

CIVIL AVIATION AUTHORITY OF NEW ZEALAND 2022-2023

Annual Report



Contents

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 2022 to 30 June 2023.



Janice Fredric Chair of the Civil Aviation Authority of New Zealand 31 October 2023



Keith Manch Chief Executive and Director of the Civil Aviation Authority of New Zealand 31 October 2023

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 31 October 2023

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ISSN: 1177-6072 ISSN: 1177-9403 (online)

Note: Further copies of this document can
be downloaded from www.aviation.govt.nz

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From the Chief Executive and Director of Civil Aviation

Kia ora koutou katoa

Aviation is critical to New Zealand

New Zealand is dependent on aviation, much more so than many other countries. We are geographically remote and need strong connections to the rest of the world, and within our islands, to support our economic and social wellbeing. Internationally and domestically, aviation is a critical transport mode for trade, tourism and the transport of high value and critical products that must reach markets in a timely way. Additionally, emerging aviation and aerospace opportunities have significant economic potential for New Zealand.

Fit for purpose regulatory frameworks, an effectively resourced regulatory agency and professional regulatory delivery, including ensuring that we meet international regulatory requirements that we are party to through the International Civil Aviation Organization (ICAO), are a foundation for a successful aviation and aerospace system. This report outlines the work of the Authority in the 2022/2023 year as we seek to play our part in delivering professional regulatory activity and supporting the Ministry and the Minister of Transport in ensuring the regulatory frameworks are effective and the resources are sufficient.

The two big themes of 2022/2023 - Covid-19 recovery and Emerging technology

The recovery of the aviation sector from Covid-19 during the 2022/23 year has been positive, although not complete. The recovery of the 'traditional' aviation safety and security system has tested all elements of the system including airports, airlines, and the Authority. We have wrestled with rapid increases in demand, constrained access to financial resources, people, and the experience necessary to operate effectively and efficiently.

At the same time there has been a dramatic increase in the development of new aviation and aerospace technologies, and concerns about the environmental impact of using carbon-based aviation fuel. This has raised complex questions about infrastructure, fuel systems, use of airspace and regulatory assessment processes for novel aviation systems and operations. The types of aircraft being developed, the systems they use and the operations they intend to undertake often do not fit within established regulatory processes and systems within New Zealand or internationally.

How we responded

The Authority's resources continue to be constrained by the massive financial impact of Covid-19 on the levies, fees and charges that would typically fund our work, while the recovery gains speed. The Government has provided finance to help to address this problem, generally framed by activity and cost levels that predated Covid-19, against the background of the Authority having no reserves (which were required to be exhausted prior to the Government providing financial assistance) in hand to cope with significant fluctuations in demand for regulatory activity. Nevertheless, during the year the Authority balanced short-term responses to current challenges with capability building to address medium- and longer-term issues.

Strategic intent and capability

During the year we have maintained a focus on clarity of intent and building the capability required to deliver.

Why we exist: We keep the aviation system safe for the public but also for people who work in it and use it, as well as keeping it protected (secure) from people who may wish to cause harm to it.

What we do: We regulate people (those who work in, and are customers of, aviation - including pilots, engineers, air traffic controllers and passengers), organisations, aircraft, and aviation infrastructure.

The types of regulatory functions we carry out across the Authority include, engagement, education, communication, certification, licensing, monitoring (including audit and inspection, screening of passengers and non-passengers), investigation and enforcement. These functions (and the organisation) are supported and enabled through activities like strategy, policy, administration, property and infrastructure, people, information and intelligence, technology development, and keeping the money coming in and the lights on.

How we achieve these things: Our strategic approach to delivering safety and security is centred on

- A one-organisation approach, for maximum collective impact
- our values - initially developed to guide our internal behaviours and relationships, and now central to our approach as a regulator
- our 'strategic pathways', by which we aim to
 - provide leadership, and influence action across the aviation system
 - take an active role in regulatory stewardship, and
 - deliver professional regulatory practice
- our aspiration to be a modern, intelligence-led, risk-based regulator.

Key areas of capability development during the year have been focussed on ensuring we have the right people, resources, systems, and programmes to support us to operate effectively and efficiently as a safety and security regulator.

There has been a big focus on preparing for an overdue funding review (interrupted by Covid-19 and its impact on the aviation sector) to enable the Authority to identify the resources required to do our job effectively and efficiently, and seek the Government's support to give effect to this through setting of fees, charges, levies and appropriations that reflect the cost of operating effectively as New Zealand's aviation safety and security regulator in 2024/2025 and beyond.

In addition to developments in aviation security technology (see below) we have made significant progress on the implementation of our new core regulatory tool (called Kapua), including setting the groundwork for the participant licensing module, core database to manage regulated persons, cloud infrastructure, integration to our document management system and participant portal. Work has also started the processes for certification and monitoring, type certificate and aircraft registration.

Kapua is one part of the picture that will support our intelligence led, risk-based approach. Parallel with this, during the year we have made significant strides in developing the capability, policies and procedures required to ensure this approach influences our work at all levels.

Leadership and influence

A feature of the year has been how we have stepped up our engagement, in various ways, with industry groups as we seek to lead and influence the delivery of safety and security outcomes with representative bodies and aviation sector participants, in addition to undertaking our core regulatory functions relating to certification, licensing, monitoring and investigation. This includes the Emerging Aviation Technology Forum (see below); a series of forums bringing together organisations that have delegated

regulatory functions in the sport and recreational sector as well as being membership bodies, advocates, and experts in their respective activities. These forums are working through an approach to information and data sharing that will support action to improve safety, safety programme development and capability building as regulators; internally, an Aviation Security Screening Taskforce to find creative ways to support effective passenger facilitation without undermining our core function of ensuring aviation security in respect to passengers and workers who interact with aircraft. This has underpinned stronger engagement with airports, airlines, and representative bodies to support a common focus on security culture and outcomes; and finally supported by regulatory intelligence and a risk-based approach we developed a comprehensive safety programme to support aviation safety at unattended aerodromes that is being delivered over two years from 2023.

Internationally we have strengthened connections with our regional and international counterpart organisations. The sharing of knowledge and experience and being able to actively participate in forums that shape global aviation policies is vital given our geographical location. Last year we enjoyed welcoming Canada, Tonga, and Australia to Wellington for the first time since 2020. We have a great deal in common including technical aspects of safety aviation regulation, emerging technology, resourcing, and expectations of regulatory organisations. All benefit from these sharing and learning opportunities.

Regulatory Stewardship

While maintaining, as best as possible, a focus on addressing some of the problems with the aviation rules set, the most significant policy change is the new Civil Aviation Act, which underpins all our work. This was passed in 2023 and will come into effect in 2025.

We have assembled a multi disciplined programme team who work closely with the Ministry of Transport, to introduce the safety and security elements of the Act that relate to the Authority in a way that ensures that we can give operational effect to the policy intent.

Professional Regulatory Practice

In response to the aviation sector recovery in respect to safety, we monitored the re-introduction of large aircraft into service and airlines' safety reviews. Audits and spot checks were conducted on management systems and reintroduction of aircraft from storage. Our regulatory oversight also included airlines' management of cabin safety during a period of considerable increase in crew numbers, ground operations and maintenance. We drew on our developing regulatory intelligence capability and intelligence led and risk-based approach, to ensure oversight across other parts of the sector, factoring in the special challenges and risks of bringing people and equipment back into the system.

To manage the challenges associated with emerging aviation and aerospace developments, with little resource initially, we established the emerging technologies programme and the Emerging Technology Unit (ETU). The programme identifies the range of inputs required from across the Authority to support each emerging technology development, the importance of working with other government agencies and with aviation aerospace industry representatives, research institutes, state-owned enterprises, and academia. It included the creation of the 'Emerging Aviation Technology Forum' to assist the aviation/ aerospace industry and the Authority to work closely together to achieve the highest standards of safety for this sector.

The Forum also acts as a think-tank and strategic advisory group and will help position us for new modes of aviation that will enter the Civil Aviation system in coming decades.

The ETU's role is to deliver our emerging technologies programme including coordinating our operational units and providing a link between industry and the Authority as we ensure that emerging technology developments are safe in themselves, and safe in the way they operate within our airspace in respect to other users.

In respect to aviation security, for almost two years Aviation Security Officers were deployed away from airports performing different duties in support of the management of Covid-19. Bringing them back into regular roles required refresher training to ensure their skills were updated. 'Freezing' recruitment during the Covid-19 period has led to the need to actively recruit to bring our frontline staff up to establishment numbers, although vacancies still exist because of the challenging labour market.

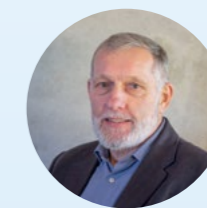
We also started the introduction of new technology, such as advanced imaging using CTiX¹ screening technology at our major airports. This new technology brings with it more effective screening capability. As these technologies are introduced and mature, they are intended to improve the effectiveness of security screening, with efficiency benefits as our Aviation Security Officers and passengers become used to them.

This year saw the destructive weather events that wreaked havoc across the country. The flooding in January of the Auckland airport terminal, particularly the international terminal, was felt by many of our staff. Storm and rain damage resulted

across the airport campus and included disabling check-in systems, baggage handling systems and terminal infrastructure, and meant some processes had to be run manually. This had a major flow-on effect, with many tired airport, airline and aviation security staff keeping things rolling.

The Authority had other crucial roles in the response to the weather events including ensuring that the aviation community was well represented in the emergency responses and facilitating airspace rules to enable aviation rescues and other support to take place safely. We ensured emergency services use of drones was promptly approved, and airspace arrangements were in place so supplies could be moved into Hawkes Bay and Gisborne airports. As part of the aviation response, New Zealand's largest temporary airspace restriction was put in place to ensure aviation safety.

In conclusion, I acknowledge our people for the efforts made through a demanding year with many uncertainties and high expectations in the way we operate, during which I have seen a commitment to operating to our values and maintaining a focus on delivering aviation safety and security for the benefit of all those who use, and work in, aviation.



Keith Manch
Chief Executive and Director
of Civil Aviation Authority

¹ Computed tomography (CT) cabin baggage screening x-ray machine

Introduction



The Authority

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

We are the government's primary civil aviation safety and security regulator. We control the entry of people and organisations into the aviation system and make sure 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, 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 (HSWA) 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 the Minister of Transport² on aviation and security policy.

New Zealand has an active role in the 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, although rare, taking enforcement action where appropriate.

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

We regulate key aspects of security in the aviation system, including oversight to make sure that required security standards are met. This includes our Aviation Security Service (AvSec) which 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.

Ongoing affects of COVID-19

Like every part of the aviation system, we responded to rapidly changing circumstances due to the COVID-19 pandemic. In 2022/23 this response moved to supporting the sector as it recovered, while maintaining our safety and security regulatory focus.

There are internationally identified risks associated with COVID-19 in aviation. These include potential under-investment in equipment, maintenance, training, staffing levels, and safety culture that are necessary to maintain safe operations. The Authority has been monitoring the effects of these risks over the past two years, and has continued this as activity continued to recover in 2022/23.

AvSec responded to the ramping up of activity internationally and domestically. During the 'COVID years' AvSec was flexible and engaged in supporting government COVID-19 response activities. As we saw aviation activity picking up, post-COVID, we prepared by:

- Emphasising training and on-the job re-integration of staff who had been out of their core roles during the pandemic, and other new people who have worked only in a COVID-19 environment
- bringing on new resource to meet fluctuating and rapidly increasing demand across a system with multiple challenges from airport design and flight scheduling
- getting ready for passengers who've lost familiarity with airports and knowledge of travel and screening processes.

During the year, there have been several publicised events nationally and internationally regarding queues. Queues in airports don't just affect AvSec, and queues at AvSec screening points aren't always caused by factors we can control. However we understand queues impact the public, and other participants in airport communities.

We already have strategies in our work plan to address queues over the mid-to long-term. In addition, the Authority has set up a taskforce to look at other solutions and address any roadblocks that have hindered previously considered solutions. One of the Taskforce's focus areas is closer collaboration within the airport community to collectively reduce queueing instances and improve the passenger experience overall.

² During 2022/23 many decisions were undertaken by the Associate Minister of Transport under delegated authority from the Minister of Transport. References in this Annual Report to the Minister of Transport include the Associate Minister of Transport.

Our organisation

The Authority has over 1,750 people working to keep the aviation system safe and secure. The majority (79 percent) work directly on the frontline, either in security-designated airports as part of AvSec, or as part of the safety function.

2022/23 by the numbers



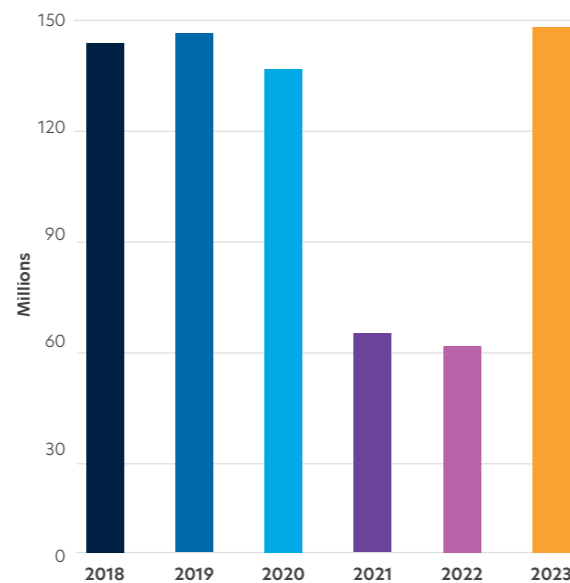
Funding pressures

Over the last three years, the Authority's resources have been severely limited by the pandemic despite a recent recovery associated from post-COVID passenger growth. Our third-party revenue (the funds we receive through fees, levies and charges) was \$147.1 million in 2022/23. Regardless of being back to pre-COVID levels, inflationary pressures have still seen the Authority being reliant on Crown funding. This liquidity facility is scheduled to expire in July 2024 and no further funding is profiled for the Authority.

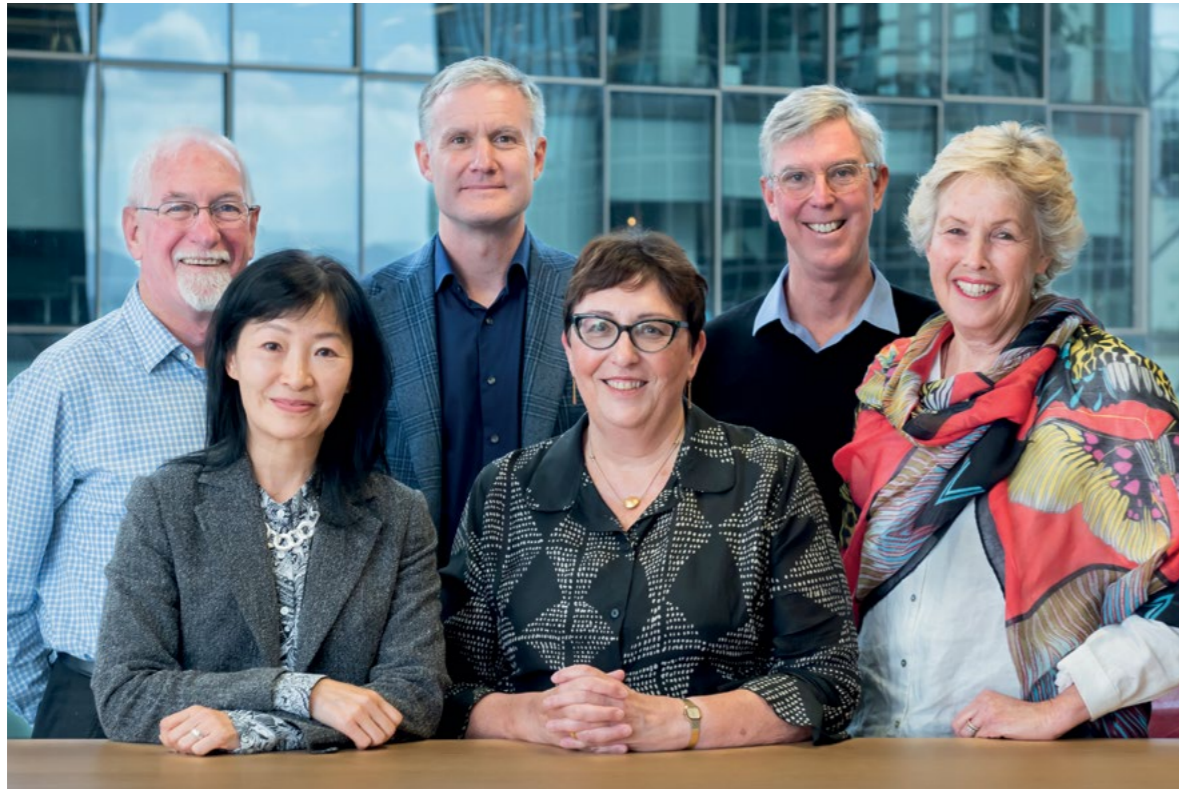
The dramatic reduction in revenue during COVID, combined with the requirement to exhaust reserves prior to receiving Government funds and continued financial uncertainty has made the Authority less resilient to respond to challenges. The Authority is in a position of uncertainty about funding beyond the short term, without reserves to manage shocks and increasing demands. This period of reduced revenue has coincided with an increase in ministerial and Government priorities, and a sustained high demand for regulatory inflationary pressures, as aviation businesses adjusted their activities to remain financially viable.

