

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Discount unwind on long-term employee entitlements	22	115
<b>Total finance costs</b>	<b>22</b>	<b>115</b>

## 5. Other expenses

### Accounting policy

#### 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 as an expense on a straight-line basis over the lease term.

### Other expenses

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	133	130
Operating lease expenses	7,225	6,808
Building operating expenses	1,805	1,385
Information technology expenses	4,894	3,731
Staff travel	2,183	3,442
Insurance	1,086	989
Allowance for credit losses on receivables	(536)	617
Safety information services	3,084	3,306
Consultancy	3,472	4,332
Consumables and maintenance	3,221	3,642
Loss on disposal of property, plant and equipment & intangibles	7	-
Other expenses	3,903	2,621
<b>Total other expenses</b>	<b>30,477</b>	<b>31,003</b>

Staff travel expense includes all travel related to the Authority's normal business functions. Travel that is incidental to staff training is included within Other personnel expenses in Note 3.

#### Operating leases as Lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Not later than one year	7,064	6,845
Later than one year and not later than five years	16,219	20,550
Later than five years	648	2,500
<b>Total non-cancellable operating leases</b>	<b>23,931</b>	<b>29,895</b>

The Authority leases office premises in Wellington and Auckland. It also leases office premises and car parks, staff facilities and operational space for security screening points at three metropolitan and three regional airports, and training facilities in the Auckland area.

Part of the office premises in Wellington has been sublet due to it being surplus to requirements and the sublease expires in November 2022. The Authority has recognised a provision of \$168,000 (2020: \$286,000) in respect of this lease (refer note 14).

A significant portion of the total non-cancellable operating lease expense relates to two leases of two floors of office premises in Wellington. The Authority had given notice to exercise a six year right of renewal on the first lease that expired in November 2019. The leases ultimately expire in November 2037 and November 2040, with the option to vacate the premises at the respective lease renewal dates of November 2025 and November 2022.

There are no restrictions placed on the Authority by any of its operating leasing arrangements.

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are \$868,000 (2020: \$1,382,000).

## 6. Cash and Cash Equivalents

### Accounting policy

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

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Cash at bank and on hand	9,958	13,531
Term deposits with maturities of three months or less	-	-
<b>Total cash and cash equivalents</b>	<b>9,958</b>	<b>13,531</b>

While cash and cash equivalents at 30 June 2021 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is not material.

The weighted average effective interest rate for cash and cash equivalents held is 0.05% (2020: 0.51%).

## 7. Receivables

### Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Authority applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Receivables arising from exchange transactions	9,334	7,001
Other receivables	-	-
Less: allowance for credit losses	(90)	(630)
<b>Total receivables</b>	<b>9,244</b>	<b>6,371</b>

The expected credit loss rates for receivables at 30 June 2021 and 30 June 2020 are based on the payment profile of revenue on credit over the prior 2 years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses at 30 June 2021 and 30 June 2020 were determined as follows:

	2021			2020		
	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS RATE	LIFETIME EXPECTED CREDIT LOSS	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS RATE	LIFETIME EXPECTED CREDIT LOSS
	\$000	%	\$000	\$000	%	\$000
Not past due	7,694	-	-	3,731	-	-
Past due 1-30 days	1,077	0%	-	219	3%	(7)
Past due 31-60 days	24	1%	(1)	39	1%	(1)
Past due 61-90 days	464	8%	(38)	2,270	27%	(602)
Past due over 90 days	75	68%	(51)	742	3%	(20)
<b>Total</b>	<b>9,334</b>	<b>-</b>	<b>(90)</b>	<b>7,001</b>	<b>-</b>	<b>(630)</b>

The movement in the allowance for credit losses is as follows:

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Opening allowance for credit losses as at 1 July	(630)	(46)
(Increase)/decrease in loss allowance made during the year	535	(617)
Receivables written off during the year	5	33
<b>Balance at 30 June</b>	<b>(90)</b>	<b>(630)</b>

## 8. Derivative Financial Instruments

### Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from the Authority's operational activities. The Authority does not hold or issue derivative financial instruments for trading purposes. The Authority has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

### Further information on derivative financial instruments

The Authority has taken forward exchange contracts to settle anticipated foreign currency liabilities in future periods. The contracts are to settle supplier annual licence payments due in the 2021/22 and 2020/21 financial years (GBP 330,000 (2020: 661,000)). Aviation liability insurance premiums covering the 2021/22 financial year had not been finalised by the end of the current financial year and therefore no forward exchange contract was entered into. The total notional principal amounts of these contracts in NZ\$ are \$650,000 (2020: \$1,294,000).

The fair value of the forward exchange contracts have been determined using market rates as at balance date.

## 9. Services Work in Progress

### Accounting policy

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

Any write-down from cost to net realisable value for services work in progress in the provision of services is recognised in the surplus or deficit when the write-down occurs.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Services work in progress	81	35
<b>Total services work in progress</b>	<b>81</b>	<b>35</b>

The Authority carries services work in progress that includes costs incurred in the partial completion of certification and audit engagements.

## 10. Property, Plant and Equipment

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

### 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 threshold for this cost to be capitalised as an asset is \$2,500.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the surplus or deficit.

### 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 surplus or deficit as they are incurred.

### Depreciation

Depreciation is provided 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:

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%

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

### Impairment of property, plant and equipment

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell, and value in use.

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset is impaired, its carrying amount is written down to the recoverable amount. The total impairment loss and any subsequent reversals of impairment are recognised in the surplus or deficit.

### Critical accounting estimates and assumptions

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Authority, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Authority minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs; and
- analysis of previous asset sales.

The Authority has not made significant changes to past assumptions concerning useful lives and residual values.

Movements for each class of property, plant and equipment are as follows:

	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>COST OR VALUATION</b>								
Balance at 1 July 2019	2,075	7,857	741	27,947	565	2,963	1,701	<b>43,849</b>
Additions/(transfers)	2,773	89	63	4,960	3	290	131	<b>8,309</b>
Disposals	-	-	-	-	-	(227)	(3)	<b>(230)</b>
<b>Balance at 30 June 2020</b>	<b>4,848</b>	<b>7,946</b>	<b>804</b>	<b>32,907</b>	<b>568</b>	<b>3,026</b>	<b>1,829</b>	<b>51,928</b>
Balance at 1 July 2020	4,848	7,946	804	32,907	568	3,026	1,829	<b>51,928</b>
Additions/(transfers)	(3,192)	720	9	6,763	-	417	380	<b>5,097</b>
Disposals	-	-	-	(93)	-	(149)	-	<b>(242)</b>
<b>Balance at 30 June 2021</b>	<b>1,656</b>	<b>8,666</b>	<b>813</b>	<b>39,577</b>	<b>568</b>	<b>3,294</b>	<b>2,209</b>	<b>56,783</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>								
Balance at 1 July 2019	-	(5,881)	(640)	(16,746)	(531)	(1,793)	(1,570)	<b>(27,161)</b>
Depreciation expense	-	(531)	(42)	(3,037)	(10)	(404)	(120)	<b>(4,144)</b>
Eliminate on disposal	-	-	-	-	-	228	3	<b>231</b>
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>(6,412)</b>	<b>(682)</b>	<b>(19,783)</b>	<b>(541)</b>	<b>(1,969)</b>	<b>(1,687)</b>	<b>(31,074)</b>
Balance at 1 July 2020	-	(6,412)	(682)	(19,783)	(541)	(1,969)	(1,687)	<b>(31,074)</b>
Depreciation expense	-	(607)	(28)	(3,734)	(8)	(319)	(99)	<b>(4,795)</b>
Eliminate on disposal	-	-	-	92	-	121	-	<b>213</b>
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>(7,019)</b>	<b>(710)</b>	<b>(23,425)</b>	<b>(549)</b>	<b>(2,167)</b>	<b>(1,786)</b>	<b>(35,656)</b>
<b>CARRYING AMOUNTS</b>								
<b>At 1 July 2019</b>	<b>2,075</b>	<b>1,976</b>	<b>101</b>	<b>11,201</b>	<b>34</b>	<b>1,170</b>	<b>131</b>	<b>16,688</b>
<b>At 30 June 2020</b>	<b>4,848</b>	<b>1,534</b>	<b>122</b>	<b>13,124</b>	<b>27</b>	<b>1,057</b>	<b>142</b>	<b>20,854</b>
<b>At 30 June 2021</b>	<b>1,656</b>	<b>1,647</b>	<b>103</b>	<b>16,152</b>	<b>19</b>	<b>1,127</b>	<b>423</b>	<b>21,127</b>

#### Restrictions

There are no title restrictions for any of the Authority's property, plant and equipment, nor are any of these assets pledged as security for liabilities or contingent liabilities.

#### Work in progress

	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>COST OR VALUATION</b>							
Balance at 1 July 2019	70	21	1,935	-	40	9	<b>2,075</b>
Assets capitalised	(89)	(63)	(4,960)	(3)	(290)	(131)	<b>(5,536)</b>
Additions	721	54	6,884	11	517	122	<b>8,309</b>
<b>Balance at 30 June 2020</b>	<b>702</b>	<b>12</b>	<b>3,859</b>	<b>8</b>	<b>267</b>	<b>-</b>	<b>4,848</b>
Balance at 1 July 2020	702	12	3,859	8	267	-	<b>4,848</b>
Assets capitalised	(720)	(8)	(6,762)	-	(418)	(380)	<b>(8,288)</b>
Additions	133	(4)	3,784	(8)	793	398	<b>5,096</b>
<b>Balance at 30 June 2021</b>	<b>115</b>	<b>-</b>	<b>881</b>	<b>-</b>	<b>642</b>	<b>18</b>	<b>1,656</b>

The total amount of property, plant and equipment in the course of construction is \$1,656,000 (2020: \$4,848,000).

#### Capital commitments

The amount of contractual commitments for the acquisition of property, plant, and equipment at the reporting date is:

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Plant and equipment	3,056	4,902
<b>Total capital commitments</b>	<b>3,056</b>	<b>4,902</b>

The Authority has entered into agreements for the acquisition of screening equipment located at the main airports.

## 11. Intangible Assets

#### Accounting policy

##### Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Other software-related costs are recognised as follows:

- Staff training costs are recognised as an expense when incurred;
- Costs associated with maintaining computer software are expensed when incurred; and
- Costs associated with development and maintenance of the Authority's website are expensed when incurred.

### 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 when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

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

Class of intangible asset	Useful life	Amortisation rate
Acquired computer software	3–5 years	33%- 20%
Internally developed computer software	3–5 years	33%- 20%

### Impairment of intangible assets

Refer to the policy for impairment of property, plant, and equipment in Note 10. The same approach applies to the impairment of intangible assets.

### Critical accounting estimates and assumptions

#### Estimating useful lives of software assets

In assessing the useful lives of software assets, a number of factors are considered, including:

- the period of time the software is intended to be in use;
- the effect of technological change on systems and platforms; and
- the expected time frame for the development of replacement systems and platforms.

An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised in the surplus or deficit, and the carrying amount of the software assets in the statement of financial position.

Movements for each class of intangible asset are as follows:

	ACQUIRED SOFTWARE	ACQUIRED SOFTWARE UNDER CONSTRUCTION	INTERNALLY DEVELOPED SOFTWARE	INTERNALLY DEVELOPED SOFTWARE UNDER CONSTRUCTION	TOTAL
	\$000	\$000	\$000	\$000	\$000
<b>COST</b>					
Balance at 1 July 2019	4,682	577	2,116	-	<b>7,375</b>
Additions/(transfers)	1,582	(338)	-	-	<b>1,244</b>
Disposals	(472)	-	-	-	<b>(472)</b>
<b>Balance at 30 June 2020</b>	<b>5,792</b>	<b>239</b>	<b>2,116</b>	<b>-</b>	<b>8,147</b>
Balance at 1 July 2020	5,792	239	2,116	-	<b>8,147</b>
Additions/(transfers)	648	(171)	-	-	<b>477</b>
Disposals	-	-	-	-	<b>-</b>
<b>Balance at 30 June 2021</b>	<b>6,440</b>	<b>68</b>	<b>2,116</b>	<b>-</b>	<b>8,624</b>

	ACQUIRED SOFTWARE	ACQUIRED SOFTWARE UNDER CONSTRUCTION	INTERNALLY DEVELOPED SOFTWARE	INTERNALLY DEVELOPED SOFTWARE UNDER CONSTRUCTION	TOTAL
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Balance at 1 July 2019	(4,391)	-	(2,116)	-	<b>(6,507)</b>
Amortisation expense	(321)	-	-	-	<b>(321)</b>
Disposals	472	-	-	-	<b>472</b>
<b>Balance at 30 June 2020</b>	<b>(4,240)</b>	<b>-</b>	<b>(2,116)</b>	<b>-</b>	<b>(6,356)</b>
Balance at 1 July 2020	(4,240)	-	(2,116)	-	<b>(6,356)</b>
Amortisation expense	(533)	-	-	-	<b>(533)</b>
Disposals	-	-	-	-	<b>-</b>
<b>Balance at 30 June 2021</b>	<b>(4,773)</b>	<b>-</b>	<b>(2,116)</b>	<b>-</b>	<b>(6,889)</b>
<b>CARRYING AMOUNTS</b>					
<b>At 1 July 2019</b>	<b>291</b>	<b>577</b>	<b>-</b>	<b>-</b>	<b>868</b>
<b>At 30 June 2020</b>	<b>1,552</b>	<b>239</b>	<b>-</b>	<b>-</b>	<b>1,791</b>
<b>At 30 June 2021</b>	<b>1,667</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>1,735</b>

### Restrictions

There are no title restrictions for any of the Authority's intangible assets, nor are any intangible assets pledged as security for liabilities or contingent liabilities.

### Work in progress

The total amount of intangibles in the course of construction is \$68,000 (2020: \$239,000)

## 12. Creditors and Other Payables

### Accounting policy

Short-term payables are recorded at the amount payable.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS</b>		
Creditors	3,700	3,966
Other payables	209	282
<b>Total creditors and payables under exchange transactions</b>	<b>3,909</b>	<b>4,248</b>
<b>CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS</b>		
Taxes payable (GST, PAYE)	5,267	3,362
<b>Total creditors and payables under non-exchange transactions</b>	<b>5,267</b>	<b>3,362</b>
<b>Total creditors and other payables</b>	<b>9,176</b>	<b>7,610</b>

## 13. Employee Entitlements

### Accounting policy

#### 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. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, vested long service leave, retirement leave and sick leave. Non-vested long service leave and retirement entitlements expected to be settled within 12 months of balance date are also classified as a current liability.