The Authority will continue to be reliant on Crown funding to bridge the gap between revenue and necessary expenditure until it can implement its Funding Review. Cabinet recently agreed that the earliest the funding review could be implemented is 31 January 2025.

Third party revenue from levies, fees, and charges



Governance and leadership



Authority Board left to right: Hon Harry Duynhoven, QSO, Alma Hong, Steve Haszard (Deputy Board Chair), Janice Fredric (Board Chair), Charles Spillane, Jill Hatchwell.

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 had six members during the reporting period, Janice Fredric (Board Chair), Steve Haszard (Deputy Board Chair), Jill Hatchwell, Hon Harry Duynhoven, QSO, Charles Spillane, and Alma Hong.

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

Audit, Risk and Assurance Committee (ARAC)

The Risk and Assurance Committee is chaired by Ms Hatchwell. The ARAC assists the Board in ensuring oversight of all matters relating to the financial management, accounting, audit, reporting and risk management of the Authority.

People, Health, Safety and Wellbeing (PHSW) Committee

The PHSW Committee is chaired by Steve Haszard and assists the Board in exercising governance over all matters relating to the Authority's people, and their health, safety and wellbeing.

Our leadership team

The Chief Executive – who is also the Director of Civil Aviation – and the General Manager of the Aviation Security Service 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 (ALT) is our most senior leadership group, charged with making sure the Authority performs well and is effective. The leadership team is organised to make sure 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 ALT includes the following roles:

- Chief Executive and Director of Civil Aviation
- General Manager, Aviation Security Service
- Deputy Chief Executive, System and Practice Design
- Deputy Chief Executive, Aviation Safety
- Deputy Chief Executive, Aviation Security and Infrastructure
- Deputy Chief Executive, People
- Deputy Chief Executive, Corporate Services
- Deputy Chief Executive, Strategy, Governance, Risk, and Assurance
- Executive Group Manager, Aviation Security Service.

The aviation system

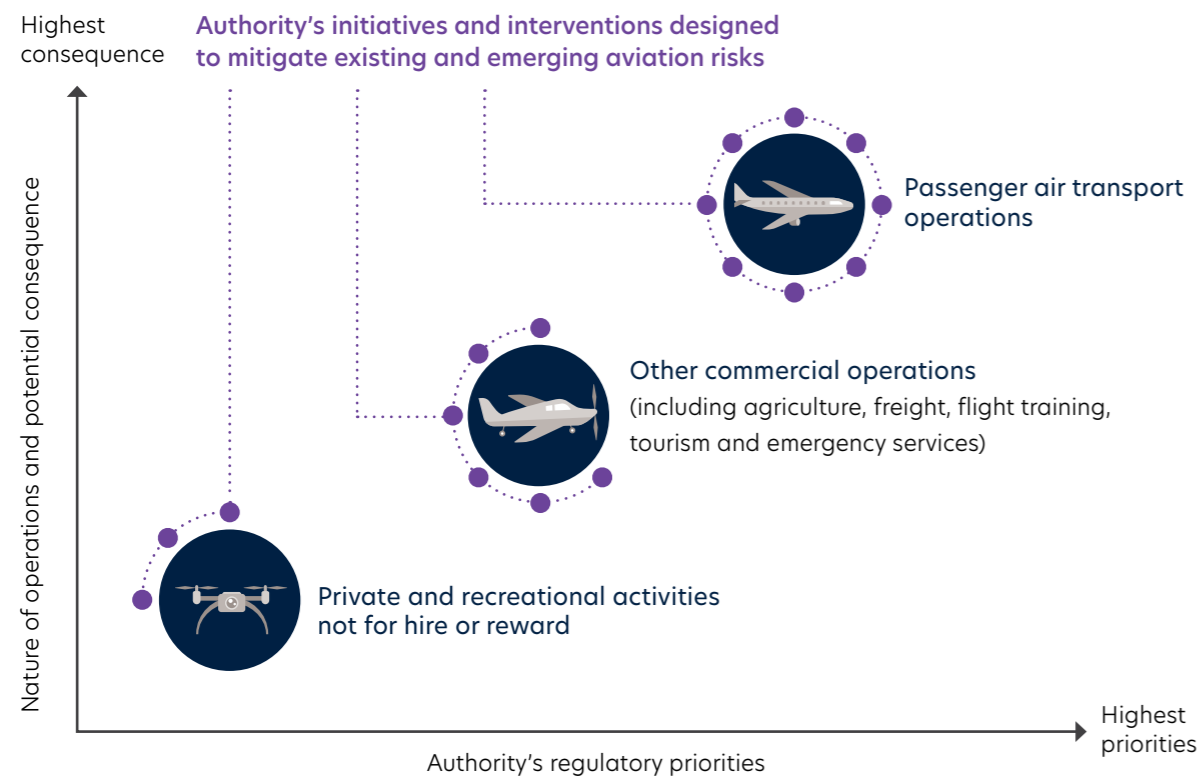
Aviation is part of a wider transport system moving people and goods over land, sea, and in the air. New Zealand is also part of the global aviation network.

A safe and secure civil aviation system is essential to support New Zealand's economic prosperity. With our geographical location, most of travel to and from New Zealand is by air. Our tourism industry, in particular, is heavily dependent on international air travel. Domestically, we rely on aviation for emergency services, agriculture, tourism, freight and air travel. And our international and domestic supply chains move large volumes of cargo by air.

Aviation in New Zealand is characterised by a high number and wide variety of operations considering the size of our country and its population. Each part of the system has unique characteristics and challenges, personnel, operators, passengers, and supporting infrastructure.

This diagram is broadly based on the three main sectors operating in our civil aviation system. It shows our regulatory priorities in relation to the nature of aviation operations and activities.

Our regulatory priorities in relation to the nature of aviation operations and activities



Regulatory priorities

1. Passenger air transport operations (commercial)

People and organisations using aircraft to provide passenger services for hire or reward. Includes helicopters as well as large, medium, and small passenger aeroplanes. Includes aviation adventure services.

2. Other commercial operations

People and organisations using aircraft to carry out non-passenger aerial operations for hire or reward, such as crop spraying, topdressing, carriage of freight, logging, flight training, emergency services, and commercial photography using remotely piloted aircraft (drones).

3. Private and recreational activities not for hire or reward

People and organisations flying for non-commercial reasons. Includes parachuting as well as flying aeroplanes, helicopters, and other types of aircraft such as gliders, microlights, hot air balloons, and remotely piloted aircraft (drones).

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 work closely with our Government transport partners to address joint challenges, working together towards our shared goals.

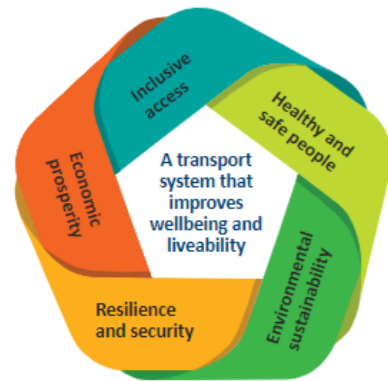
Government agencies directly involved in the transport sector are led by the Ministry of Transport and include:

- The Authority
- Maritime New Zealand
- Waka Kotahi, New Zealand Transport Agency
- The Transport Accident Investigation Commission (TAIC)
- City Rail Link.

The Government's intention is for a transport system that improves wellbeing and liveability for all New Zealanders - putting people at the heart of all we do.

This intention has been expressed in the five outcomes for the New Zealand transport sector. Achieving these outcomes will improve intergenerational wellbeing and the quality of life in New Zealand's cities, towns, and provinces. The framework is closely tied into the Living Standards Framework established by Treasury, the Government's Health and Safety at Work Strategy 2018-2028, and the expectations set by the Minister of Transport.

Transport Outcomes Framework



The role of AvSec and our other security regulatory staff in 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 make sure all the ministries had a joint approach. This was updated in 2020 to the Border Executive Board and the interdepartmental executive board to formalise Border Sector Governance Group arrangements - 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 International Civil Aviation Authority Organization (ICAO) is the lead international body for civil aviation. It's a specialised United Nations agency.

The ICAO adopts standards and recommended practices (which are known as SARPs), and signatory states have a responsibility to 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.



Sector profile

New Zealand's active aviation document holders (at 30 June 2023)

Organisations	2023	2022
Australian AOC Operating with ANZA Privileges	6	3
Part 102 Unmanned Aircraft Operator Certificate	155	141
Part 109 Regulated Air Cargo Agent	61	63
Part 115 Adventure Aviation Operator	20	20
Part 119 Part 121 Air Operations Large Aeroplanes *	4	3
Part 119 Part 125 Air Operations Medium Aeroplanes *	16	16
Part 119 Part 135 Air Operations Helicopters and Small Aeroplanes *	137	142
Part 108 Air Operator Security Programme *	51	48
Part 129 Foreign Air Operator	62	59
Part 137 Agricultural Aircraft Operator	109	108
Part 139 Aerodrome Certification	28	27
Part 140 Aviation Security Organisation	1	1
Part 141 Training Organisation	41	43
Part 145 Maintenance Organisation	50	50
Part 146 Design Organisation	11	12
Part 147 Maintenance Training Organisation	4	4
Part 148 Manufacturing Organisation	11	12
Part 149 Recreation Organisation	6	7
Part 171 Telecommunication Service Organisation	1	1
Total	774	760

* Not reported last year

Organisations	2023	2022
Part 172 Air Traffic Service Organisation	1	1
Part 173 Instrument Flight Procedure Organisation	2	2
Part 174 Meteorological Service Organisation	3	3
Part 175 Information Service Organisation	2	2
Part 19F Supply Organisation	24	25
Part 92 Dangerous Goods Packaging	40	40
Synthetic Training Device (Airlines)	8	8
Synthetic Training Device (General Aviation)	36	43
Total	890	884

Individuals	2023	2022
Part 66 Aircraft Maintenance Engineer	3,114	3,064
Part 66 Certificate of Inspection Authorisation	219	235
Part 66 Certificate of Maintenance Approval	411	320
Pilot licences	30,061 ¹	29,593
Air Traffic and Flight Service licences	1,290 ²	1,244
Total	35,095	34,456

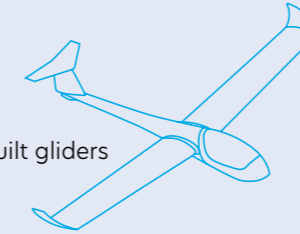
¹ This includes 3751 with active class 1 medical certificates and 4064 with active class 2 medical certificates, including ATPL Aeroplane licence holders with 1244 active class 1 medical certificates and 978 with active class 2 medical certificates.

² This includes 657 with active class 3 medical certificates.

Aircraft

3

amateur-built gliders
2022 - 3

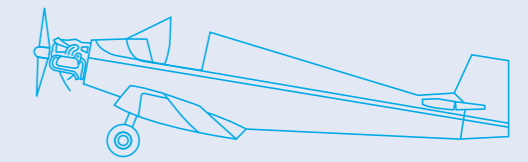


281

gliders
2022 - 289

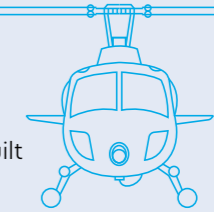
332

amateur-built aeroplanes
2022 - 323



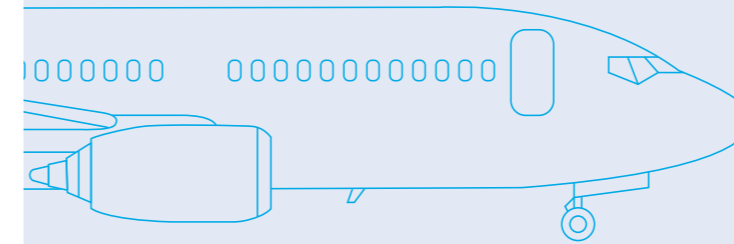
28

amateur-built helicopters
2022 - 27



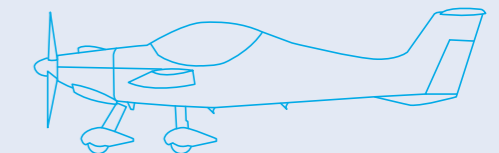
902

helicopters
2022 - 895



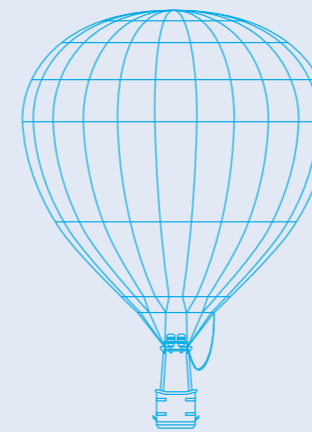
2,022

aeroplanes
2022 - 2,028



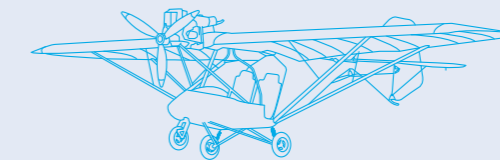
997

microlight class 2
2022 - 986



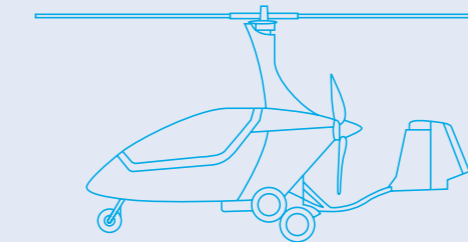
65

balloons
2022 - 61



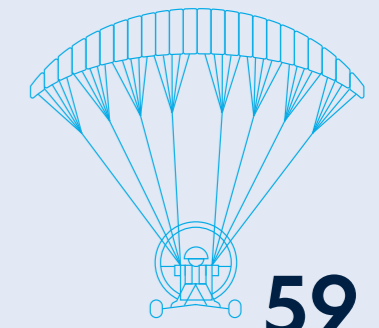
217

microlight class 1
2022 - 216



80

gyroplanes
2022 - 75



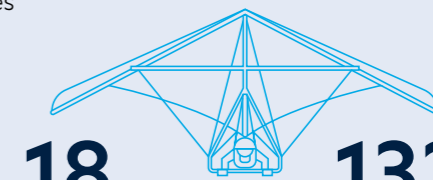
59

power gliders
2022 - 56



283

parachutes
2022 - 281



18

hang gliders
2022 - 18

132

paragliders
2022 - 119

Total

5,419

Our Strategic Framework



Our strategic framework and how we position ourselves to deliver



Our vision and purpose

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

Our overall reason for being is to make certain people are safe and feel safe when participating in, or engaging with, the aviation system.

We do not want anyone to experience the pain of loss to a preventable tragedy.

As the regulator of New Zealand's civil aviation, we do all we can to make sure such a tragedy does not happen. We work collaboratively across the system to make sure it's robust, meets international standards, and is well understood, with risks identified, and mitigated, as efficiently as possible.

Our vision and purpose are underpinned by our beliefs:

- We believe in keeping people safe and secure.
- We believe in promoting participation in the aviation system; and making a difference to New Zealand.
- We believe effective regulation will both protect and enable a safe and secure civil aviation system.

How we know we're achieving 'feeling safe'

We commission a survey every second year to assess how safe New Zealanders and international visitors feel when flying in New Zealand (called the Feel Safe, Be Safe survey.) This identifies the different types of flyers, and flights taken, and how comfortable they feel. We know we're succeeding when the survey shows New Zealanders and international visitors feel increasingly safe in our skies, as measured by the change between the previous survey and the current one.

How we know we're achieving 'being safe'

We gather and publish accident rates from across the civil aviation system, contrasted with the amount of activity in the system. This information is used by the Authority to understand the frequency of incidents and accidents, and in which area of aviation these occur, so we can focus our resources. We're succeeding when the number of accidents and fatalities remains low. We're also successful when we intervene effectively to reduce risk, while helping to create a vibrant aviation system where new technologies successfully emerge, and there are zero security incidents.

The aviation security environment can evolve very quickly. It's important our aviation security system anticipates, adapts, and responds to the ever-changing environment. We succeed when our ability to detect threats through our security activities results in no system failure, injury, or economic impact.

Performance in 2022/23

Overall, safety in the system has improved over the past 20 years, people were safe when flying in New Zealand in 2022/23. Since 2002 the number of accidents and fatalities has decreased as new aviation technology is adopted, regulatory interventions more effectively target risk, and participants implement better ways to detect and minimise risk.

Accident rates across the civil aviation system, and our work on safety and security in the system, are included in the Professional Regulatory Practice pathway of this report, on page 38.

Indicators of our success – from the Statement of Intent 2021-2026

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

'Are safe' indicators

- The frequency of accidents and fatalities remains low – refer report on Professional Regulatory Practice pathway.
- Risk interventions demonstrate effective mitigation – refer report on Professional Regulatory Practice pathway.
- New technologies enabled – refer report on Active Regulatory Stewardship pathway.
- Security incidents remain at zero – there were no security incidents in 2022/23 in the categories we monitor:
 - In-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.
 - Airside security incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.
 - Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service.

'Feel safe' indicator

- Increasing confidence reported in our biennial 'Feel Safe' survey.