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

#### Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

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

#### Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

### Critical accounting estimates and assumptions

#### Measuring retirement and long service leave obligations

The present value of the retirement, long service leave, and sick leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Authority considered the interest rates on New Zealand Treasury Bills and Government Bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. Term-specific risk-free rates as at 30 June 2021 ranged from 0.38% pa to 4.30% pa (2020: ranged from 0.25% pa to 4.30% pa) and a salary inflation factor of 1.00%-1.50% pa for the year ended 30 June 2022, with a long term salary inflation rate of 3.08% (2020: 1.50% pa and 2.72% pa respectively) were used.

#### Actuarial estimate sensitivity analysis

If the discount rate were to be 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$765,000 lower/\$891,000 higher respectively (2020: \$867,000 lower/\$1,010,000 higher respectively).

If the salary inflation factor was 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$742,000 higher/\$652,000 lower respectively (2020: \$850,000 higher/\$739,000 lower respectively).

### Employee entitlements

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:</b>		
Accrued salaries and wages	1,754	2,818
Annual leave	11,016	11,095
<b>Current portion of long-term employee entitlements</b>		
Sick leave	198	197
Retiring and long service leave	1,685	1,272
<b>Total current portion</b>	<b>14,653</b>	<b>15,382</b>
<b>NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:</b>		
<b>Long-term employee entitlements</b>		
Retiring and long service leave	8,673	9,364
Sick leave	316	315
<b>Total non-current portion</b>	<b>8,989</b>	<b>9,679</b>
<b>Total employee entitlements</b>	<b>23,642</b>	<b>25,061</b>

## 14. Provisions

### Accounting policy

#### General

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 expenditure 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. An increase in the provision due to the passage of time is recognised as a finance cost (refer Note 4).

#### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.



**Lease make-good**

A provision for lease make-good costs is recognised when the Authority is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Authority. The Authority has the option to renew these leases, which affects the timing of expected cash outflows to make good the premises.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>CURRENT PROVISIONS ARE REPRESENTED BY:</b>		
Onerous contracts	119	120
Restructuring	250	528
Legal and employment proceedings	154	400
<b>Total current portion</b>	<b>523</b>	<b>1,048</b>
<b>NON-CURRENT PROVISIONS ARE REPRESENTED BY:</b>		
Onerous contracts	49	166
Lease make-good	350	194
<b>Total non-current portion</b>	<b>399</b>	<b>360</b>
<b>Total provisions</b>	<b>922</b>	<b>1,408</b>

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS	LEASE MAKE GOOD	RESTRUCTURING	LEGAL AND EMPLOYMENT PROCEEDINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
<b>2021</b>					
Balance at 1 July 2020	286	194	528	400	1,408
Additional provisions made/(reversed)	(118)	156	(278)	(246)	(486)
<b>Balance at 30 June 2021</b>	<b>168</b>	<b>350</b>	<b>250</b>	<b>154</b>	<b>922</b>
<b>2020</b>					
Balance at 1 July 2019	1,057	190	500	-	1,747
Additional provisions made/(reversed)	(771)	4	28	400	(339)
<b>Balance at 30 June 2020</b>	<b>286</b>	<b>194</b>	<b>528</b>	<b>400</b>	<b>1,408</b>

**Onerous contracts**

The Authority has two contracts that it considers to be onerous.

The Authority has a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 3.08% was used to calculate the present value of the cost of the onerous lease.

**Restructuring provision**

The Authority approved a detailed and formal restructuring plan which was announced in June 2019 and has continued through the current financial year. The provision represented the estimated cost for redundancy payments.

**Leasehold make-good provisions**

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 5.

**Legal and employment proceedings**

In 2019 a number of bullying and harassment allegations and other issues within the Authority were made. A Queen's Counsel investigation was established and this investigation is on-going. This provision represents amounts the Authority expects it could incur with respect to the settlement of the outcomes of the investigation.

**15. Contingencies****Contingent liabilities****Legal actions**

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2020: \$nil) existing in relation to any legal matters currently in progress.

**Personal grievance**

The Authority has no contingent liabilities relating to personal grievances in the current or previous years. However it has made provision for legal and employment costs expected to be incurred in relation to the on-going Queen's Counsel investigation into bullying and harassment issues disclosed in Note 14.

**Contingent assets**

The Authority has no contingent assets (2020: \$nil).

**16. Equity****Accounting policy**

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

**General funds****Passenger security reserve, and other fees and charges reserves**

These reserves relate to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities.

**Managed Isolation and Quarantine Reserve**

This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to the provision of managed isolation and quarantine facilities provided for by Vote Transport appropriation.

**Passenger safety reserves**

These reserves relate to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>EQUITY</b>		
<b>General funds</b>		
Opening balance at 1 July	9,997	26,331
(Deficit)/surplus for the year	803	(22,433)
Transfer (to)/from specific reserves	(1)	6,099
Capital contributions from the Crown	-	-
Repayment of capital	-	-
Property, plant and equipment revaluation reserve transfer on disposal	-	-
<b>Closing balance at 30 June</b>	<b>10,799</b>	<b>9,997</b>
<b>Passenger security reserve</b>		
Opening balances at 1 July	-	5,826
(Deficit)/surplus for the year	2,032	(14,202)
Transfer (to)/from general funds	(2,032)	8,376
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Managed Isolation and Quarantine Reserve</b>		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	-	-
Transfer (to)/from general funds	-	-
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Security reserve – other fees and charges</b>		
Opening balances at 1 July	-	273
(Deficit)/surplus for the year	338	(167)
Transfer (to)/from general funds	(338)	(106)
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Passenger safety reserve – fixed fees</b>		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(2,844)	(2,439)
Transfer (to)/from levies reserve	2,844	2,439
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Passenger safety reserve – hourly charges</b>		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(5,156)	(6,386)
Transfer (to)/from levies reserve	5,156	6,386
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Passenger safety reserve – other</b>		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(1,098)	(1,062)
Transfer (to)/from levies reserve	1,098	1,062
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Passenger safety reserve – levies</b>		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(9,236)	1,225
Transfer (to)/from specific reserves	(9,098)	(9,887)
Transfer (to)/from passenger safety reserve- other general reserves	18,334	8,662
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>Passenger safety reserve – other general reserves</b>		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	16,767	598
Transfer (to)/from specific reserves	(18,334)	(8,662)
Transfer (to)/from general funds	1,567	8,064
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>

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 repayment of security service surplus funds to the Crown may be requested by the Minister of Finance at his discretion.

#### Capital management

The Authority's capital is its equity, which comprises the Crown's capital contributions, accumulated surplus and other reserves. Equity is represented by net assets.

As a result of COVID-19, the Authority was required to fully utilise its cash and investments to meet operating costs before it could access additional Crown funding. The Authority's specific reserves were therefore exhausted as a consequence of this.

The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, the Public Finance Act 1989, and the Civil Aviation Act 1990, which impose restrictions in relation to borrowings, the acquisition of securities, the issue of guarantees and indemnities, and the use of derivatives.

The Authority has complied with the financial management requirements of the Crown Entities Act 2004 during the year. The Authority manages its equity by prudently managing revenues, expenses, assets, liabilities, and investments in accordance with its written policies and the requirements of the Acts to ensure that the Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

## 17. Related Party Transactions and Key Management Personnel

The Authority is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Authority would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

#### Related party transactions required to be disclosed

There were no related party transactions that were conducted on a non-commercial terms basis.