Most recent 'Feel Safe' survey – in 2022

The survey was most recently conducted in September 2022. It was considered to be indicative of travellers' experience over 2021/22 and the results were published pages 28-29 and 96-97 of the 2021/22 Annual Report:

www.aviation.govt.nz/assets/publications/annual-reports/CAA-Annual-Report-2021-2022.pdf

The key findings from the survey were:

- 96% of international passengers feel satisfied with security procedures at NZ airports (increase from 94% in 2019)
- 86% of international passengers felt safe and secure (very/extremely) at NZ airports (same percentage as 2019)
- 78% of domestic passengers felt satisfied with security procedures at NZ airports (decrease from 82% in 2019)
- 72% of domestic passengers felt safe and secure (very/extremely) at NZ airports (decrease from 77% in 2019).

Possible reasons for the decreases are:

- Concern about COVID-19 precautions at the airport. Those who were happy with COVID-19 precautions felt just as safe and secure as in 2019. The small proportion of people who thought COVID-19 precautions at the airport were inadequate felt much less safe and secure, impacting the overall result.
- There was a general decline in sentiment towards government agencies at the time of the survey. The decline has affected trust and confidence type measures rather than service interaction measures, attributed to a general COVID-19 weariness.

Overall, satisfaction levels are high. This is supported by the results of stakeholder research, commissioned by the Authority and conducted in May 2022 which found that most stakeholders feel safe and believe the New Zealand aviation system is safe. Around 80% feel and believe the system is safe compared around 5% who don't.

The survey will be conducted next in 2024.

Our Pathways



Pathway

Leadership and influence

We lead and influence a safe and secure aviation system internationally, regionally, and domestically. We believe we're successful when our stakeholders are engaged, when we are well respected internationally and domestically, and when we see the regulatory system and behaviours improve because we've intervened.

Our work in this pathway includes:

- Influencing to create behaviour change
- leading New Zealand's engagement to ensure we influence and meet international requirements
- supporting the Ministry of Foreign Affairs and Trade's Pacific aviation security programme
- collaborating across government to support wider transport outcomes.

Performance in 2022/23

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 and to encourage a strong economy.

ICAO Engagement

A mix of online and in-person ICAO meetings continued in 2022/23, but with increasing in-person attendance as international travel resumed. This speaks to the enhanced opportunities for influence and engagement gained from travelling to events, which cannot be easily achieved through virtual attendance.

An Authority delegation attended the 57th Conference of Directors General of Civil Aviation (DGCA) held in South Korea in July 2022.

How we know we're demonstrating leadership and influence

In addition to people being safe and feeling safe in the aviation system:

- The Authority's domestic and international reputation grows positively
- the Authority's outreach and influencing activities are positively received.

We presented two papers at this conference - one discussing the value of volcanic ash exercises, and the other on the need for ICAO to support Pacific small island states to meet their aviation security obligations. We also co-sponsored and supported papers from like-minded states within the Asia-Pacific region and met individually with key partners.

The 41st ICAO Assembly was held at ICAO Headquarters in Montreal from 27 September to 7 October 2022. A joint delegation of Authority and Ministry of Transport officials presented four papers: the two also presented at DGCA, one on performance-based regulation for emerging technology, and another on adopting technology for the presentation of credentials at Assembly.

In May and June 2023, the Authority attended the 34th Aviation Security Panel and the 2nd Cybersecurity Panel, looking at issues from a regulatory policy and technical/operational perspective.

Coming on the back of New Zealand's ICAO security audit in October 2022, participation in the panels provided opportunities to coordinate with like-minded states and seek to influence the direction of aviation security standards towards more risk-calibrated, performance-based outcomes. Aviation cybersecurity is an emerging focus for ICAO, affecting both safety and security domains.

We attended subgroups of the Asia Pacific Air Navigation Planning and Implementation Regional Group. This included the Communications /Navigation and Surveillance, Air Traffic Management, Aerodrome Operations, and Regional Airspace Safety Monitoring Advisory Sub-Groups.

Technical Coordination

In June 2023, we attended the United States Federal Aviation Administration (FAA) and European Union Aviation Safety Agency (EASA) International Safety Conference. This was focussed heavily on emerging technology and its associated certification challenges, and highlighted issues that regulators worldwide are facing.

Engagement with Other States

We engaged with the Network of National Aviation Authorities (made up of NZ, UK, USA, Canada, and Australia) on innovation and emerging technologies, and sustainable aviation fuels.

We hosted our tri-lateral partners (Canada and Australia) in Wellington for a week to discuss matters of mutual interest including international engagement and compliance, emerging technology, and fatigue risk management.

We joined the 'Aviation Security Five' (A5: Australia, Canada, New Zealand, UK, USA) to discuss post-pandemic strategies to address emerging matters such as critical infrastructure resilience and aviation cybersecurity.

Our ongoing work with our Pacific neighbours is keeping the region safe and secure

We supported the Pacific nation States and the Pacific Aviation Safety Office (PASO), and attended the PASO Annual General Meeting. We also provided ongoing aviation security capacity and capability building across the Pacific, including technical training, support, and infrastructure.

We're an active member of a number of working groups within the Asia-Pacific region, and are Deputy Chair of the Regional Co-ordination Mechanisms Task Force, which supports cooperation, technical assistance and capability and capacity building.

Contributing internationally to New Zealand's transport security framework

The Safer Skies Initiative is a multinational project led by Transport Canada. Safer Skies ensure that civil aviation has current and accurate information when flying over conflict zones. Air New Zealand flies into or across areas which have seen political and military tensions in the past 12 months and our role is to ensure threat information is transmitted to Air New Zealand as quickly as possible.

Pathway

Active regulatory stewardship

Engagement with the ICAO Aviation Security Panel's Working Groups

The Authority engaged with the ICAO Aviation Security Panel's Working Group on Threat and Risk (WGTR). The group met twice during the year, with other intersessional meetings throughout the year.

The WGTR is responsible for establishing the global risk context for ICAO and including perspectives of its members. The WGTR contributes to other ICAO Aviation Security Panel working groups, forming the basis of future ICAO standards and recommended practice. The principal output of the group is the Global Risk Context Statement, a strategic overview of global aviation risks.

New Zealand leads the risk matrix on person-delivered improvised explosive devices. The WGTR is a valuable opportunity for the Authority to influence understanding of security risks facing civil aviation globally, while drawing lessons to strengthen New Zealand's civil aviation security regulatory system.

Further ICAO working group engagement with Air Cargo Security, Annex 17 and Guidance Material ensures that the Civil Aviation Authority can influence the development of international standards and anticipate changes that could impact our own regulatory system.

We're active stewards of the civil aviation regulatory system. This means we contribute to a whole-of-system, life-cycle view of safety and security regulation. Regulatory systems are assets requiring ongoing updates and attention, so we need to continually monitor and upgrade the system to ensure it is fit for purpose. Our work in this pathway includes:

- Engaging with ICAO to ensure international policy settings are effective for New Zealand
- drawing on our intelligence-led and risk-based operational activities
- contributing to the development of the Civil Aviation Bill, and now the implementation of the Civil Aviation Act 2023
- managing the Minister's aviation safety and security policy, and rules programme
- exploring and supporting the development and use of new technologies.

Performance in 2022/23

New Southern Sky

The New Southern Sky programme (NSS), which will formally close at the end of 2023, continues to deliver major benefits, that will be further evaluated and reported, at the point of closure.

Close to \$7m of grants for Automatic Dependent Surveillance-Broadcast (ADS-B) OUT, and IN, has been distributed across the programme by the ADS-B grant scheme team, as more participants embraced the enhanced situational awareness that ADS-B IN provides. The grant scheme formally closed on 30 June 2023 with over 3000 aircraft equipped with ADS-B OUT and 91% of the target aircraft population (those that regularly enter controlled airspace) benefiting from this safer technology.

How we know we're demonstrating active regulatory stewardship

In addition to people being safe and feeling safe in the aviation system:

- New Zealand aviation operators are able to operate internationally and domestically
- the civil aviation regulatory system demonstrates value for money for government, participants and users of the aviation system.

The NSS programme has delivered a collaborative engagement template allowing stakeholders to contribute successfully to the delivery of over 50 projects under the leadership and stewardship of the Authority. The lessons identified from this work were provided to assist the Air Navigation System Review Panel.

Before the NSS team was disestablished on 30 June 2021 it delivered a keystone report 'Collaborating to Reduce Emissions from Aviation', which provides a pathway to cooperatively reducing aviation emissions well ahead of the expected introduction of new technologies in 2026. This report was provided to the Sustainable Aviation Aotearoa (SAA) industry group that the Ministry of Transport has set up.



The NSS Governance and Working Groups have continued to meet on a six-monthly basis and have been monitoring progress on the remaining projects, the bulk of which belong to Airways.

This includes new back-up surveillance systems to ADS-B at our three major airports and the new Skyline X air traffic management (ATM) system. The new ATM system was in place in May 2023, and once declared operational, will increase system resilience and improve capability. These projects will collectively contribute safety barriers delivering system safety benefits.

The ground-based navigation aid system minimum operating network of 24 VOR/DME, as a back up to GNSS/GPS outages, is fully funded and being rolled out. The Satellite Based Navigation System capability being acquired jointly by New Zealand and Australia (Southern Positioning Augmentation Network - SouthPAN) has reached the implementation phase. This has safety, economic, social, and environmental benefits, and is expected to be in use by 2026, with the 'Safety of Life' aviation standard certified by 2028.

Monitoring NSS progress

The Authority continued to lead NSS Working and Governance Groups, the last meetings for both

being scheduled for December 2023. A 'Stakeholders' Showcase' event to highlight the contribution of programme stakeholders, over a decade of effort, is planned for March 2024 in Wellington.

www.nss.govt.nz

Rules Development Programme

The design of the aviation regulatory system is continuously evolving. New technologies emerge, international standards change, or existing rule requirements may result in unintended safety, security, and economic outcomes.

In response, new rules may need to be designed, and existing rules may be amended or retired. To ensure the design of the aviation regulatory system remains effective, the Ministry of Transport contracts the Authority to develop regulatory policy and the associated civil aviation rules.

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. The Ministry of Transport is responsible for progressing the final rule package through government processes to secure the Minister's signature. The current package of rule changes is set out below.

Rule no.	Project title	Latest milestone achievement	Progress status and comment	Next milestone/expected delivery date
Part 139	Runaway condition reporting	These rules were signed by the Associate Minister of Transport on 1 May 2023.	Developing some comms to go out to industry regarding the new rules.	The final rules come in to force on 30 November 2023.
Various	Assorted issues	This rule project has now started with initial rule drafting.	A Notice of Proposed Rulemaking has been started.	Complete drafting of the Notice of Proposed Rulemaking.

Emerging aviation technologies

We have responded to emerging aviation technologies with fresh thinking and approaches tailored to assist innovators and operators who are entering the aviation system for the first time. They may often be from radically different backgrounds, and proposing to field significantly different capabilities, to those of traditional participants.

These new sector participants range from developers of a rocket-powered uncrewed suborbital spaceplane, high altitude pseudo-satellite (HAPS) platforms, to companies wanting to unlock the commercial opportunities of uncrewed aircraft systems (UAS) technology and/or support environmental research and sustainability.

The growing complexities of emerging aviation technologies and the rapid pace of developments have presented the Authority with resourcing challenges. With the benefit of \$3.7M of funding from Ministry of Business Innovation and Employment (MBIE), the Authority established an Emerging Technologies Programme, coordinated by a small Emerging Technologies Unit, in late November 2022.

The Unit became operational in March 2023 with the capability to provide 'gateway' guidance for innovators and operators to enter the aviation system, so that they are better prepared for the regulatory challenges they will encounter. A key learning in the early months of providing this guidance has been to advise innovators that they must take a whole-of-system approach to their innovations, rather than just focus inwards on achieving their own ambitions.

The Unit has implemented new internal processes to coordinate and improve emerging technologies certification effort and resourcing, involving 12 separate units within the Authority. However, sustainable long-term funding for this capability is essential if we are to match the pace of developments in this sector in coming years. Challenging development areas include but are not limited to:

- Increasing range, endurance, size, mass and most importantly, capabilities of UAS
- detect and avoid capabilities, cooperative flight rules, and uncrewed traffic management to unlock the full potential of UAS
- alternative energy sources and propulsion methods for both UAS and 'traditional' aircraft

- increasing levels of autonomy both in crewed aircraft and UAS
- physical and cyber security aspects of novel systems that rely heavily on centralised control centres and data transfer.
- adoption and integration of Innovative Air Mobility³
- novel manufacturing and design methods.

The unit has also led the way in managing complex Authority-wide emerging technologies projects such as the Reduced and Zero Emissions Project (RZEP), currently in support of Air New Zealand's efforts to deploy a zero emissions (Net Zero) commercial demonstrator by 2026. Beyond Air New Zealand's ambitions, the RZEP will ensure the Authority is prepared to enable the decarbonisation of the aviation sector as part of the Government's Emissions Reduction Plan for Transport⁴ and Zero Carbon Act⁵.

To help understand emerging aviation technologies that may enter the New Zealand aviation system in the next decade and beyond, the Authority has created, supported by the Ministry of Transport and New Zealand Defence Force, in collaboration with industry, an Emerging Aviation Technologies Forum. The Forum met for the first time in April 2023 and has been wholeheartedly embraced by a wide spectrum of stakeholders, with the necessary skills, knowledge, and experience, to contribute to building a picture of aviation system technical developments over the next ten years plus.



The Forum is developing a roadmap from which regulatory and system impacts over the next ten years and beyond, can be considered and addressed.

The development of an aerospace strategy has been led by MBIE and was launched at the Aerospace Summit in Christchurch in September 2022. The Authority is committed to contributing to the successful development and implementation of this strategy, alongside the Ministry of Transport. In parallel, the Authority has been a partner in the Airspace Integration Trials Programme (AITP) alongside MBIE, the Ministry of Transport, and Airways, since 2019. The AITP aims to facilitate the safe testing, development, and market validation of advanced uncrewed aircraft, and accelerate their integration into New Zealand's aviation system, through use cases. Alongside these developments, the Authority is collaborating with Tāwhaki Joint Venture⁶ which is seeking to develop an Aerospace Research Centre at Kaitorete Spit, south of Christchurch.

New Civil Aviation Act passed in 2023

The Civil Aviation Act 2023 was given Royal assent during the year and will come into force on 5 April 2025. This marks a very significant milestone in the Authority's history, and the culmination of many years work from the Ministry of Transport and the Authority. The new Act modernises our enabling legislation to take account of changes in the aviation and regulatory environment since our current Act came into force in 1990. This includes rapid technological changes, a heightened and more dynamic security context, environmental concerns, and evolved thinking around the role and approach of modern regulators.

The Authority and the Ministry of Transport are working closely to plan overall implementation, which will be a considerable task with impact across the whole organisation over the two-year implementation period. Senior managers from both organisations have formed an inter-agency steering group and the Authority has established a core programme team for its own workstreams.

The Authority has focused on progressing two critical workstreams:

- Realigning all aviation rules with the new Act
- developing the regulatory policy settings for drug and alcohol management plans.

The core programme team will undertake detailed workstream analysis over the first two quarters of 2023/24 to inform planning and resourcing needs over the programme lifecycle. This is likely to require significant prioritisation of business-as-usual activity across the Authority.

Refresh of the National Aviation Security Programme

The Authority is required to maintain a National Aviation Security Programme (NASP) under ICAO's security standards (Annex 17) to safeguard civil aviation operations against acts of unlawful interference. Last year's ICAO's security audit identified opportunities for improvement. We started redevelopment of the programme this year.

The NASP redevelopment aims to modernise the programme, and improve its operation. The refresh will increase clarity to all participants, agencies and stakeholders of their roles and responsibilities within the New Zealand civil aviation security system, make it clearer how information and intelligence is required to flow, and assist with procedures for incident response.

³ SESAR Joint Undertaking | European project on innovative air mobility takes off (sesarju.eu)

⁴ Transport | Ministry for the Environment

⁵ Climate Change Response (Zero Carbon) Amendment Act 2019 No 61, Public Act Contents - New Zealand Legislation

⁶ Home - Tawhaki

Pathway

Professional regulatory practice

We act to make sure the aviation system is safe and secure. Through the implementing of regulatory requirements. Professional regulatory practice refers to the way we regulate across the whole civil aviation system - as people enter, operate or engage within, and exit the system.

Our actions and approach are firmly grounded in our values of collaboration, transparency, integrity, respect, and professionalism. Our work in this pathway includes:

- Gatekeeping entrance into the aviation system through certification and licensing, and ongoing monitoring and inspection
- investigating accidents and occurrences
- delivering security screening activities.

Performance in 2022/23

Aviation safety

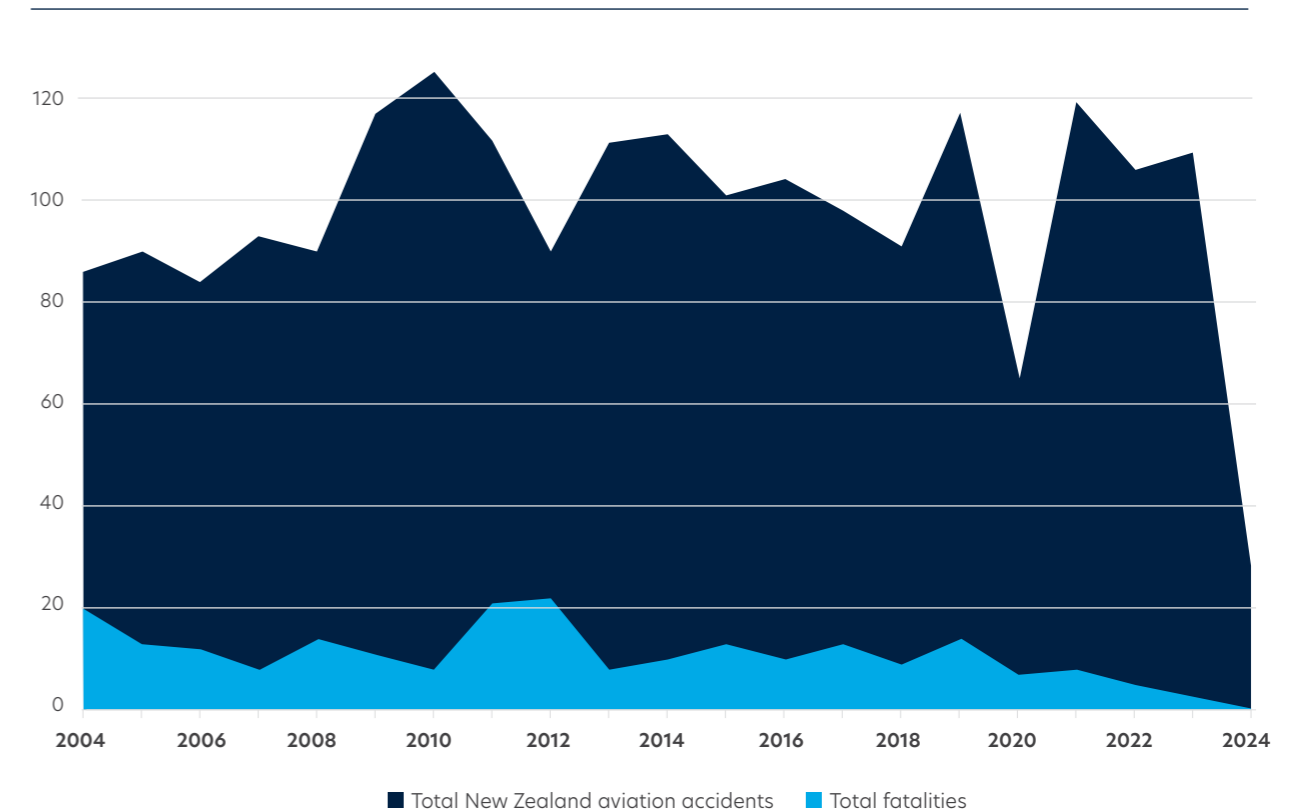
The Authority's main purpose is to make sure New Zealand's civil aviation system is safe and secure. As a result of the work we do, people should be safe and feel safe when they fly.

How we know we're demonstrating professional regulatory practice

In addition to being safe and feeling safe in the aviation system:

- We effectively deliver output classes 3-5 (certification and licensing; monitoring, inspection and investigation; and security service delivery).

Aviation accidents and fatalities annually



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

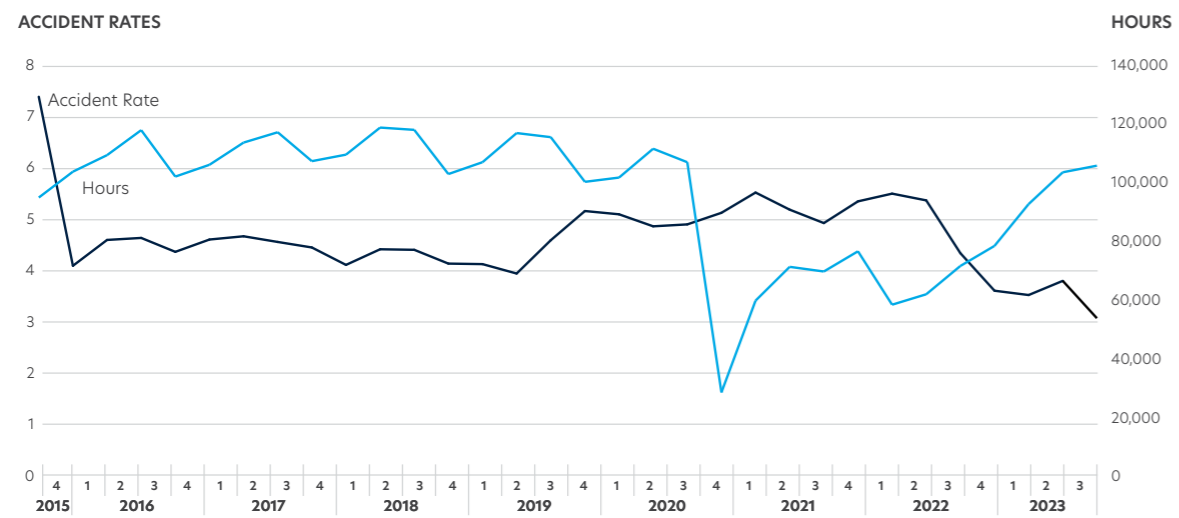
Safety by sector

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

Annual accident rates per 100,000 hours, and annual flight hours over the past 20 years

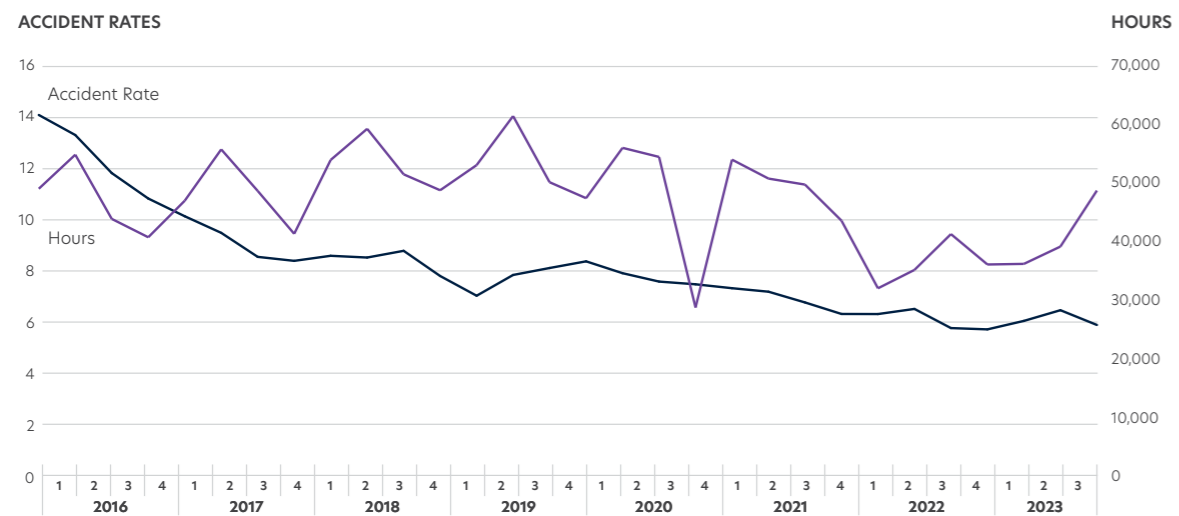
Commercial passenger transport

Large, medium, and small aeroplanes, sport aircraft, and helicopters transporting people on a commercial basis. For example, scheduled passenger flights.



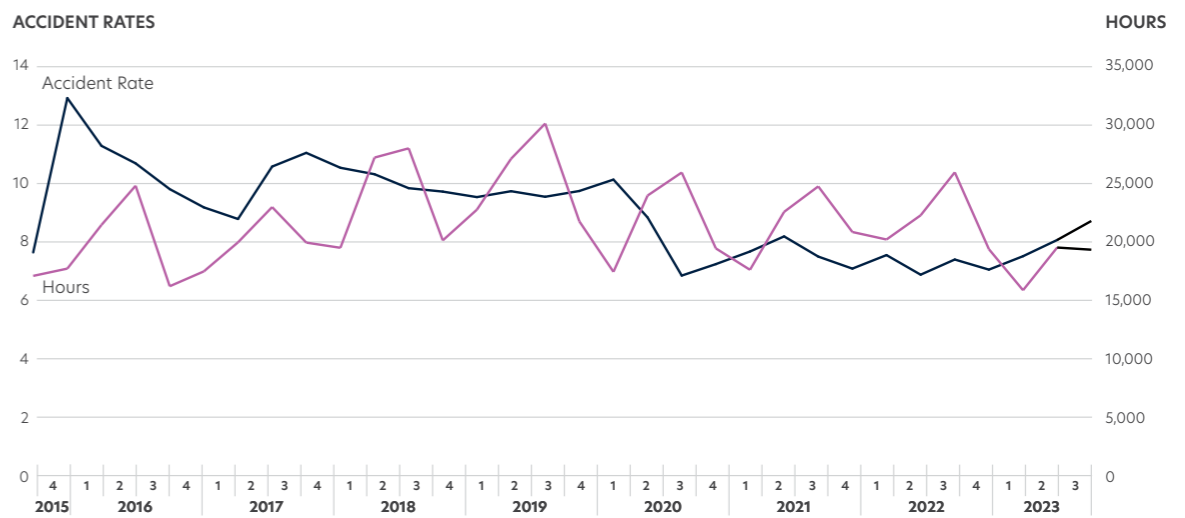
Commercial non-passenger

Aeroplanes, helicopters and sport aircraft that are used for commercial purposes, not including passenger transport, for example, training or construction.



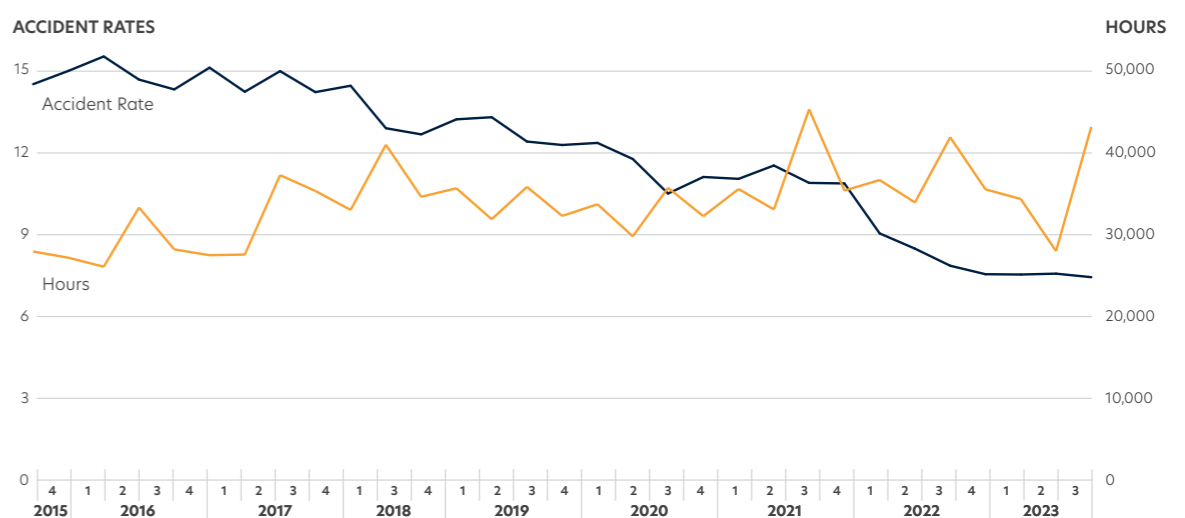
Agricultural aviation

Aeroplanes and helicopters used for agricultural purposes, for example, crop spraying⁷.



Private aviation

Privately-owned and used aeroplanes, helicopters and sport aircraft, for example, aircraft used for recreation.



⁷ The long-term trend for Agricultural aviation has been improving since the beginning of the series, however this has seen an increase over the course of 2023, as hours flown fell faster than the number of accidents over the same period. It is important to consider the timeseries as a whole, and not single quarters. System safety is something that changes gradually, and because the numbers of accidents are small, even one more or less in a year can have an undue influence on the short-term outcome.

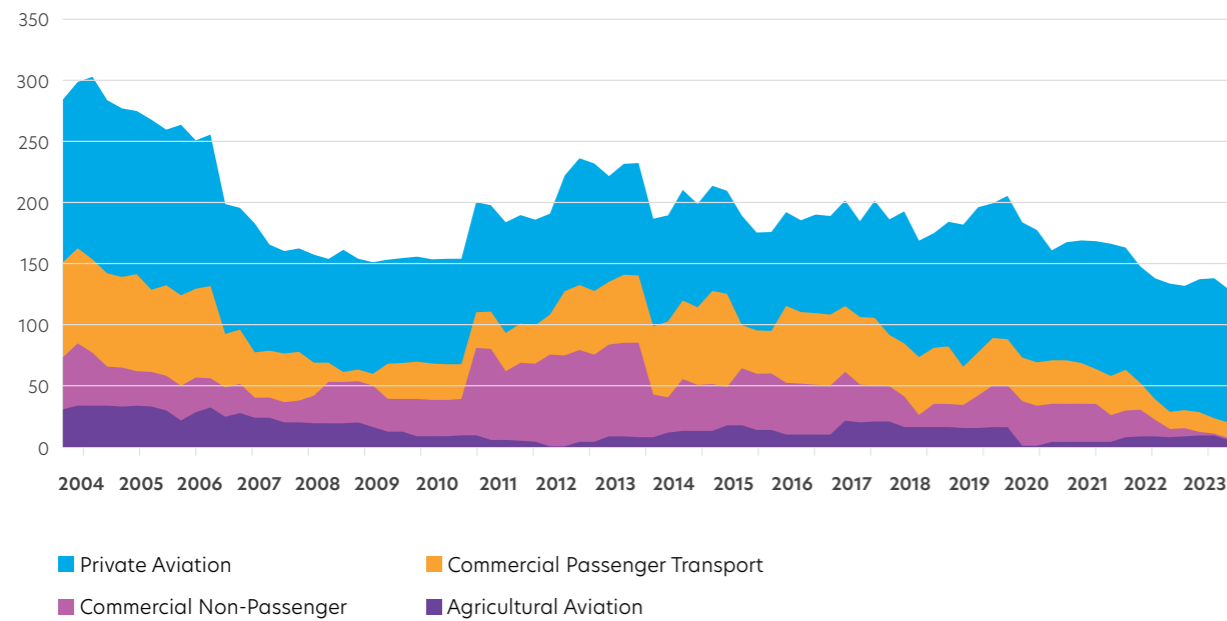
Reduced social cost of accidents

While the social cost measure is very sensitive to the nature and character of occurrences in the aviation system, the social cost of accidents 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.

Social cost by sector (\$m / 2019 dollars) - Three-yearly moving average



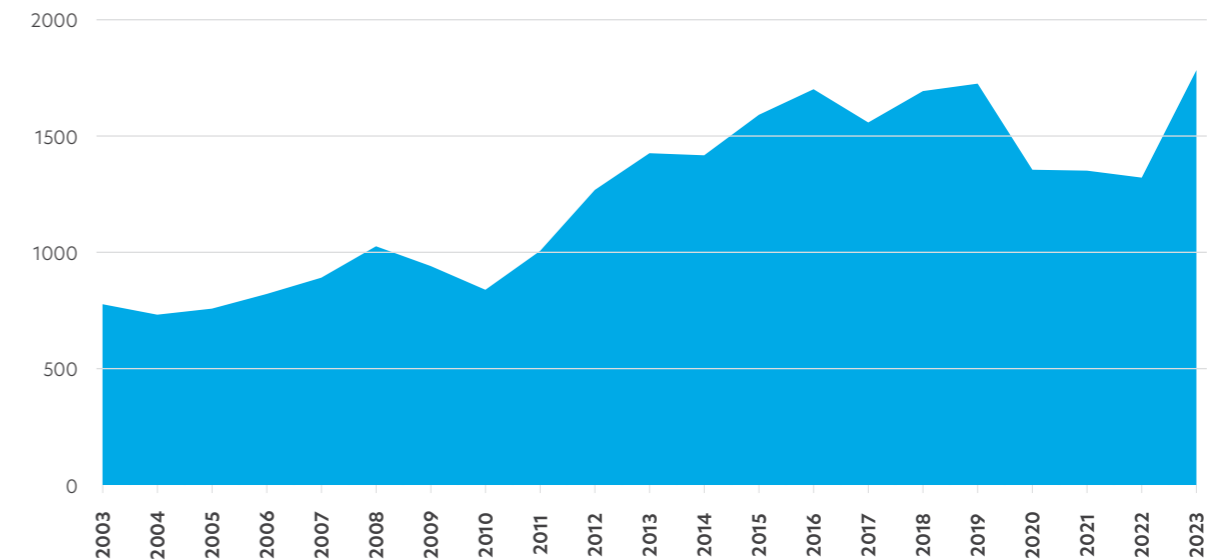
Airspace occurrences and reports

We actively monitor airspace occurrences (safety events that have been reported to the Authority) with the intent of influencing a safe airspace environment. We're aiming to reduce 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 2003 is understandable. This is because flight activity is always growing, as is 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.

The Authority actively monitors trends within the sector, through our intelligence-led analysis, and implements safety programmes and educational activity accordingly, to target any areas of shortfall or concern.