### Key management personnel compensation

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Board Members	129	125
Authority Leadership Team and senior employees	3,590	4,335
<b>Total key management personnel compensation</b>	<b>3,719</b>	<b>4,460</b>

### Key management personnel full-time equivalent

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
Board Members	1	1
Authority Leadership Team and senior employees	14	21
<b>Total key management personnel full-time equivalent</b>	<b>15</b>	<b>22</b>

Key management personnel include Board Members, the Director of Civil Aviation and the ten member Authority Leadership Team (refer to page 34) and also includes other senior employees with the ability to influence decisions.

During the year ended 30 June 2021, 1 (2020: 2) key management person received compensation and other benefits in relation to cessation totalling \$79,000 (2020: 141,000).

The Authority normally has a five member board, appointed for terms of up to three years and it reports to the Minister of Transport.

The Authority does not provide remuneration or benefits to the Minister of Transport or the Associate Minister of Transport.

## 18. Financial Instruments

### 18a. Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>MANDATORILY MEASURED AT FAIR VALUE THROUGH SURPLUS OR DEFICIT</b>		
Derivative financial instrument assets	5	-
Derivative financial instrument liabilities	-	24
<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>		
Cash and cash equivalents	9,958	13,531
Receivables	9,244	6,371
Investments- term deposits	-	-
<b>Total financial assets measured at amortised cost</b>	<b>19,202</b>	<b>19,902</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>		
Creditors and other payables	9,176	7,610
<b>Total financial liabilities measured at amortised cost</b>	<b>9,176</b>	<b>7,610</b>

### 18b. Fair value hierarchy

Derivative financial instrument assets and liabilities recognised at fair value in the Statement of Financial Position have been determined according to level 2 valuation techniques-observable inputs.

### 18c. Financial Instrument Risks

The Authority's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Authority has a set of policies in place to manage the risks associated with financial instruments and it seeks to minimise its exposure to financial instrument risk.

These policies do not allow the Authority to enter into any transactions that are speculative in nature.

There have been no changes from the previous reporting period in either the types of financial instrument held, the type of risk exposure, or the way in which these financial instrument risks are managed.

## Market Risk

### Price risk

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates and other market factors.

### Fair value Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is exposed to interest rate risk on its bank deposits that are held at fixed rates of interest. The Authority minimises its exposure to interest rate risk by investing surplus liquid funds at short-term fixed interest rates and limiting its floating rate deposit balances to daily funding requirements.

As the Authority's short-term deposits are invested at fixed interest rates, any change in interest rates prior to deposit maturity has no impact on net surplus/(deficit). As these financial assets are carried at amortised cost, rather than at fair value, there is no direct impact on equity from any change in interest rates.

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Authority to cash flow interest rate risk. The Authority's treasury policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Authority currently has no variable interest rate investments.

### Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would not materially affect the Authority's surplus and equity as the Authority no longer holds term deposits.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Authority purchases some goods and services from overseas that require it to enter into transactions denominated in foreign currencies. Exposure to currency risk arises as a result of these activities. It is the Authority's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contract derivatives for major transactions to mitigate the foreign currency risk exposure. The Authority has no designated hedging instruments, foreign currency bank accounts, or foreign currency translation reserves.

### Sensitivity Analysis

At year end, if the NZ dollar had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the surplus for the year would have been:

- \$34,000 (2020: 67,000) lower if the NZ dollar had weakened;
- \$31,000 (2020: 60,000) higher if the NZ dollar had strengthened.

### Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Authority. The Authority is exposed to credit risk on its balances of cash and cash equivalents, debtors and other receivables, investments in term deposits, and derivative contracts entered into. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

#### Risk management

The Authority reviews the credit quality of clients and participants before granting credit, and continues to monitor and manage receivables based on their activity and expected future conditions and adjusts the expected credit loss allowance accordingly. Levies and charges revenue from domestic and international airlines account for approximately 81% (2020: 73%) of receivables. There are no other significant individual concentrations of credit risk.

The Authority manages its exposure by placing all cash and cash equivalents and derivative contracts with New Zealand registered banks having high quality credit ratings and by managing debtors and other receivables in accordance with the Authority's credit management policy. Surplus funds are invested with registered banks and organisations with a minimum AA- credit rating (Standard and Poor's, or equivalent Fitch or Moody's ratings agencies).

#### Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

#### Impairment

Cash and cash equivalents (Note 6), receivables (Note 7), are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

#### Credit risk exposure by credit risk rating grades, excluding receivables

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to the credit agency credit ratings.

	ACTUAL 2021 \$000	ACTUAL 2020 \$000
<b>CASH AT BANK AND TERM DEPOSITS</b>		
AA-	9,958	13,531
<b>Total cash at bank and term deposits</b>	<b>9,958</b>	<b>13,531</b>

All instruments in this table have a loss allowance based on 12-month expected credit losses.

### Liquidity risk

#### Management of liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its payment obligations for commitments as they fall due. The Authority manages its liquidity risk by maintaining sufficient cash deposits in accordance with the levels set under its approved treasury policy.

#### Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the present value of contractual undiscounted cash flows for the Authority's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	CARRYING AMOUNT \$000	CONTRACTUAL CASH FLOWS \$000	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS & 1 YEAR \$000	LATER THAN 1 YEAR \$000
<b>2021</b>					
Payables (excluding income in advance and taxes payable)	3,909	3,909	3,909	-	-
<b>Total contractual undiscounted cash flows</b>	<b>3,909</b>	<b>3,909</b>	<b>3,909</b>	<b>-</b>	<b>-</b>
<b>2020</b>					
Payables (excluding income in advance and taxes payable)	4,248	4,248	4,248	-	-
<b>Total contractual undiscounted cash flows</b>	<b>4,248</b>	<b>4,248</b>	<b>4,248</b>	<b>-</b>	<b>-</b>

#### Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses derivative financial instrument liabilities that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the undiscounted contractual cash flows.

	LIABILITY CARRYING AMOUNT \$000	ASSET CARRYING AMOUNT \$000	CONTRACTUAL CASH FLOWS \$000	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS & 1 YEAR \$000	LATER THAN 1 YEAR \$000
<b>2021</b>						
Forward foreign exchange contracts	-	5	-	-	-	-
• outflow	-	-	(650)	-	(650)	-
• inflow	-	-	655	-	655	-
<b>2020</b>						
Forward foreign exchange contracts	24	-	-	-	-	-
• outflow	-	-	(1,294)	-	(644)	(650)
• inflow	-	-	1,270	-	634	636

## 19. Events after the Balance Date

In July 2021, the Civil Aviation Authority vacated its leased accommodation in the Wellington Asteron Centre to enable remediation works to be undertaken by the landlord to increase the seismic rating of the building. There are no financial impacts for the financial year ending 30 June 2021. Additional costs will be incurred in subsequent years for temporary accommodation and associated costs for technology, security and equipment in these premises. The Authority will be seeking rent abatements for any periods of time that contravene the terms agreed in the lease agreement in relation to the Asteron Centre.

From July 2021, the operations of the Civil Aviation Authority continue to be affected by COVID-19 through the impact on the level of passenger based levies received.

Following the decision in favour of Mr Lindsay in Lindsay v CAA appeal, the CAA agreed to pay \$210,000 in legal costs to Mr Lindsay.

There have been no other significant events after the balance date.