Annual airspace occurrences



Airspace occurrence data for 2022/23

		2016	2017	2018	2019	2020	2021	2022	2023	Target
Close proximity events										
'Near misses' and loss of separation incidents	Count	102	89	121	97	99	95	97	134	Fewer 'near misses'/ loss of separation incidents through time
	Per 100,000 hours	11.12	9.16	13.01	10.93	14.19	15.30	17.65	20.10	
Unauthorised airspace incursions										
Uncontrolled incursions (into controlled airspace)	Count	389	341	394	367	351	425	374	384	Fewer uncontrolled incursions (into controlled airspace) through time
	Per 100,000 hours	42.4	35.08	42.38	41.35	50.30	68.44	68.04	57.60	

Certification update

Certification activities control the entry of people and organisations into the aviation system and makes sure 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, and certifying organisations. We also control which aircraft, equipment, and flight systems can be used in New Zealand, ensuring they are airworthy.

Aircraft, product, and organisations

We completed 1103 aircraft registration, 685 airworthiness certification, 126 product certification, and 39 miscellaneous certification activities. There were 936 certification activities associated with aviation organisations (the majority for air operator certification), 559 of which were amendments to existing certifications.

Activity was lower in aircraft registration compared to last year. Other certification activity in aircraft and products was stable with increases in some areas.

Certification of organisations with safety management systems

Safety management systems are formal risk management frameworks, that embed risk mitigation action plans in aviation systems, taking into account their specific risks, needs, and circumstances. Their introduction means operators have effective systems 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 was undertaken in accordance with Part 100 - Safety Management. The programme was extended because of the COVID-19 pandemic, but was able to be completed in late 2022. Development of policy and process for the post-implementation evaluation of the Safety Management System is under way.

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

Aeronautical

46 aeronautical certification activities were completed last year, including aerodrome certificate renewals. These activities included the renewal of the main international airports - Auckland, Wellington, Christchurch, and Queenstown. In addition, we renewed Airways' air traffic service certificate, its meteorological service certificate, and its training certificate.

We also progressed the certification of the South Pacific Air Navigation System (SouthPAN) in partnership with Airways, Land and Information NZ, Air Services Australia, Civil Aviation Safety Authority of Australia and GeoScience Australia. This is an infrastructure certification to support the implementation of satellite-based augmentation of the GPS signal in New Zealand and Australia.

Monitoring aviation safety

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. Monitoring this year focused on operators' return to pre COVID-19 levels of activity and illustrates the diversity of monitoring.

Emphasis was on the large airlines operating under Part 121 (the set of rules covering large aircraft), due to high consequence nature of their operations and the demands from ramping-up

of service delivery. Observation of airlines' safety reviews provided insight into how they are dealing with system changes. Audits and spot checks were conducted on management systems, reintroduction of aircraft from storage, management of cabin safety during a period of considerable increase in crew numbers, ground operations and the control and delivery of maintenance as passenger and freight demand increased. Checks of selected overseas operations and line stations were conducted to assess the effects of increased demand. Support needs of the airlines were monitored through an audit of a key foreign maintenance provider.

Looking at other aviation sectors, programmes included spot checks of helicopter operators conducting heliski operations, and maintenance control and airworthiness of aircraft in medium and small organisations. In the latter part of 2022/23, a range of sector-focused monitoring programmes were developed to focus on activities such as instrument flight operations into non-certificated aerodromes, safety management systems for small operators, and ground operations support at domestic airports. These programmes will proceed to a spot check phase in 2023/24.

Aeronautical Services conducted monitoring oversight activities of aviation participants from aerodrome operations to Airways air traffic services. The latter covered air traffic services from technical matters and resourcing to safety culture. We were also proactively involved with the safety oversight of the upgrade to the air traffic management system as part of Airways' SkylineX project.

We responded to requests for the designation and classification of airspace including the monitoring of space debris, Rocket Lab and general rocket activities, airspace amendment petitions, civil and military air shows and displays.



We also responded to requests about airspace hazards and aerodrome activation.

In response to reported, and internally initiated concerns, desk-based assessments were conducted on activities such as drone operation and helicopter filming near high profile events, helicopter lifting equipment inspection, airspace incursions and tourism packages offered by helicopter operators involving supply of alcohol to passengers.

Participant focused monitoring consisted mostly of spot checks conducted after participants were issued a new certificate to operate or conduct maintenance. Typically, these were conducted six to nine months after certificate issue.

In preparation for the Authority's programme of ramp checks of foreign operators flying into New Zealand under a Foreign Air Operator Certificate, time was spent with the Australian Civil Aviation and Safety Authority to improve our understanding of the way they monitor these sorts of operators entering Australia. The knowledge gained is informing our approach to this monitoring activity, which will commence in 2023/24.

Developing our intelligence capability

One of the pillars of our development as a modern regulator is to be intelligence-led and risk-based, so that we can anticipate the areas that require our attention and focus on the ones that show the most risk of harm. As part of this the Authority has applied considerable attention to developing our intelligence capability over the last year.

With the Regulatory Intelligence Team now in place we are positioned to start delivering on the strategic objective of being an intelligence-led regulator. This is supported by a newly established

Information, Research and Analytics Team, providing enhanced information services to the Authority, aviation community and the broader public.

Integration of HSWA into CAA Aviation Training

In support of the Authority's objective to enhance the safety culture within the industry, reduce incidents, and promote a proactive approach towards identifying and managing potential risks we have been actively working towards the integration of HSWA principles into the aviation training syllabus.

Our focus has been on increasing overall knowledge of HSWA and expanding the capability of the front-line inspectorate to regulate this legislation. The programme pilot has been completed, the training is being integrated into the regulatory training calendar, and selected personnel are being readied to undertake the fundamental training.

Some challenges were encountered, primarily due to change in practice, resource allocation, adaptation of training methodologies, and ensuring consistent implementation across all aviation training providers due to staff availability, but overall the transition was smooth, with positive feedback from participants, who noted its practical relevance and potential to enhance safety practices. The rollout is expected to progress steadily over the next year.

The integration of HSWA into aviation training marks a significant step towards fostering a safety-first culture within the aviation sector and supports the Authority's commitment to enhancing safety standards and proactive risk management.

Fixed Wing Flight Training Safety Strategy

This safety strategy was launched in September 2020. Two fatal accidents with three fatalities during 2019 prompted a review of accident data. That work highlighted moderate but persistent risks within the flying training sector that had resulted in 16 fatalities over the 15 previous years. Collective analysis of the accident reports written over many years revealed common contributing:

- Pilot's situational awareness
- navigation on cross country flights
- understanding airfield circuit and joining procedures
- insufficient instructor/student supervision.

Targeted monitoring of selected flight training organisations was conducted to determine whether these contributing factors were accurate and to what extent the organisations were managing them. This monitoring revealed marked variation in practices, and informed the design of regulatory interventions. We developed the following initiatives:

- CAA monitoring of cross-country training procedures
- practical flying guide on visual navigation
- CAA monitoring of instructor training experience and supervision
- guidance material on instructor experience and supervision
- standard overhead join video and online safety seminar

- standard overhead Join Poster (2 posters - left and right hand circuit)
- good aviation practice video on radio calls
- guidance material on situational awareness and threat and error management
- The flight instructors guide was updated to reflect feedback received throughout the online events.

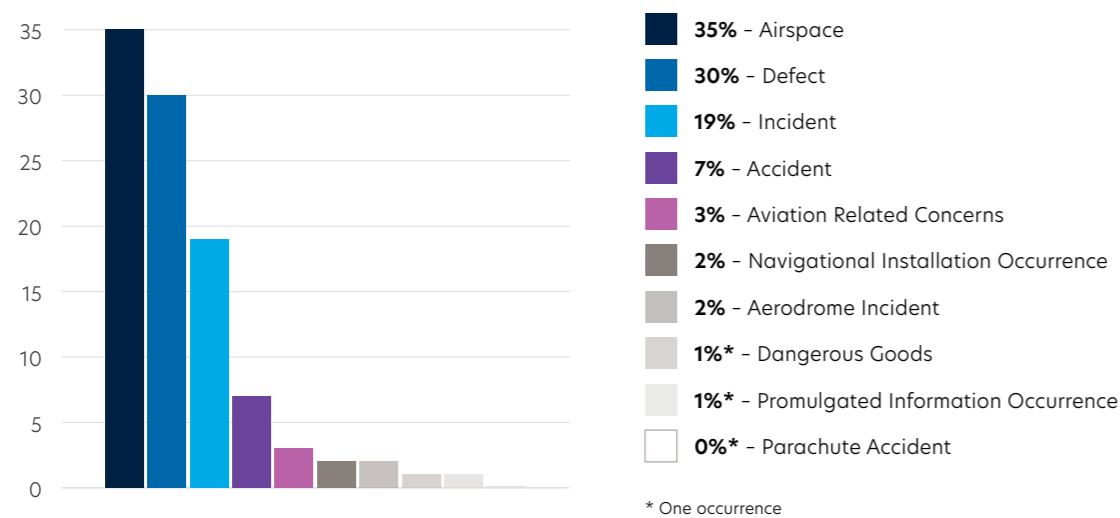


The standard overhead join video and its accompanying online safety seminar were the flagship products of this initiative. 24 sessions were held, seven during the day for commercial flight schools and 16 after hours for regional aero clubs. Over the 24 sessions there were at least 750 people who attended, and the videos remain available on the website for future viewing. Feedback was overwhelmingly positive with 98.1% of respondents saying they are either likely or very likely to attend another video launch by the CAA.

Safety investigations 2022/23

Safety investigations are one of the functions the Authority carries out to maintain and improve aviation 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.

Breakdown of Safety Investigations Opened 2022/23



Our role in transport-related weather emergency responses

The Authority played a crucial role in the response to the January and February North Island weather events by ensuring that the aviation community was well represented in the response and that aviation rescues could take place. Emergency Services use of drones was promptly approved, and supplies were moved into Hawkes Bay and Gisborne airports. As part of the aviation response, New Zealand's largest temporary airspace restriction was put in place to ensure aviation safety.

The Ministry of Transport coordinates a cross-government Transport Response Team (TRT) designed to be a forum for government transport agencies to join up for events and emergencies so there's a seamless transport interface across agencies. We participated in the TRT during the January and February North Island weather events and on other smaller events.

ICAO Security Audit

The Authority is subject to regular ICAO safety and security audits as part of New Zealand's participation in the international aviation system. ICAO conducted a security audit in 2022 which resulted in a concern being issued about non-passenger screening. In response, the Authority developed a corrective action plan, with added benefits of continuing to enhance our security regime and maintain our positive standing with ICAO. Our corrective action plan required extensive collaboration and communication with industry.

The corrective actions taken to date have seen increased levels of performance at airports and within the secure supply chain. ICAO returned to check on progress and they were impressed with the efforts New Zealand had put into addressing the concern, and the professionalism, transparency and progress that had been made. The improvements will be continued as a multi-year programme.

An effective and efficient security service

We continue to identify and mitigate security threats, while making sure that passengers and baggage 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 other 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.
- Behaviour Detection Officers based in Auckland and Christchurch - behavioural detection is a method of observing human behaviour which can include physiological, verbal and non-verbal indicators. AvSec provides support to other agencies as requested which includes providing international standard behaviour awareness training.
- Screening bulk and duty-free goods, and outbound mail and cargo.
- Screening of non-passengers (airport and airline workers) into security-enhanced and sterile areas at the six security-designated airports.
- Providing security services and training to assist other government agencies.

Ongoing evolution to improve and future-proof AvSec security services

Initiatives continued to develop staff, improve processes and systems, and implement new technologies, in line with the Horizon 2030 Strategic Plan.

Specialist capabilities needed for future improvements in aviation security were given increased focus, through further development of capability plans, trials of dedicated specialist screeners, and adjustments to frontline workforce structures, to get the best from our people.

An internal intelligence capability has been established with Analysts placed into the Integrated Targeting Operations Centre to improve border agency collaboration. The framework for assessing insider threat risks developed during 2021/22, was used for detailed assessments with stakeholders across all six tier 1 airports. Actions now are being considered, further informed by developing intelligence capabilities.

AvSec quality management systems continue to be improved, with increased resources dedicated to a risk-based approach over a more traditional compliance-based approach, in line with overall Authority policy direction. Frontline operations have continued to flex as new norms for air travel embed and passenger volume pressures continue to grow.

Continued rollout of new enhanced technologies

Rollout of the Screening Point Modernisation Programme (SPAM) to improve screening capability through advanced imaging technology and automation was completed.

Procurement for the next generation cabin baggage screening technology - Computed Tomography (CT) has been completed, and installation is in progress. As part of this project, screening lanes are also being upgraded in some sites. New CT equipment has been installed in Auckland, Christchurch and Dunedin, with rollout to other AvSec locations nationwide scheduled during 2023/24. CT will further improve passenger experience (through not having to remove as many items from carry-on baggage during screening), and enhance security outcomes (through 3D imaging, and automated threat detection).

Integrity of the nationwide network is being enhanced by increased focus on non-passenger screening, security culture and risk identification at Tier 1 airports.

Security leadership, engagement, and partnerships

Leadership and partnership opportunities have been pursued to strengthen relationships and contribute to collective security networks including the European Civil Aviation Conference Border Study Group. The Authority has continued to actively participate in the Border Executive Board, a collaborative group of New Zealand border agencies working together for a smarter, safer border.

Ongoing membership of, and engagement with international bodies such as the Airports Council International and Smart Security Management Group ensures AvSec remains at the forefront of global industry and security developments and allows for focussed benchmarking and comparisons with other jurisdictions to identify best practice. Connections with the United States' Transportation Security Administration - a key international partner

- were strengthened, with information-sharing on development of security detection technologies, and mutual recognition of AvSec's airport security and behaviour detection programmes.

With cyber and information security risks becoming more prominent, the Authority has continued to invest in dedicated protective security expertise. Voluntary compliance with the Protective Security Requirements, will result in stronger physical, personnel, and information security across the organisation. Guidelines and learnings are being actively shared with our industry partners.

Development of an information sharing agreement with airports was started to enhance security measures and ensure the safety of passengers, staff, and assets within the airport premises, and

to optimise processes, to enhance passenger facilitation, and improve workflow management. Initial engagement is well underway, and airports have been receptive. This is a positive sign we are on the right track.

Integrated Operations Centres at airports (IOCs) are an ideal mechanism for the range of organisations working on-airport to work closely together in the same space to monitor and manage activities as they unfold during a day. AvSec has for some time been part of an IOC in Wellington. Other airports are in the process of establishing IOCs - with Queenstown formed recently - and as they do AvSec will become an active participant.

Understanding and responding to queue pressure points

An Authority-wide taskforce has been established to examine queues caused by security screening. Without compromising security outcomes, the taskforce has made adjustments to resource planning to provide increased capacity at known busy times and facilitate passenger flows in queues.

Information has been added to our website so intended passengers can see in advance when screening points will be busy, and collaboration with industry partners stepped up to share information so anticipated high peaks can be better identified and mitigated.

Next steps will be to enhance measurement of queues over various times of the day to enable further targeting of resources to where they can make the biggest difference. The information gained will be shared through ongoing industry collaboration to shape future scheduling decisions.

Our Building Blocks



People

Our people are at the core of everything we do and are a critical building block in our organisational strategic framework.

We recognise the importance of providing an environment where our team members feel safe, valued, empowered, and enabled to perform their role in keeping New Zealand skies safe and secure. We have a highly skilled, professional workforce, and we're aiming to further build capability, leadership, and diversity through:

- Addressing culture change at the Authority
- leadership development
- improving health, safety, and wellbeing
- developing the skills and capability of our people
- building a diverse and inclusive workplace.

Our focus for last year, as set out in the 2022/23 Statement of Performance expectations was to:

- Partner with business groups from across the Authority to identify longer-term workforce needs, and deliver timely Human Resources services
- embed the gains from the Te Kāhano (culture development) programme to ensure the Authority's long-term future as a respectful, inclusive and safe place to work
- deliver on the actions set out in our Health, Safety and Wellbeing Strategy; our Leadership Strategy; and our Diversity and Inclusion Strategy.

Performance in 2022/23

Developing our culture

The Values Champions network, made up of employees from across the Authority, meets regularly to highlight and drive the role of values in the way we work throughout the Authority. We recently completed a review of this role to make sure our Values Champions are being set up for success, and the role and network are meeting the intended purpose.

A key measure of how our culture has developed was through our third annual Employee Engagement, Culture and Organisational Performance survey, *Your View*. We invested in promoting the value of the survey across the organisation and saw a 7% increase in participation to 67%. Our overall score increased by one percent to 66%. Most groups within the business also saw an increase to their overall score. We are pleased that we have been able to maintain this level of engagement from our people.

Last year saw the development and implementation of Goals and Growth, our new performance and development framework system. Our new framework was enabled by a new performance module in Ngātahi (our HR information system) and other resources to support leaders to have great performance conversations with their people. A new ratings scale encourages a more consistent measurement of performance across the organisation, and this has been supported with guidance for people and leaders in their understanding of the ratings.

Health, Safety, and Wellbeing

The Health, Safety and Wellbeing (HSW) team has implemented plans to strengthen each strand or focus area of our HSW Strategy 2021 to 2026, with the aim of enhancing and advancing our HSW cultural maturity as an organisation. This has included the following key initiatives and improvements:

Building trust and enhancing wellbeing

Delivery of Wellbeing Workshops for all staff commenced November 2022 for completion by December 2023, and embedding these into induction training for all new staff. The workshops are titled Promoting Wellbeing in Our Workplace – practising self-care and supporting others. The workshops have been very well received promoting interactive discussions and providing new or refreshed information and learning for participants.

Developing health, safety and wellbeing leadership capability

A leadership version of the Wellbeing Workshops has been delivered to 47% of leaders to 30 June 2023 for completion by December 2023. The workshops have an additional focus on leadership and organisational responsibilities to support staff and reduce harm.

Reducing harm and supporting recovery

The ALT members are each leading a collaborative Critical HSW Risk Group to manage our range of critical risks effectively through ongoing engagement and input from managers, subject matter experts and employee representatives.

Building a collaborative learning culture

We are extending the already strong employee participation in five Regional HSW Committees, into critical risk management and involvement in new development projects.

Deliver on the actions set out in our leadership strategy

We developed our Leadership Expectations, a key piece of our Leadership Strategy. Based on feedback from our people and our ALT, the Leadership Expectations were created to give a shared understanding of what good leadership looks like at the Authority.

We have created a new Senior Managers Group who will work with the Authority Leadership Team to support the strategic direction of the organisation. This group will come together regularly to collectively contribute to the future direction and leadership of the organisation.

We have started delivery of our new Senior Leadership Programme which will support this group, with two cohorts underway. Members of this group form part of our new Leadership and Management System and have recently undertaken training to build capability in committee leadership.

We have continued with the delivery of our Management Matters programme, which has its fifth cohort underway. This has been very well received across the organisation.

We are also continuing to run our AvSec Smartway and Stepping Up to Supervisor programmes. We completed a review of the Smartway programme which has been running since 2018 and will be looking to implement improvements in the 2023/24 year.

Deliver on the actions set out in our Diversity and Inclusion Strategy

We have continued with our core Diversity and Inclusion celebration and awareness events including Pride week, International Women's Day, Matariki, Māori Language week and a Celebration of Aviation. We have committed to supporting our working group which supports and leads diversity and inclusion initiatives. We have now established our first Employee Led Network, the Pride network which is active across the organisation.

Our Kia Toipoto plan was recently published, setting our actions towards reducing the gender and ethnic pay gap. This plan is already underway with some actions completed and a number started.

Developments in regulatory capability

The Regulatory Learning and Practice team has spent this year reviewing training needs, establishing relationships with key stakeholders, and reviewing our learning pathways for inspectors. We continue to work towards supporting the change in mindset we want to achieve with our regulators, in moving to a performance-based approach - to one where we lead and influence, act as regulatory stewards, and act professionally in our regulatory practice.

Achievements include:

- Implemented a project management approach to streamline development projects and a learning request portal that funnels work requests into a prioritisation system
- developed new roles and responsibilities guidelines for content advisors (previously subject matter experts)
- developed facilitators from the business to deliver inhouse inspector courses
- redesigned the learning pathways for inspectors with interim courses in development
- supported the implementation of the Regulatory Safety and Security Strategy.

Work of the AvSec Technical Training Unit

The rebound of aviation passenger volumes has required AvSec to grow staff numbers and capability. In response the Technical Training Unit (TTU) stepped up capacity and conducted basic training courses in alignment with recruitment pipeline requirements.

The TTU has bolstered its international training programme delivery during 2023 with the provision of a range of technical training for Pacific states starting with:

- Screening Procedures training in Vanuatu
- supervisor induction training in Kiribati
- dangerous goods training for screening personnel in the Cook Islands
- enhancing security culture through security awareness for Tonga Airports security staff and other airport workers

- the ICAO Air Cargo and Mail Security course was delivered in-situ in Samoa to 20 aviation industry partners based in Samoa
- screening procedures training and dangerous goods training for screening personnel in Nauru.

This is all part of the AvSec Pacific programme, sponsored by Ministry of Foreign Affairs and Trade.

Training is being delivered by the TTU to support screening changes as a result of the implementation of the Smiths CTiX 3D equipment at the AvSec screening points Christchurch, Auckland and Dunedin, with Wellington and Queenstown next in line for this training.

The Auckland ICAO Aviation Security Training Centre provided:

- ICAO National Inspectors Course in March 2023 at the Auckland Aviation Security Training Centre with participants attending from throughout the Asia / Pacific region
- online Security Culture Workshop was delivered in May to Avsec managers from throughout the Asia-Pacific region.

Total staff numbers

	2019	2020	2021	2022	2023
Headcount (excluding contractors)	1,409	1,572	1,530	1,590	1,828
Full-time equivalent	1,295	1,430	1,408	1,536	1,770

The Authority's headcount increased over the past 12 months for multiple reasons including:

- Filling a substantial number of vacancies which had remained vacant due to the more challenging market in the previous 12 months.
- The re-establishment of a recruitment team to support recruitment initiatives for frontline and back office positions. This function was part of our establishment prior to COVID-19.
- Planned growth within the Aviation Security Service, for which we remain below the forecast establishment.
- A number of fixed term employees working on the EMPIC programme.
- The development of a new Intelligence function to support our organisational goal of being an intelligence-led, risk-based regulator.

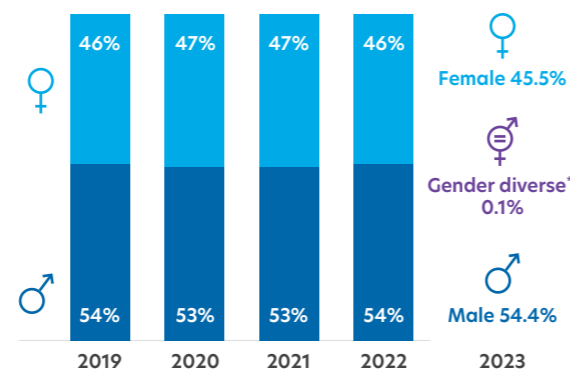
Staff turnover (unplanned)

	2019	2020	2021	2022	2023
The Authority	11.42%	10.18%	9.41%	13.7%	14.4%
Public Service	11.8%	10.1%	10.5%	17.3%	-

Management gender profile

	2019	2020	2021	2022	2023
Male	64%	63%	60%	61%	59%
Female	36%	37%	40%	39%	41%
Gender diverse					0.0%*

Gender profile

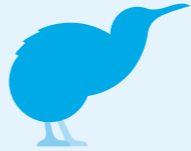


* First year gender diverse identified.

Ethnicity

	2019	2020	2021	2022	2023
Not reported	64%	53%	53%	47%	39%
NZ European	19%	23%	38%	40%	45%
Asian	5%	9%	10%	12%	16%
Pasifika	3%	4%	5%	6%	7%
Māori	3%	4%	5%	5%	7%
Other	6%	7%	1%	1%	2%

As at 30 June 2023



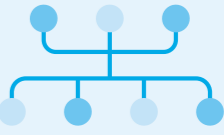
KiwiSaver enrolments

99% enrolled

44

Average age


44 years old



Employment relations

56%

Members of collective agreements




Proportion of employees who have disclosed disabilities

2.1%

44%

Individual employment agreements



Employment status

79%

Frontline

Employment status

21%

Managerial and support

Regulatory strategy

Our regulatory strategy articulates our approach to regulating aviation safety and security in order to achieve our vision.

It also sets out how we'll conduct our regulatory activity, our priorities, and how we'll stay true to our values.

Being intelligence-led and risk-based are prominent aspects of our approach to safety and security, and the regulatory strategy describes what this means in practice. Nested underneath the regulatory strategy are two operational strategies – the security delivery strategy (AvSec's Horizon 2030) and the safety delivery strategy (in development during 2022/23).

We use three fundamental principles to guide, inform, and underpin the development, delivery, and review of our regulatory approach. They're the basis for the decisions we make about work priorities, and the standards we set for ourselves and for civil aviation participants. They determine much of what we do as a regulator. They are:

1. Public safety and security are paramount.
2. A safe and secure aviation system is a shared responsibility.
3. Collective learning and continuous improvement are critical.

Our focus for last year, as set out in the 2022/23 Statement of Performance expectations, was to:

- Continue to engage internally and externally on the Regulatory Safety and Security Strategy
- develop a safety delivery strategy that will describe our five-year regulatory capability plan to evolve into an intelligence-led and risk-based regulator.

Performance in 2022/23

In February 2022 the Authority published its Regulatory Safety and Security Strategy, which describes our role and purpose, our regulatory approach, the functions we perform, and what we plan to do to succeed.

The strategy has five parts:

- Our regulatory direction and intentions
- the regulatory models we're using
- how we plan to deliver our regulatory functions
- how we will enable our people to succeed as regulators
- how we will measure success.

The strategy will help our people and stakeholders understand the nature of our role as a regulator and how we approach it. Work is underway across the Authority to roll out the strategy to our people.

Digital

Digital enables our people to deliver our safety and security regulatory outcomes.

Over the last couple of years, the Authority's system interoperability and scalability has improved as legacy systems have been replaced with modern technology (i.e. transition to new datacentres), and enhancements made to existing systems. Digital maintenance has continued to ensure our systems and platforms remain stable and available. Security enhancements and firewall updates have also been implemented to improve resilience and protect against the dynamic cyber threat environment.

However, further work is required. New digital technologies provide an opportunity to transform the way the Authority's safety and security regulatory activities are delivered. The Authority is setting a new direction and operating in new ways, shifting from developing and delivering services to integrating and managing services.

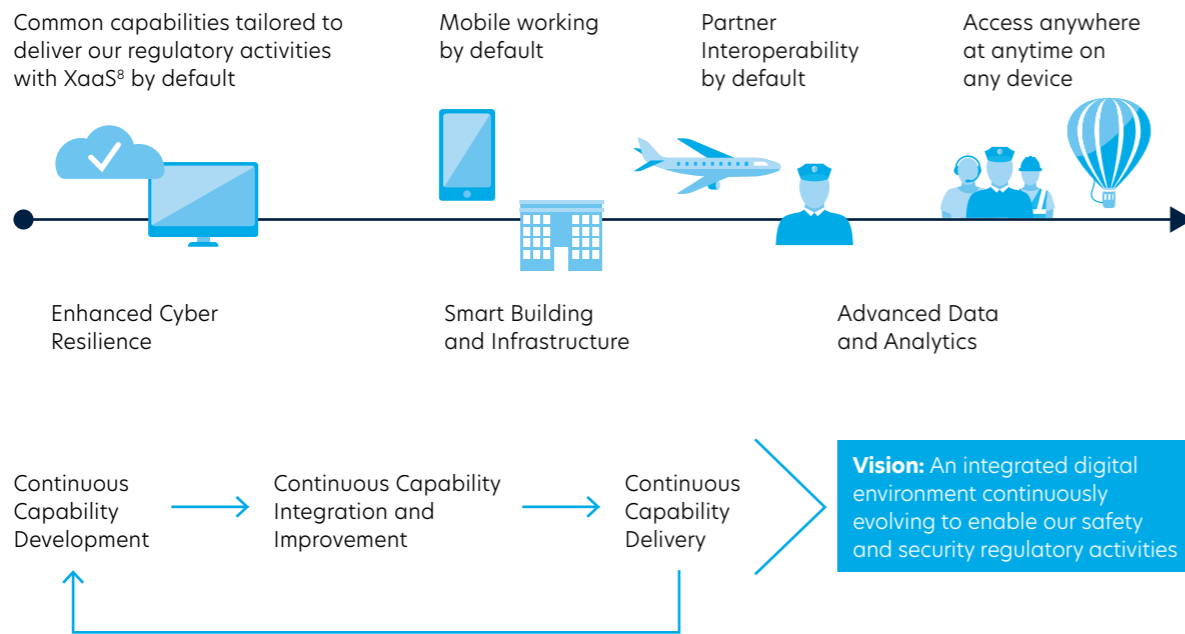
The vision is an integrated digital environment that is continuously evolving to enable our safety and security regulatory activities. This will be achieved by focusing on digital-enabled solutions to meet the needs of our people in a continuously evolving world.

Our aim is to make it easier for our people to have seamless access to the digital technologies and data they need to deliver our safety and security regulatory activities today and tomorrow. This is facilitated by continuing to partner and collaborate by default with other Government agencies to identify and support new technologies, including data sharing.

Our focus for last year, as set out in the 2022/23 Statement of Performance expectations was to:

- Update the digital platform that we use to support our regulatory work (we are implementing safety oversight management software – known as Kapua)
- deliver on our digital services, information and technology strategies
- support the Authority with the appropriate tools and information to enable the performance of our duties.

Integrated Digital Environment infographic 2023



Digital projects delivered or started in 2022/23 were:

- Progressing the implementation of Kapua to replace the Authority's core safety regulatory application
- completing the move of the Authority's primary data centre to a fit for purpose and resilient location

- enabling digital infrastructure for the delivery of the Authority's security regulatory activities at airports
- starting to deploy devices to all front-line employees to enhance the delivery of the Authority's security regulatory activities at airports.

⁸ XaaS means everything as a service or anything as a service.

Resource stewardship

Our intention is to manage our resources sustainably, ensuring the long-term viability of our business, with a low impact on our environment. Resource stewardship includes workplace, sustainability and financial stewardship.

Our focus, as set out in the 2022/23 Statement of Performance Expectations, was to:

- Initiate a review of funding options to consider ongoing funding of Authority functions
- maintain effective financial stewardship within the requirements of the relevant Acts and standards
- maintain effective property and resource stewardship through implementation of our property strategy.

Workplace and Sustainability

Our workplace is at the heart of everything the Authority does.

We use our workplaces every day of our lives. We work, learn and relax in them. We use our workplaces to deliver our safety and security regulatory activities to create safe and secure aviation system – so people are safe, and feel safe, when they fly.

The Climate Change Response Amendment Act 2019 targets zero net greenhouse gas emissions by 2050. We all have a part to play to contribute to decreasing our emissions. The Authority is looking to a future where sustainability must be considered in everything we do. Sustainability should not only be core consideration in terms of our workplaces, but as a central consideration in all activities we do to achieve our safety and security outcomes.

We are starting to change the way we operate and collaborate, internally and externally. This approach will lead to better outcomes and deliver

the best possible workplace experiences for our people and participants. Further, we are moving toward a future where sustainability is embedded in our DNA. We are doing this by:

- Partnering and co-designing our future workplace experience to shape how the Authority delivers our safety and security regulatory activities
- taking a system leadership role for workplace with border agencies and airports, with co-location and partnership by default
- leading the Authority to net carbon emissions in all our safety and security regulatory activities
- leading and owning the workplace experience with airports and border agencies, with a shared destiny for long-term sustainable outcomes.

Workplace and Sustainability projects delivered or started in 2022/23:

- Progressed the return to our head office (Asteron Centre Wellington) and additional supporting workplace to enable our people
- Queenstown workplace scoped, planned, and delivered
- started the centralisation of workplace support for the Authority
- sustainability positions recruited and initiatives commenced
- led collaboration initiatives with government border agencies on specialist vehicles supporting our electrification initiatives.

Our approach to sustainability and emissions reduction

New Zealand has committed to urgent action on greenhouse gas mitigation, and the Authority is committed to meeting government decarbonisation goals. This work supports the Paris Agreement to limit global temperature increase to 1.5°C of pre-industrial levels and the Climate Change Response (2050 net-zero targets) Amendment Act 2019.

We are collecting and reporting on this data for the first time. It is important to view this as the first step and indicative, while we navigate the process and improve the accuracy and completeness of the Authority's emissions profile.

Our work aims to create and embed a culture of sustainability at the Authority, where sustainable activities are part of our DNA and are business-as-usual. This requires culture changes - shifts in our thinking and behaviours and implementing change at all levels and areas of the Authority.

Carbon Neutral Government Programme

The Carbon Neutral Government Programme (CNGP) is a government-mandated programme set up to accelerate the reduction of emissions within the public sector.

To meet our CNGP reporting requirements by 1 December 2023, we need to publicly report on our emissions, set emissions reduction targets, and create a reduction plan to 2030 and 2050. There is plenty of opportunity, so we will be bold and ambitious in our first year of reporting.

Toitū Envirocare

Toitū Envirocare are a wholly owned subsidiary of Manaaki Whenua Landcare Research, a government-owned Crown research institute.

We joined the Toitū "carbonreduce" programme in July 2023 to ensure our emissions data and reporting is verified (audit scheduled for October 2023) to achieve Toitū carbonreduce certification in early 2024. Toitū certification meets the requirements of ISO 14064-1:2018 standards to ensure consistent and comprehensive reporting under international best practice.

The result will be a public declaration that we are taking credible steps toward a more sustainable future.

The bigger picture

Our sustainability programme is consistent with the United Nations' Sustainable Development Goals and aligns with ICAO and Carbon Offsetting and Reduction Scheme for International Aviation visions and objectives. Specifically, we have linked our programme with five of the 17 Sustainable Development Goals:

Goal 8: Decent work and economic growth

Promote inclusive and sustainable economic growth, employment, and decent work for all.

Goal 9: Industry innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Goal 12: Responsible consumption and production

Ensure sustainable consumption and production patterns.

Goal 13: Climate Action

Take urgent action to combat climate change and its impacts.