## 20. Security Service Specific Reserves

The following reserves accounts provide additional financial information on the regulated passenger security levies collected by the Authority.

	PASSENGER SECURITY CHARGES/LEVIES	MANAGED ISOLATION AND QUARANTINE	OTHER FEES /CHARGES	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2021</b>						
Revenue	115,328	8,150	1,826	125,304	102,690	114,870
Expense	(113,296)	(8,150)	(1,488)	(122,934)	(102,690)	(129,240)
Net (deficit)/surplus	2,032	-	388	2,370	-	(14,370)
Opening balance at 1 July 2020	-	-	-	-	-	6,099
Transfer (to)/from General Reserves	(2,032)	-	(388)	(2,370)	-	8,271
<b>Closing balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2020</b>						
Revenue	112,931	-	1,939	114,870	143,631	102,277
Expense	(127,133)	-	(2,107)	(129,240)	(136,450)	(109,589)
Net (deficit)/surplus	(14,202)	-	(168)	(14,370)	7,181	(7,312)
Opening balance at 1 July 2019	5,826	-	273	6,099	4,978	13,065
Transfer (to)/from General Reserves	8,376	-	(105)	8,271	(52)	346
<b>Closing balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,107</b>	<b>6,099</b>

## 21. Regulatory function specific reserves

The following reserves accounts provide additional financial information on the regulated passenger safety levies and charges collected by the Authority:

	FIXED FEES	HOURLY CHARGES	OTHER (CROWN AND MINISTRY FUNDING)	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2021</b>							
Revenue	1,836	3,612	6,963	34,331	46,742	47,619	40,064
Expense	(4,680)	(8,768)	(8,061)	(26,800)	(48,309)	(50,619)	(48,127)
Net (deficit)/surplus	(2,844)	(5,156)	(1,098)	7,531	(1,567)	(3,000)	(8,063)
Opening balance at 1 July 2020	-	-	-	3,531	3,531	3,485	11,594
Transfer (to)/from General Reserves	2,844	5,156	1,098	(9,098)	-	-	-
<b>Closing balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,964</b>	<b>1,964</b>	<b>485</b>	<b>3,531</b>
<b>2020</b>							
Revenue	1,935	4,854	6,009	27,266	40,064	49,293	49,293
Expense	(4,374)	(11,240)	(7,071)	(25,442)	(48,127)	(49,854)	(48,349)
Net surplus/(deficit)	(2,439)	(6,386)	(1,062)	1,824	(8,063)	(561)	944
Opening balance at 1 July 2019	-	-	-	11,594	11,594	10,307	10,650
Transfer (to)/from General Reserves	2,439	6,386	1,062	(9,887)	-	-	-
<b>Closing balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,531</b>	<b>3,531</b>	<b>9,746</b>	<b>11,594</b>

## 22. Explanation of Major Variances Against Budget

Explanations for major variances from the Authority's budgeted figures in the Statement of Performance Expectations are provided in the paragraphs below.

### Statement of Comprehensive Revenue and Expense

#### REVENUE

Revenue for the year ended 30 June 2021 of \$171.6 million continued to be impacted by COVID-19 restrictions on travel and was below budget of \$175.0 million by \$3.4 million (-1.9%). The significant variances are as follows:

#### Safety levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and operator safety levies of \$17.6 million was above the budget of \$13.9 million by \$3.7 million (26.5%). This was mainly the result of domestic passenger volumes being above budget by 29.6%, following a faster recovery in volumes as COVID-19 alert levels reduced.

**Revenue from passenger security levies**

Revenue from passenger security levies of \$36.9 million was above the budget of \$28.8 million by \$8.1 million (28.1%), mainly due to domestic passenger volumes being above budget by 24.1%.

**Revenue from other services**

Revenue from other services of \$6.8 million was lower than the budget of \$9.4 million by \$2.6 million (-27.6%), largely due to reduced activity in the Security Function related to COVID-19, and the cessation of a number of third party contracts.

**Crown funding revenue**

Crown funding revenue of \$108.8 million was \$11.6 million below budget of \$120.4 million largely due to higher than budgeted levy revenue and lower than budgeted personnel and operating costs. This reduced the amount Crown "liquidity facility" support necessary to fund the Authority's operating costs.

**EXPENSE**

Expenditure for the year ended 30 June 2021 of \$170.8 million was below budget of \$178.0 million by \$7.2 million (-4.1%). The significant variances are as follows:

**Personnel costs**

Personnel costs of \$135.0 million were lower than the budget of \$138.0 million by \$3.0 million (-2.2%). This variance was primarily due to lower personnel costs in the Security Function, as planned growth in staff numbers was deferred in response to COVID-19 impacts.

**Depreciation and amortisation expense**

Depreciation and amortisation expense of \$5.3 million was lower than the budget of \$5.7 million by \$0.4 million (-7.1%). This was due to delays in equipment upgrades, partly as a consequence of COVID-19 and also due to delays caused by capital programmes by related airports that needed to be completed first.

**Other expenses**

Other expenses of \$30.5 million were lower than the budget of \$34.2 million by \$3.7 million (-11.0%) and this was primarily due to lower staff travel costs – again COVID-19 related.

There were no significant variances in either the Statement of Financial Position or Statement of Cash Flows other than what is explained above.

**23. Effects of COVID-19**

On 11 March 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, the New Zealand Government imposed significant travel restrictions, impacting both international and domestic air travel. On 25 March 2020 the New Zealand Government moved to Alert Level 4 and implemented a full lockdown of non-essential services for an initial 4-week period, with step-changes in Alert Levels until Level 1 was reached on 9 June 2020.

Levies from departing passengers normally account for approximately 90% of the Authority's revenue. The imposition of these travel restrictions has therefore had a severe impact on the Authority's funding, and this is expected to continue into future financial years.

As a consequence, the Crown has already provided support to both the Regulatory Function and Security Service arms of the Authority to maintain appropriate capability for core functions. This was provided through a \$196.4m multi-year appropriation in Budget 2020 to purchase core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19. Budget 2021 increased this funding to the Authority by \$39.2m.

In addition, the Crown has also provided a letter of comfort from the Ministers of Finance and Transport to the Authority's Chairman. In this letter the Government commits to working with the Board over the medium-term to restore the Authority's financial viability, and acknowledges that the Crown may need to provide further equity support to the extent that the core statutory and regulatory functions of the Authority can continue to be met. This letter has provided the required basis for the Authority to prepare these financial statements on a going concern basis.

During the 2020/2021 year there were various changes to the COVID-19 alert levels. This has impacted the level of passenger based levies received.

# Additional financial information

## Statement of comprehensive revenue and expense

For the Year Ended 30 June 2021

The following additional financial information provides segmental reporting that discloses the two industry segments operated within the Authority. These relate to the operations of the Regulatory Function and the Security Service.