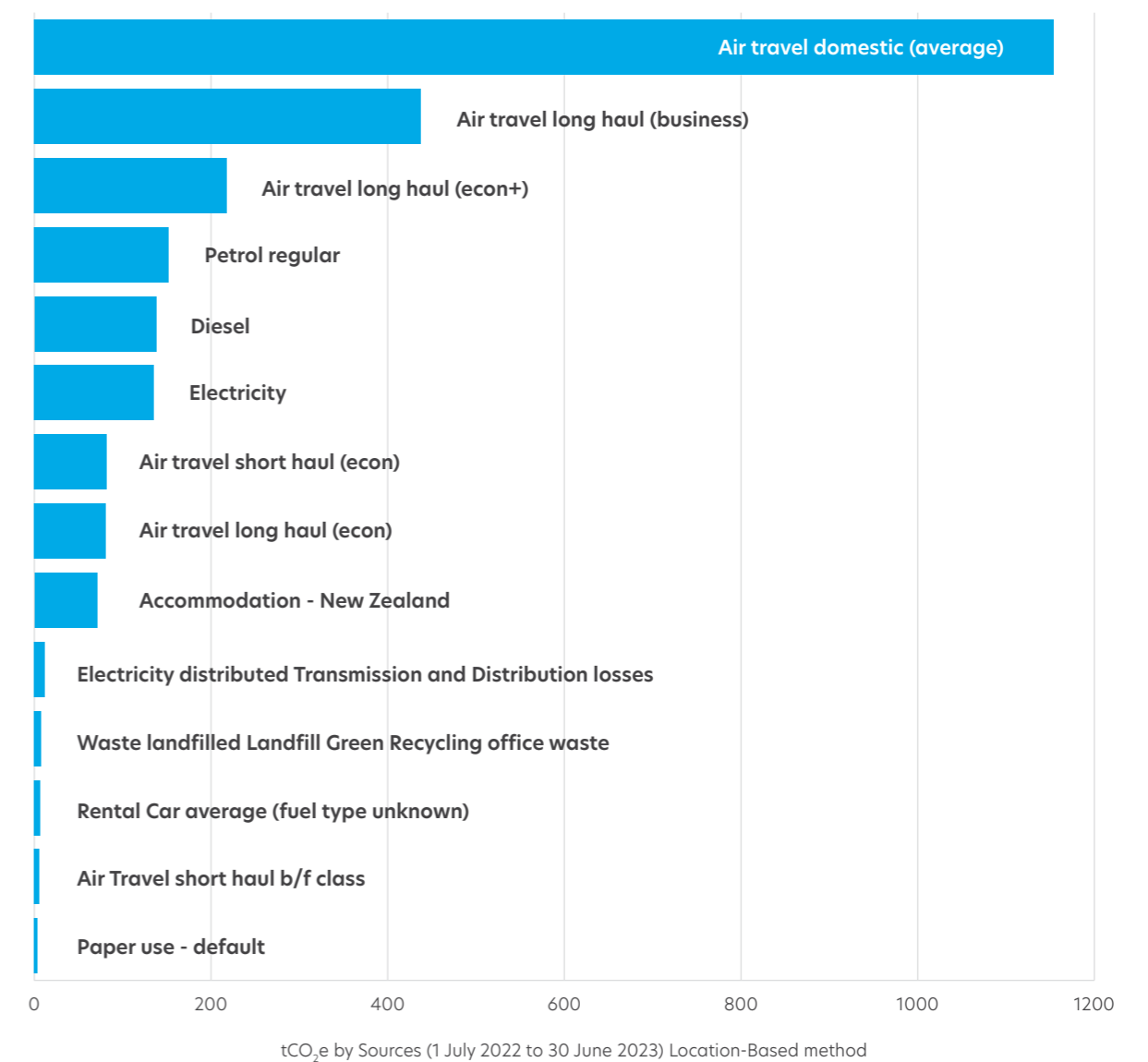
Goal 17: Partnerships for the goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

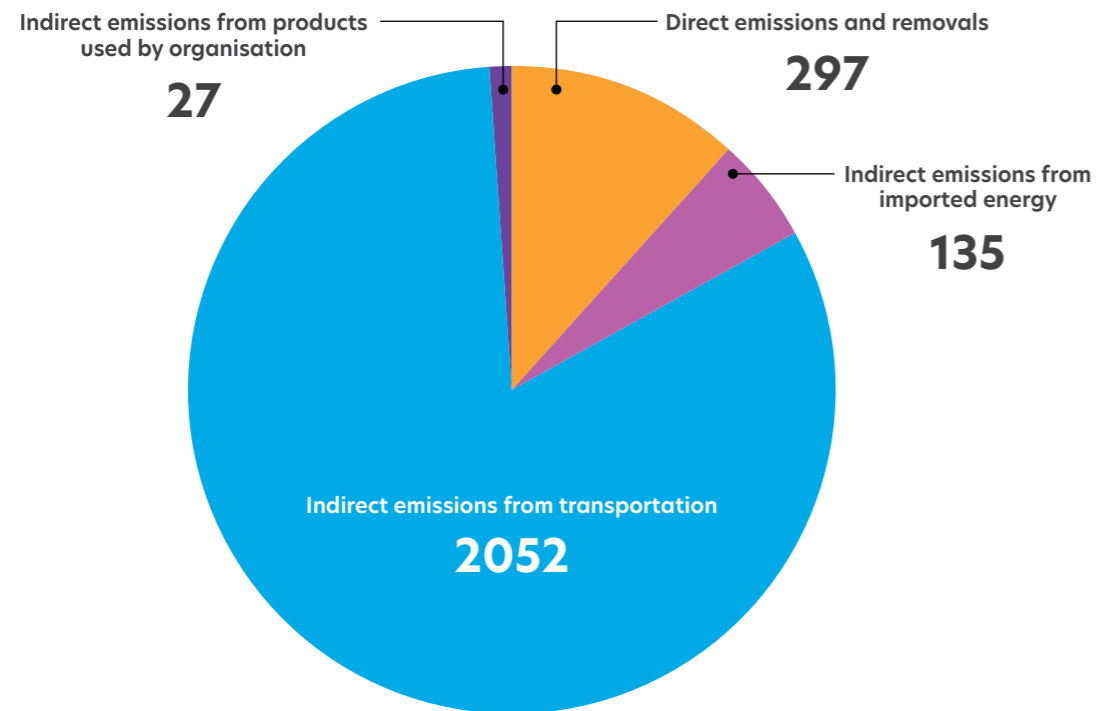
Emissions profile

These tables present preliminary and unverified data for our corporate carbon emissions profile.

Gross emissions profile by sources (preliminary and unverified)



Emissions by category (preliminary and unverified)



Emissions targets

CNGP reporting requirements involve setting science-based/aligned targets to meet the required 42% reduction by 2030. Our aim is to reduce emissions by a minimum of 6% each year.

Our Base Year is 1 July 2022 to 30 June 2023 to align with our financial year.

Our base year gross emissions are 2,511 tCO₂e

- **Our 2025 target**
To reduce our gross emissions by 12%, or 301.32 tCO₂e of Base Year
- **Our 2030 target**
To reduce our gross emissions by 42%, or 1,054.62 tCO₂e of Base Year.

Emissions reduction plan

Our emissions reduction plan sets out strategies to achieve the targets listed above.

Our emissions profile has identified air travel, petrol and diesel, and electricity consumption as the top three emission sources. We will focus our reduction plan on these three categories to achieve the biggest impact on our emissions reduction goals.

We also plan to review several policies and processes and initiate staff engagement and aviation participant collaboration to support and drive our vision.

Air travel

We have several initiatives underway to understand the reasons for our air travel and the potential use of meaningful alternatives (where appropriate).

Petrol and diesel

In mid-2023, we drafted a proposal to transition our fleet to low-emission vehicles, including a mix of hybrids, plug-in hybrid electric vehicles, and full electric vehicles over the next two to three years. A key objective is ensuring vehicles are fit for purpose, and the necessary infrastructure is considered while our core security and regulatory functions are not compromised. This work will steadily reduce petrol and diesel emissions, as we aim to reach a full zero emissions fleet.

Electricity consumption

In 2024, we plan to conduct an energy audit to better understand our energy use and emissions and identify opportunities to make reductions.

Two of our buildings (Cyril Kay Road, Auckland and Asteron Centre, Wellington) meet NABERNZ⁹ tenancy requirements (≥2,000 m₂) and need to achieve a minimum 5 Green Star rating. Currently, Cyril Kay (2,181 m₂) has reported a self-assessment rating of 1.5-2.5 stars, with a 36% reduction in energy consumption required to achieve a 5-star rating. Asteron (4,000 m₂) has reported a self-assessment rating of 3-4 stars, with a 12% reduction in energy consumption required to achieve a 5-star rating.

We have begun improvements at the Asteron Centre by upgrading the lighting system to LED lights and optimising power consumption with daylight and movement sensors, to reduce energy consumption.

Improving data quality

We anticipate improvements in data quality as we navigate this new field at the Authority. We will work closely with suppliers and add further emissions categories to improve accuracy and completeness in future reporting which will build a richer picture.

⁹ NABERNZ is an adaptation of the National Australian Built Environment Rating System (NABERS). Launched in 1999, NABERS is widely considered to be a world-leading energy rating tool for commercial buildings. It is an independent tool, backed by the New Zealand government.

Finance and Commercial

Financial stewardship ensures the responsible management of the Authority's financial resources. This involves managing our resources in an efficient, economical, and ethical manner to achieve the Authority's safety and security regulatory activities.

A strong internal control environment encourages the responsible management of financial resources. This supports the delivery of better safety and security regulatory outcomes for participants by ensuring public funds are managed transparently, accurately, and independently.

Finance and Commercial are pivoting away from only monitoring resources, to focusing on performance analysis, planning and long-term decision making. This shift sees the Authority look ahead and proactively engage with future challenges and opportunities. It shifts from delivery of outputs to delivery of outcomes.

The establishment of a procurement function within Finance and Commercial lays the foundations for better procurement practices at the Authority. The function is responsible for developing and implementing standardised procurement policies and procedures aligned with best practices and for supporting purchasing activities across the Authority. With the dedicated function in place, the Authority can confidently navigate the procurement landscape, ensuring greater transparency, efficiency and accountability of the procurement process and broader outcomes driven procurement decisions.

Finance and Commercial projects delivered or started in 2022/23:

- Supporting the Authority's funding review
- supporting the Authority's Budget 2023 bid
- establishing the Commercial and Procurement function, in line with recommendations from the Ministry of Business Innovation and Employment
- supporting the implementation of numerous remuneration changes.

Financial Management

Our financial management continues to be influenced by post-pandemic challenges.

The Authority has three primary sources of revenue:

- Aviation participant fees and charges for licensing and certification
- passenger levies for civil aviation regulatory functions and security screening
- funding from the Crown, for policy advice, rules and standards development, and the administration of the HSWA designation for the Authority. This also includes funding for maritime security work, and capital funding as required.

Additionally, we continue to receive Crown liquidity funding enabling us to maintain core statutory safety and security regulatory activities. With the ongoing recovery of the aviation sector, the Authority's reliance on this Crown liquidity appropriation is reducing.

Achieving long-term financial sustainability remains a key goal. We have started a review of the ongoing funding options of our functions. The outcome of the funding review will determine our ability to be self-sustaining and financially resilient while ensuring we maintain a safe and secure aviation system.

Performance in 2022/23

Financial Overview

The financial results of the Authority for 2022/23 year were influenced by the post-pandemic recovery of the aviation sector. The recovery was partially affected by continued international travel restrictions and domestic travel disruptions caused by climate events.

The Authority's traditional revenue sources such as levies paid by airlines (on the basis of departing passengers), as well as demand driven fees and charges (for functions such as licensing or certification), recovered in 2022/23.

International passenger numbers increased across 2022/23 recovering to 68% of pre-pandemic levels. Domestic passenger numbers recovered to 90% of pre-pandemic levels in 2022/23, despite setbacks caused by climate events.

This resulted in the Authority receiving \$24.4 million more international passenger-based levies and \$2.7 million more domestic passenger-based levies than it initially budgeted.

Despite the positive recovery trend, the Authority continued to maintain its reliance on the Crown liquidity funding. The Crown liquidity appropriation for 2022/23 was \$101.3 million, with the Crown effectively purchasing core services from the Authority, closing the gap between the service cost and what could be recovered from the industry.

Traditional revenue recovery coupled with less than budgeted spend meant that the Authority drew down \$45 million less of the Crown liquidity funding than appropriated, reducing this revenue stream to 26% of the total revenue for the year (lower than budgeted 44% and 2021/22 actuals of 67%).

While the access to the Crown liquidity funding is provided, the Authority's reserves remain exhausted. This leaves the Authority in a vulnerable position when it comes to our ability to respond to immediate safety and security regulatory risks, as well as its ability to replace its assets as they reach end of life. Restoring the Authority's balance sheet to health, including its reserves, remains a high priority for the Authority, and it continues to work closely with officials from the Ministry of Transport on options and time frames to achieve this.

Key results

CAA

CAA finished 2022/23 with an operating deficit of \$1 million, since its annual depreciation expense cannot be recovered through the Crown liquidity funding.

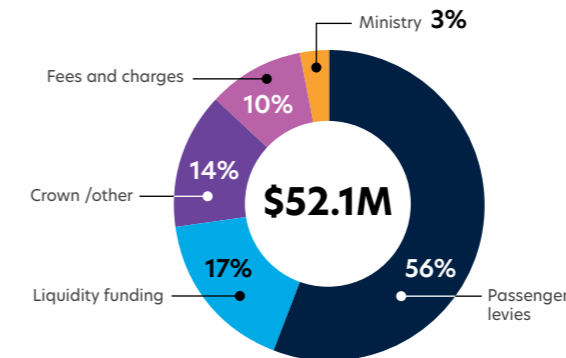
Total expenses were \$6.1 million below budget. ADS-B grant payments were \$1 million lower than in the original budget, with the scheme ended on 30 June 2023. Additionally, several large projects, including the Authority's funding review and its return to the Asteron Centre experienced delays, contributing to lower operating spend.

Total revenue was \$6.2 million below budget due to lower expenditure level and therefore lower Crown liquidity funding required to support core activities. Domestic and international levies were \$3 million favourable to budget as the aviation sector continued to recover from the pandemic.

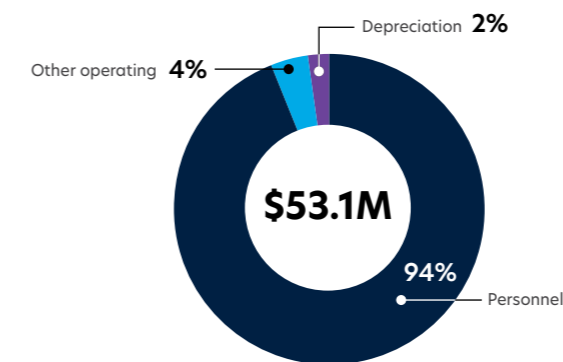
Since the Crown liquidity funding can only be used to make up the shortfall between actual expenditure incurred (excluding depreciation) and the actual revenue received from traditional funding mechanisms, this revenue stream was \$9.2 million lower than budget. Additionally, ADS-B grant income was \$1 million lower because of lower grant payments.

The CAA incurred lower-than-budgeted capital expenditure (\$5.5 million compared with \$10.2 million budgeted) primarily because of a delay in moving back to the Asteron Centre until 2023/24.

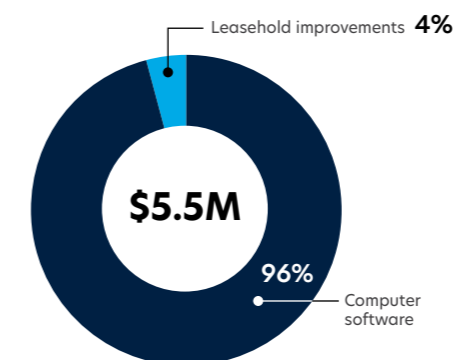
2022/23 Revenue



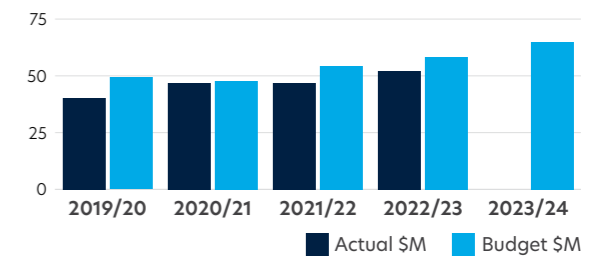
2022/23 Expenses



2022/23 Capital Expenditure



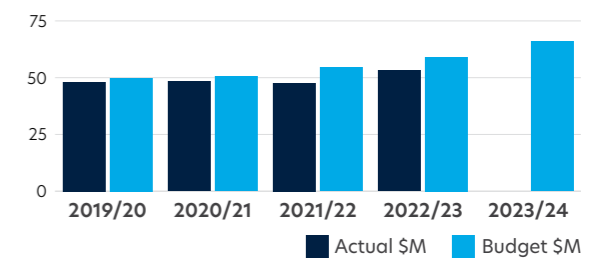
Revenue Trend



Equity



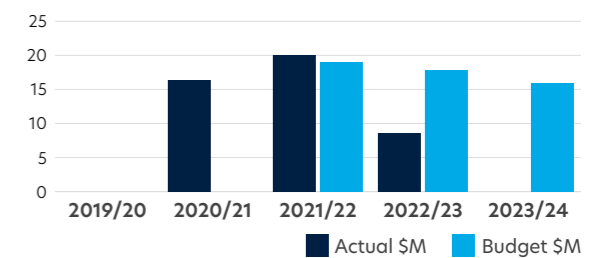
Expenses Trend



Liquidity



Crown Liquidity Support Funding



Passenger Numbers (thousands)



AvSec

AvSec finished 2022/23 with an operating deficit of \$7.3 million since its annual depreciation expense is not recovered through the Crown liquidity funding.