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000
<b>REVENUE</b>									
126,565	Levies and passenger security charges	17,564	13,886	36,870	28,776	-	-	54,434	42,662
8,640	Revenue from other services	5,448	6,644	1,371	2,780	(9)	(12)	6,810	9,412
17,625	Crown funding revenue	22,047	24,358	86,754	96,092	-	-	108,801	120,450
1,529	Ministry contract revenue	1,351	2,470	-	-	-	-	1,351	2,470
504	Interest revenue	2	-	4	-	-	-	6	-
215	Other revenue	330	261	305	139	(421)	(366)	214	34
<b>155,078</b>	<b>Total revenue</b>	<b>46,742</b>	<b>47,619</b>	<b>125,304</b>	<b>127,787</b>	<b>(430)</b>	<b>(378)</b>	<b>171,616</b>	<b>175,028</b>
<b>EXPENSE</b>									
141,928	Personnel costs	39,530	42,228	95,456	95,742	-	-	134,986	137,970
4,465	Depreciation and amortisation expense	755	673	4,573	5,064	-	-	5,328	5,737
115	Finance costs	1	-	21	96	-	-	22	96
31,003	Other expenses	8,023	7,718	22,884	26,885	(430)	(378)	30,477	34,225
<b>177,511</b>	<b>Total expenses</b>	<b>48,309</b>	<b>50,619</b>	<b>122,934</b>	<b>127,787</b>	<b>(430)</b>	<b>(378)</b>	<b>170,813</b>	<b>178,028</b>
<b>(22,433)</b>	<b>Net (deficit)/surplus</b>	<b>(1,567)</b>	<b>(3,000)</b>	<b>2,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803</b>	<b>(3,000)</b>
<b>(22,433)</b>	<b>Total comprehensive revenue and expense</b>	<b>(1,567)</b>	<b>(3,000)</b>	<b>2,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803</b>	<b>(3,000)</b>

## Statement of financial position

As at 30 June 2021

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000
<b>CURRENT ASSETS</b>									
13,531	Cash and cash equivalents	2,691	1,459	7,267	8,495*	-	-	9,958	9,954*
6,371	Receivables	2,902	2,666	6,504	3,321	(162)	(29)	9,244	5,958
-	Derivative financial instruments	-	-	5	-	-	-	5	-
35	Services work in progress	81	36	-	-	-	-	81	36
1,518	Prepayments	825	570	1,564	934	-	-	2,389	1,504
<b>21,455</b>	<b>Total current assets</b>	<b>6,499</b>	<b>4,731</b>	<b>15,340</b>	<b>12,750*</b>	<b>(162)</b>	<b>(29)</b>	<b>21,677</b>	<b>17,452*</b>
<b>NON-CURRENT ASSETS</b>									
20,854	Property, plant and equipment	1,145	1,091	19,982	21,305	-	-	21,127	22,396
1,791	Intangible assets	1,069	950	666	1,077	-	-	1,735	2,027
<b>22,645</b>	<b>Total non-current assets</b>	<b>2,214</b>	<b>2,041</b>	<b>20,648</b>	<b>22,382</b>	<b>-</b>	<b>-</b>	<b>22,862</b>	<b>24,423</b>
<b>44,100</b>	<b>Total assets</b>	<b>8,713</b>	<b>6,772</b>	<b>35,988</b>	<b>35,132*</b>	<b>(162)</b>	<b>(29)</b>	<b>44,539</b>	<b>41,875*</b>
<b>CURRENT LIABILITIES</b>									
7,610	Creditors and other payables	3,274	2,517	6,064	4,711*	(162)	(29)	9,176	7,199*
10	Derivative financial instruments	-	-	-	-	-	-	-	-
15,382	Employee entitlements	2,661	3,298	11,992	13,136	-	-	14,653	16,434
1,048	Provisions	250	-	273	115	-	-	523	115
<b>24,050</b>	<b>Total current liabilities</b>	<b>6,185</b>	<b>5,815</b>	<b>18,329</b>	<b>17,962*</b>	<b>(162)</b>	<b>(29)</b>	<b>24,352</b>	<b>23,748*</b>
<b>NON-CURRENT LIABILITIES</b>									
14	Derivative financial instruments	-	-	-	-	-	-	-	-
9,679	Employee entitlements	314	378	8,675	9,301	-	-	8,989	9,679
360	Provisions	250	94	149	151	-	-	399	245
<b>10,053</b>	<b>Total non-current liabilities</b>	<b>564</b>	<b>472</b>	<b>8,824</b>	<b>9,452</b>	<b>-</b>	<b>-</b>	<b>9,388</b>	<b>9,924</b>
<b>34,103</b>	<b>Total liabilities</b>	<b>6,749</b>	<b>6,287</b>	<b>27,153</b>	<b>27,414</b>	<b>(162)</b>	<b>(29)</b>	<b>33,740</b>	<b>33,672</b>
<b>9,997</b>	<b>Net assets</b>	<b>1,964</b>	<b>485</b>	<b>8,835</b>	<b>7,718</b>	<b>-</b>	<b>-</b>	<b>10,799</b>	<b>8,203</b>
<b>EQUITY</b>									
9,997	General funds	1,964	485	8,835	7,718	-	-	10,799	8,203
-	Specific reserves	-	-	-	-	-	-	-	-
<b>9,997</b>	<b>Total equity</b>	<b>1,964</b>	<b>485</b>	<b>8,835</b>	<b>7,718</b>	<b>-</b>	<b>-</b>	<b>10,799</b>	<b>8,203</b>

\* The budgeted figures differ to those included the Statement of Performance Expectations due to an error in formatting as at the time of printing.

## Statement of changes in equity

For the year ended 30 June 2021

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000
<b>EQUITY</b>									
<b>OPENING BALANCE OF EQUITY AT 1 JULY</b>									
26,331	General funds	3,531	3,485	6,465	7,718	-	-	9,997	11,203
-	Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	-
6,099	Specific reserves	-	-	-	-	-	-	-	-
<b>32,430</b>	<b>Total opening balance of equity at 1 July</b>	<b>3,531</b>	<b>3,485</b>	<b>6,465</b>	<b>7,718</b>	<b>-</b>	<b>-</b>	<b>9,997</b>	<b>11,203</b>
(22,433)	Net (deficit)/surplus for the year	(1,567)	(3,000)	2,370	-	-	-	803	(3,000)
-	Capital contributions from the Crown	-	-	-	-	-	-	(1)	-
<b>(22,433)</b>	<b>Total changes in equity during the year</b>	<b>(1,567)</b>	<b>(3,000)</b>	<b>2,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>802</b>	<b>(3,000)</b>
<b>CLOSING BALANCE OF EQUITY AT 30 JUNE</b>									
9,997	General funds	1,964	485	8,835	7,718	-	-	10,799	8,203
-	Specific reserves	-	-	-	-	-	-	-	-
<b>9,997</b>	<b>Total closing balance of equity at 30 June</b>	<b>1,964</b>	<b>485</b>	<b>8,835</b>	<b>7,718</b>	<b>-</b>	<b>-</b>	<b>10,799</b>	<b>8,203</b>

## Statement of cash flows

For the year ended 30 June 2021

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000	2021 ACTUAL \$000	2021 BUDGET \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
131,186	Receipts from levies	16,794	12,892	34,658	30,199	-	-	51,452	43,091
12,061	Receipts from passenger security levies and charges, and other services	5,561	7,161	1,723	3,130	(9)	(12)	7,275	10,279
19,154	Receipts from Crown funding and Ministry contracts	23,398	26,828	86,754	96,092	-	-	110,152	122,920
1,096	Interest and other sundry revenue received	330	260	861	139	(421)	(365)	770	34
(131,311)	Payments to employees	(38,859)	(40,254)	(94,010)	(91,034)	-	-	(132,869)	(131,288)
(41,481)	Payments to suppliers	(10,005)	(10,968)	(25,395)	(30,416)*	430	377	(34,970)	(41,007)*
1,179	Goods and Services Tax (net)	430	246	(268)	(306)	-	-	162	(60)
<b>(8,116)</b>	<b>Net cash flows from operating activities</b>	<b>(2,351)</b>	<b>(3,835)</b>	<b>4,323</b>	<b>7,804</b>	<b>-</b>	<b>-</b>	<b>1,972</b>	<b>3,969</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
79,233	Maturity of investments	-	-	-	-	-	-	-	-
82	Sale of property, plant and equipment	2	-	(1)	-	-	-	1	-
(57,500)	Placement of investments	-	-	-	-	-	-	-	-
(8,309)	Purchase of property, plant and equipment	(519)	(427)	(4,550)	(6,353)	-	-	(5,069)	(6,780)
(1,243)	Purchase of intangible assets	(408)	(245)	(69)	(520)	-	-	(477)	(765)
<b>12,263</b>	<b>Net cash flows from investing activities</b>	<b>(925)</b>	<b>(672)</b>	<b>(4,620)</b>	<b>(6,873)</b>	<b>-</b>	<b>-</b>	<b>(5,545)</b>	<b>(7,545)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
-	Capital contributions from the Crown	-	-	-	-	-	-	-	-
-	Proceeds from external borrowings	-	-	-	-	-	-	-	-
-	<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4,147	Net increase/(decrease) in cash and cash equivalents	(3,276)	(4,507)	(297)	931	-	-	(3,573)	(3,576)
9,384	Opening cash and cash equivalents at 1 July	5,967	5,966	7,564	7,564	-	-	13,531	13,530
<b>13,531</b>	<b>Closing cash and cash equivalents at 30 June</b>	<b>2,691</b>	<b>1,459</b>	<b>7,267</b>	<b>8,495</b>	<b>-</b>	<b>-</b>	<b>9,958</b>	<b>9,954</b>

\*The budgeted figures differ to those included the Statement of Performance Expectations due to an error in formatting as at the time of printing.



# Appendices

## 1. Closure of Safety and Security Focus Areas work programme

In 2015 the Authority implemented a Security Focus Areas work programme to raise oversight of specific risk areas in the aviation system. The Authority decided in 2020/21 to move away from a programme to a maintenance approach and will no longer report on the focus areas. The rationale for this decision and the ongoing regulatory measures to replace them is set out below.

The risks identified in 2015 were categorised under focus areas identified through analysis of safety data, sector-based intelligence and international trends and research. The focus areas were:

- **Loss of control in flight** – Due to human, mechanical or other reasons, leading to serious harm incidents/accidents.
- **Runway excursions** – Where an aircraft departs the runway unexpected in critical phase of flight, with a high risk of serious harm.
- **Airborne conflicts** – With potential to lead to mid-air collisions and resulting fatalities.
- **The helicopter sector** – The helicopter sector had a higher accident rate than other aviation sectors.
- **Queenstown operations** – Aviation plays an important part in the Queenstown's place as a tourist destination and regional transport centre. There was a need to improve safety across flying activities in the area.
- **Security threat levels and responses** – Timely and coordinated decision making and operational responses are required to ensure the New Zealand aviation system remains safe and secure.
- **International air cargo security** – The security of the international air transport system and the flow of high value export cargo depend on a robust and trusted air cargo security system.

- **Smart Security** – Thinking smarter to improve security outcomes, enhance passenger facilitation and optimise utilisation of equipment and staff.

Work programmes were established to address the underlying causes of risks within these focus areas. The Authority implemented intelligence-led, risk-based approaches through the introduction of:

- The Regulatory Safety Management System (RSMS): This is the Authority's internal system of analysing incoming intelligence from the sector, identifying aviation safety risks; prioritising those risks for treatment; and developing targeted interventions.
- Safety Management Systems (SMS): The Authority requires commercial participants to maintain these systems to ensure they identify, manage, and maintain accountability over their operations. SMSs have lifted participants' accountability for safety and the management of risk.

Improved engagement with aviation system participants and user groups has been a cornerstone in addressing Safety and Security Safety Focus area risks. In particular, the Authority's Aeronautical Services, Helicopter and Agricultural units have established presence within participant user and safety groups to ensure that risk mitigation strategies continue to be disseminated and considered in industry training programmes. This engagement also allows a stream of industry-based intelligence to inform Authority decision making.

Improved airspace design and developments in technology also mitigated focus area risks.

## 2. Rules Development Programme

Under the Rule Development Agreement with the Ministry of Transport, the Civil Aviation Authority develops the draft final rule package in conjunction with the Ministry of Transport. The Ministry of Transport is responsible for progressing the final rule package through government processes to secure the Minister’s signature.

RULE NO.	PROJECT TITLE	LATEST MILESTONE ACHIEVEMENT	PROGRESS STATUS AND COMMENT	NEXT MILESTONE/ EXPECTED DELIVERY DATE
Part 61	Private pilot licence (PPL) medical requirements	Minister of Transport signed the rule.	■ Rule became effective 5 April 2021.	n/a
Various	Omnibus 2019/20	Omnibus Rule 19/20 removed from rules programme.	■ Replaced by Assorted Issues Rule, which is expected to be included the rules programme in Q2 2021/22.	n/a
Part 91	Mandate Automatic Dependent Surveillance Broadcast below FL245 (ADS-B)	Minister of Transport signed the rule.	■ Rule became effective 8 February 2021.	n/a
Part 91	Performance Based Navigation	Drafting of final rules completed.	■ Final rules signed off by Deputy Chief Executives and sent to the Ministry of Transport.	Rule to be submitted to the Minister for signature early <b>November 2021</b>
Part 139	Runway Condition Reporting	The rule project was placed on hold due to resourcing constraints.	■ We expect to start drafting a Notice of Proposed Rule Making when Performance Based Navigation has been completed.	This project will be picked up in October 2021 and it is expected that the rule package will be submitted to the Minister for signature in <b>May 2022</b>

**STATUS**

- Steady and positive progress – on track
- Minor delay/issues identified – should be delivered by agreement period
- Major impediments – delivery unlikely within agreement period
- Complete

Developments in airways planning and the introduction of night operations capability have contributed heavily to improved air traffic flows and an associated reduction in collision risks within in the Queenstown area. Performance Based Navigation (PBN) has ensured increased efficiency in route placement and airspace management whilst improving the reliability of navigation systems. In turn, this has helped mitigate the risk of loss-of-separation that is core to the Queenstown and Airborne Conflict safety areas.

Technology has also been central in the Authority’s approach to reducing security-related risks. As part of its security modernisation programme, AvSec has introduced smart lanes and Advanced Imaging Technologies (AIT) at four out of six tier one airports, which has improved passenger throughput efficiency by 20%-25%. Digital solutions have been integral in enhancing the capability of Explosive Detective Dog Units, Behavioural Detection and the Airport Identity Card Information System.

These work programmes have cumulatively changed the risk management infrastructure, shifting away from interventions to a maintenance approach.

### Ongoing Management

As a result of risk reduction achieved by these work programmes, and the implementation of the RSMS and SMS, the focus areas have been decommissioned. Oversight and maintenance of the risks previously managed through the focus areas will continue to be maintained through the following means:

- The RSMS will ensure that the Authority is informed by robust information from across the sector. This will ensure that the Authority’s regular risk management processes continue to adapt to the constantly changing safety and security environment.

- Commercial participants are required to report safety and security risks within their SMS plans, which forms part of the certification process. This provides a reliable mechanism to ensure greater individual accountability by aviation system participants.
- Surveillance and Investigation will continue to be central in promoting adherence to established risk management techniques, regulations and SMS safety criteria. The Authority will carry out site and operations audits and reviews to monitor safety culture, aircraft and aerodrome standards, and regulatory compliance.
- Outreach activity is pivotal in ensuring that aviation system participants are informed of emerging risks and mitigations. The Authority has a presence within leading aviation participant user groups, which allows it to disseminate information, continually improving safety and security knowledge amongst participants.

Continuous improvement initiatives will continue to be central to proactively managing emerging safety and security risks. Ongoing engagement with the International Civil Aviation Organisation (ICAO) and partner agencies, alongside initiatives including the Security Modernisation programme, have embedded proactive handling of risk, particularly in relation to security. Themes and learnings gained from intelligence gathering are used to inform the development of related regulation.

# 3. Sector profile

## New Zealand's active aviation document holders (at 30 June 2021)

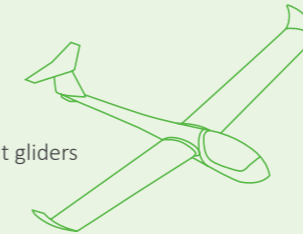
ORGANISATIONS	2021	2020	INDIVIDUALS	2021	2020
Australian AOC Operating with ANZA Privileges	4	4	Part 66 Aircraft Maintenance Engineer	3,034	3,008
Part 102 Unmanned Aircraft Operator Certificate	133	128	Part 66 Certificate of Inspection Authorisation	230	197
Part 109 Regulated Air Cargo Agent	69	70	Part 66 Certificate of Maintenance Approval	341	352
Part 115 Adventure Aviation Operator	23	25	Pilot licences	29,162 <sup>27</sup>	28,619
Part 119 Air Operator	153	160	Air Traffic and Flight Service licences	1,223 <sup>28</sup>	1,202
Part 129 Foreign Air Operator	58	57	<b>Total</b>	<b>33,990</b>	<b>33,378</b>
Part 137 Agricultural Aircraft Operator	108	105			
Part 139 Aerodrome Certification	28	29			
Part 140 Aviation Security Organisation	1	1			
Part 141 Training Organisation	43	44			
Part 145 Maintenance Organisation	50	52			
Part 146 Design Organisation	11	12			
Part 147 Maintenance Training Organisation	4	4			
Part 148 Manufacturing Organisation	11	13			
Part 149 Recreation Organisation	8	8			
Part 171 Telecommunication Service Organisation	1	1			
Part 172 Air Traffic Service Organisation	1	1			
Part 173 Instrument Flight Procedure	2	2			
Part 174 Meteorological Service Organisation	3	3			
Part 175 Information Service Organisation	2	2			
Part 19F Supply Organisation	24	23			
Part 92 Dangerous Goods Packaging	45	51			
Synthetic Training Device (Airlines)	8	8			
Synthetic Training Device (General Aviation)	51	40			
<b>Total</b>	<b>841</b>	<b>843</b>			

<sup>27</sup> This includes 3524 with active class 1 medical certificates and 5102 with active class 2 medical certificates, including ATPL Aeroplane licence holders, 985 holding active class 1 medical certificates and 1150 holding active class 2 medical certificates.  
<sup>28</sup> This includes 639 holding active class 3 medical certificates.

### Aircraft

3

amateur built gliders  
2020 - 3

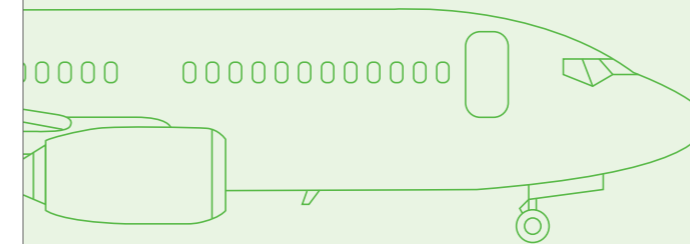
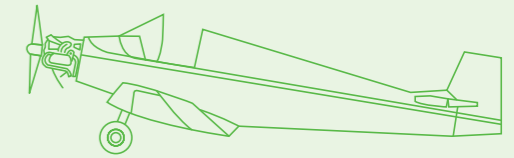


292

gliders  
2020 - 290

311

amateur built aeroplanes  
2020 - 307

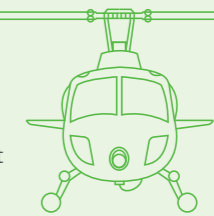


2,056

aeroplanes  
2020 - 2,054

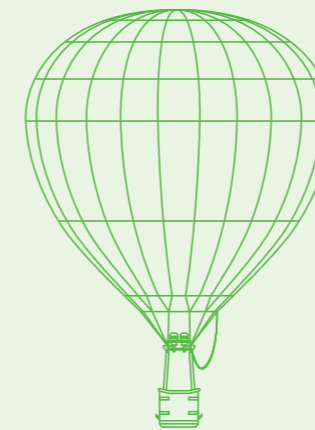
25

amateur built helicopters  
2020 - 26



886

helicopters  
2020 - 888



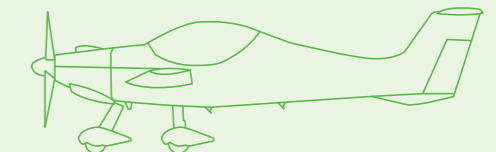
62

balloons  
2020 - 59



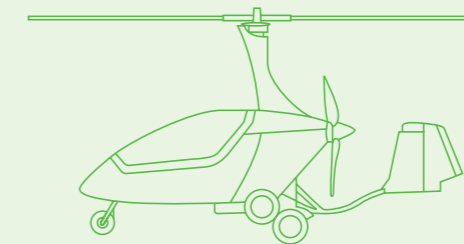
215

microlight class 1  
2020 - 215



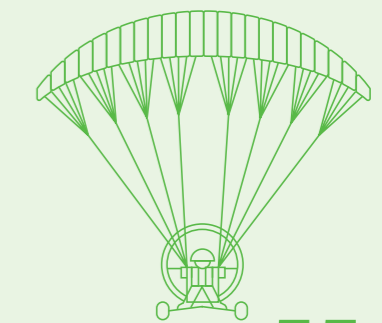
975

microlight class 2  
2020 - 946



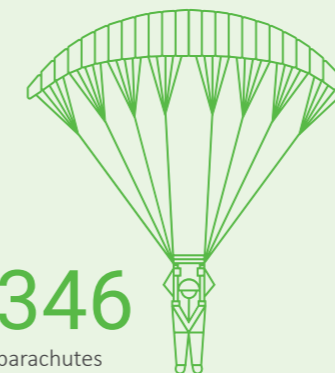
73

gyroplanes  
2020 - 76



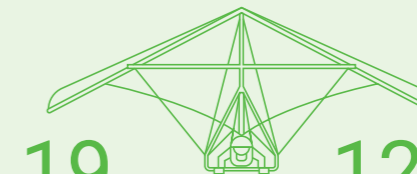
55

power gliders  
2020 - 55



346

parachutes  
2020 - 346



19

hang gliders  
2020 - 19

120

para gliders  
2020 - 122

**Total**

**5,438**



Aviation Security Service

*Kaiwhakamaru Rererangi*

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