Total expenses were \$10 million below budget. Personnel costs were \$9.4 million below budget because of higher-than usual levels of vacancies underpinned by a tight domestic labour market. As with CAA, this was partially offset by higher travel costs resulting from a post-pandemic increase in travel activity coupled with higher airfares and accommodation costs. Finally, depreciation was \$0.9 million below budget due to retiming of capital projects, including installation of the new regulatory security

screening equipment deferred due to a lag in manufacturing completion.

Total revenue was \$11.6 million below budget due to lower expenditure level and therefore lower Crown liquidity funding required to support core activities. Domestic and international passenger-based levies were \$24.1 million favourable to budget. This, combined with lower than budgeted expenditure, resulted in the Crown liquidity funding being \$35.8 million lower than initial budget.

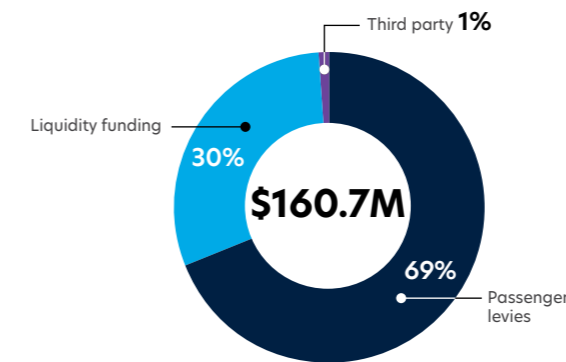
Capital expenditure was \$22.5 million below budget of \$34.5 million, largely due to the deferral of planned expenditure on new regulatory security screening equipment. Initial delays to this project were caused mainly by supply chains disruption for specialist equipment during the pandemic.

Capital and Asset Management

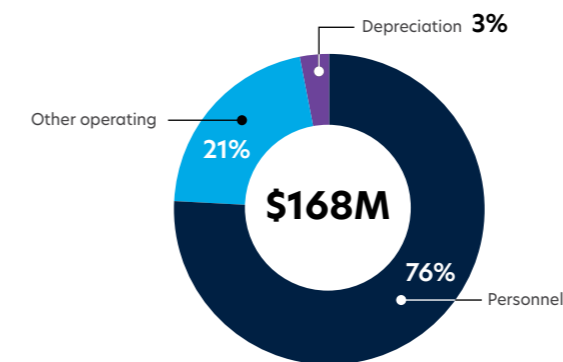
The table below shows comparative actual capital expenditure against budget.

	Actual (\$000)	Budget (\$000)	% of Budget spent
Regulatory function			
Computer hardware	43	1,166	4%
Computer software	5,250	5,865	90%
Leasehold improvements	222	3,171	7%
Plant & Equipment	-	19	-
Total	5,515	10,221	54%
Security service			
Computer hardware	11	349	3%
Computer software	51	110	46%
Plant & equipment	11,799	33,439	35%
Furniture & fittings	75	67	112%
Motor vehicles	77	-	-
Leasehold improvements	27	541	5%
Total	12,040	34,506	35%

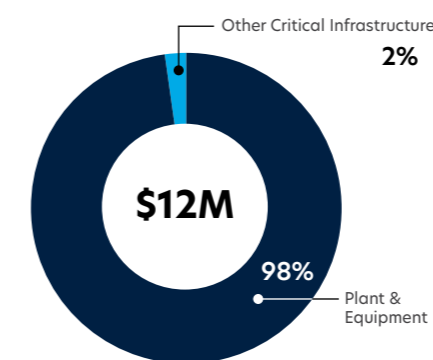
2022/23 Revenue



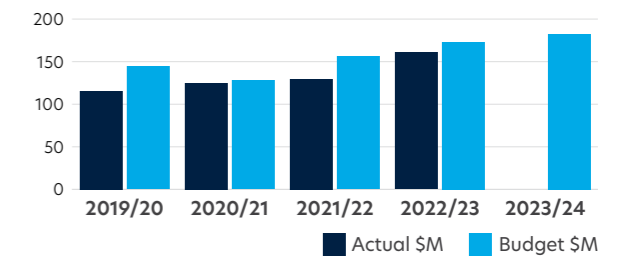
2022/23 Expenses



2022/23 Capital Expenditure



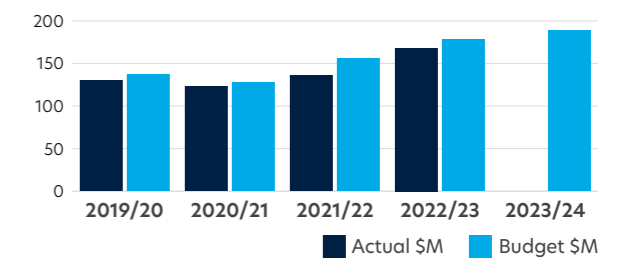
Revenue Trend



Equity

General Funds	Total Equity
\$8.9M Budget: \$39.5M	\$8.9M Budget: \$39.5M

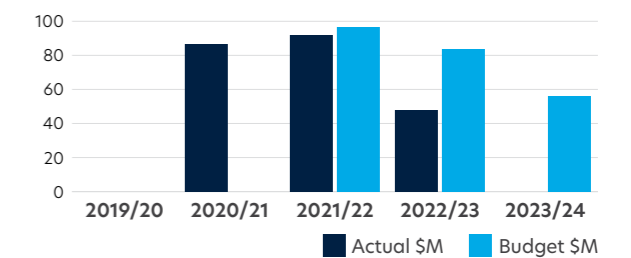
Expenses Trend



Liquidity

Working Capital	Bank & Investments
\$(8.1M) Budget: \$(5.3M)	\$9.1M Budget: \$5.7M

Crown Liquidity Support Funding



Passenger Numbers (thousands)

Domestic	International	Transit
6,869 Budget: 6,571	4,687 Budget: 3,280	297 Budget: 14

Communications and engagement

To be effective in achieving a safe and secure aviation environment, our working relationships need to be founded on mutual respect, integrity, and effective communication.

There must be a mutual understanding of our role, responsibilities, and accountabilities. Our behaviours and the way we work with our stakeholders are the foundation of a safer and more secure civil aviation system.

Our objective is that our people and participants know why we need a safe and secure aviation system, how they can make a difference, and how to access what they need. We want to be a trusted and influential advisor, demonstrating leadership and communicating clearly.

To achieve this, we'll deliver and improve our outreach, education, and engagement activities. We'll deliver on our stakeholder relationship plan, building our partnerships and relationships across the sector.

Our focus for last year, as set out in the 2022/23 Statement of Performance expectations was to:

- Continue to deliver and enhance our outreach, education, and engagement activities
- establish the foundations of the new stakeholder framework.

Performance in 2022/23

We produced and distributed a record number of over 65,000 publications:

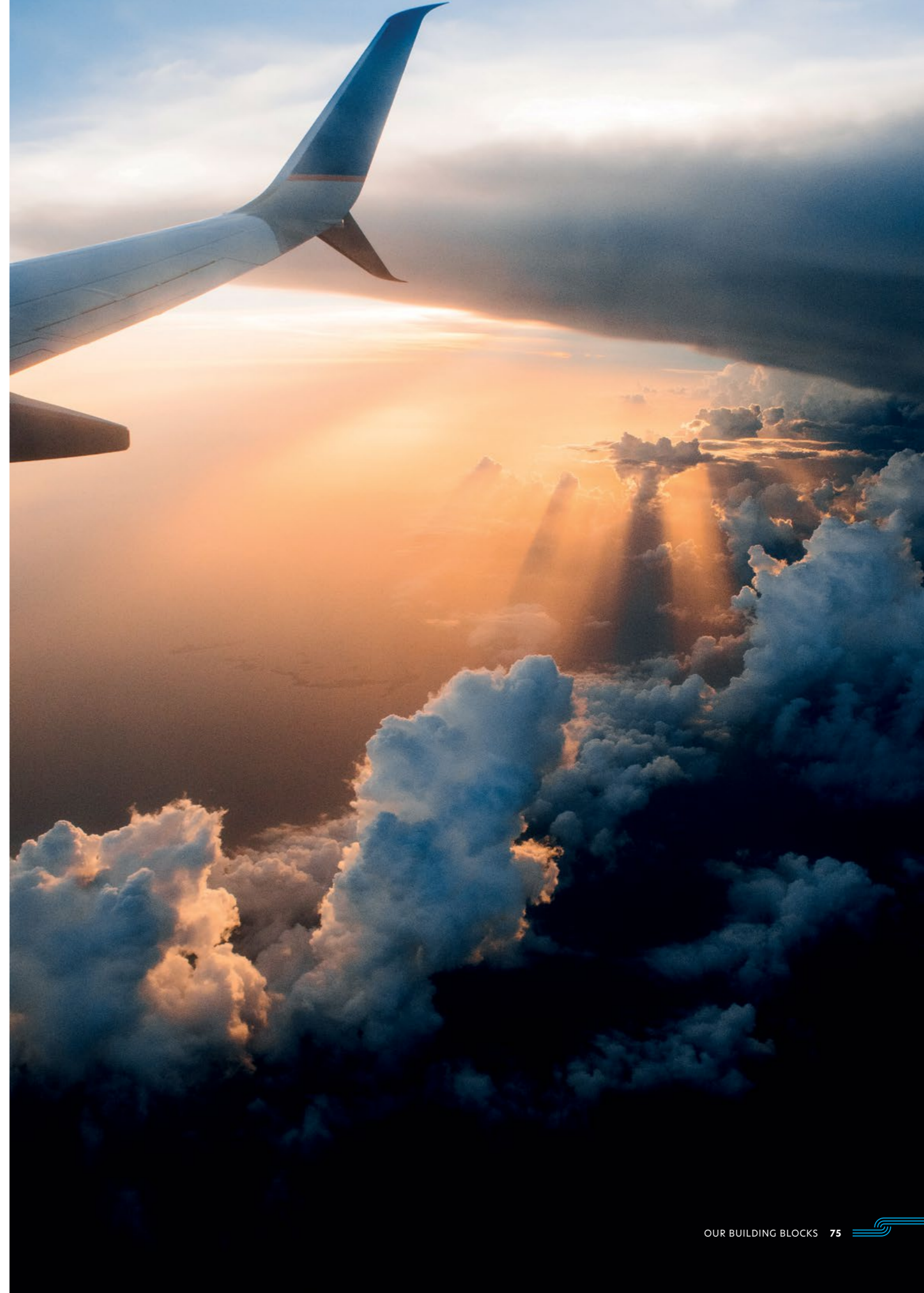
Highlights:

- 65,190 publications across 60 different titles (34 Good Aviation Practice (GAP) titles, 18 posters, 8 products)
- Good Aviation Practice (GAP) booklets: printed 37,266 (The top GAP was 'How to be a pilot' with 6,240 distributed)
- safety education posters: 7,888 printed (the top poster was I'M SAFE (Am I fit to work?) with 1,201 distributed)
- celebrated 50 years of continuously publishing the CAA safety magazine (Vector) with a special edition
- Vector online stories continued, accompanied by our audio series
- we added an easy to access digital archive of past editions
- our Social media channels continue to gain/hold followers:
 - LinkedIn CAA followers increased 1,404 to 7,494
 - LinkedIn AvSec followers increased 412 to 1,093
 - CAA Facebook page now has 4,000 followers
 - AvSec Facebook page now has 1,800 followers.

The annual Kantar Public 'Public Sector Reputation Index' results saw CAA and AvSec in the top 20 (of 56 Agencies) AvSec ranked 9th and CAA ranked 18th. Both equalled or bettered the last survey result in the category of 'social responsibility'¹⁰.

¹⁰ Kantar Public 'Public Sector Reputation Index 2023'

- Behaves in a responsible way towards the environment.
- Is a positive influence on society.
- Has a positive impact on people's mental and physical well-being.



Strategic and business planning, reporting, quality and assurance

Organisational effectiveness relies on a combination of knowing where we are going, why we are going there, and how we will know when we get there.

This touches on every aspect of the organisation, from the intent of our stakeholder engagement, to the delivery of rules, screening activity, resource deployment and financial sustainability. Having the tools to identify our vision and achieve our plan of action will ensure we focus on the right things, make the right decisions, and use our resources to best effect.

Strategic and business planning

Strategic and business planning are about having a coherent strategy articulating how the organisation will achieve its vision and purpose, while using tools testing that vision and purpose as the environment changes. The strategy will be operationalised through enterprise business planning. This helps us to prioritise our activities and ensure we deliver on our strategy.

Performance reporting

We consult, brief, and report to the Minister of Transport regularly, covering:

- Progress against the Statement of Intent and Statement of Performance Expectations'
- risks and issues that may affect performance and organisational capability (including relationship management)
- financial management
- other matters as agreed with the Minister
- The Authority reports annually to the Minister of Transport and all other stakeholders against the Statement of Intent and the Statement of Performance Expectations, through the Annual Report.

Assurance

Our assurance management is based on an integrated quality assurance and risk framework. Assurance plans are developed on four considerations: compliance and audit (retrospective), quality and operations management (contemporary issues assurance), strategic and corporate risk (forward view), and emerging issues (dynamic issues).

Risks

Our risk management is aligned with on the AS/NZS ISO31000:2009 risk management standard.

We regularly assess strategic and corporate risks, using the categories of stakeholder, reputation, financial, people, wellbeing, and health and safety. Risks are managed to ensure that residual risk is as low as reasonably practicable and reported quarterly to the Minister of Transport.

Performance in 2022/23

Our focus for last year, as set out in the 2022/23 Statement of Performance Expectations was to:

- Continue to develop and refine our tools to support business planning, quality systems, risk management and business assurance across the Authority.

The teams responsible for delivering strategy, planning, reporting, and risk activities have delivered against the Statement of Performance Expectations, on time and to standard.

This has included:

- The Authority's legislatively required strategy, planning, and reporting documents (Statement of Intent - SOI, Statement of Performance Expectations - SPE, and Annual Report)
- internal business planning decision-making processes
- organisational performance monitoring and reporting (eg, quarterly reports to the Board and to the Minister)

- establishing an Enterprise Portfolio Management Office whose purpose is to ensure the Authority is investing in and delivering strategically aligned projects
- evolving the Authority's approach to enterprise risk, including refreshing the Authority's Enterprise Risks, reviewing operational risk registers, and providing relevant advice
- developing a refreshed assurance framework
- refreshing the CAA's internal audit programme, and delivering against this programme, including ongoing reporting of internal audit actions and compliance
- maintaining quality systems and assurance activities including controlled documents review and reporting, plan-check-do-act (PDCA) reviews, supporting process reviews, and providing relevant advice on quality attributes and processes
- facilitating responses to TAIC and coroner reports.

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.

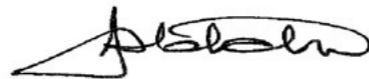
In the opinion of the Authority, the financial statements and statements of performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2023.

Signed on behalf of the Board:



Janice Fredric Chair of the Civil Aviation Authority of New Zealand

31 October 2023



Jill Hatchwell Chair of the Audit, Finance and Risk Committee

31 October 2023

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2023

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

We have audited:

- the financial statements of the Authority on pages 122 to 149, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, 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 performance information which reports against the Authority's statement of performance expectations and appropriations for the year ended 30 June 2023 on pages 30 to 51, and 84 to 113.

Opinion

Unmodified opinion on the financial statements

In our opinion, the financial statements of the Authority:

- present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 Public Benefit Entity Reporting Standards.

Qualified opinion on the performance information

In our opinion, except for the possible effects of the matter described in the Basis for our opinion section of our report, the Authority's performance information for the year ended 30 June 2023:

- presents fairly, in all material respects, 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;
- presents fairly, in all material respects, for the appropriations:
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

Our work was limited in relation to the performance measure on issued certificates and licences meeting the Authority's quality and timeliness standards

The Authority has included a performance measure that "All certificates and licences that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards".

As disclosed in footnote 14 on page 105 the Authority measures the quality aspect of this performance measure from the results of quality assessments completed over a sample of certificates and licensing applications issued during the year. The Authority is still developing the methodology for conducting these quality assessments, and we noted issues with the design and implementation of the assessments. Due to these issues, we were unable to obtain sufficient appropriate evidence to conclude whether the reported performance was materially correct.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported result for the performance measure described above.

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.

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

The Board is responsible on behalf of the Authority for preparing financial statements and performance information 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 performance information that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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

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 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 performance information which reports against the Authority's statement of performance expectations and appropriations.
- 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 performance information 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 performance information, including the disclosures, and whether the financial statements and the 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 29, 52 to 83, 114 to 121, and 150 to 156 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information, 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 (including International Independence Standards) (New Zealand) (PES 1) 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.



Kelly Rushton
Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Disclosure of judgements

Reporting Entity

How the Authority is set up as an entity is described on page 88.

The performance measures which the Authority uses for reporting are detailed in our Pathways on pages 28 to 51, in our Building Blocks on pages 52 to 77 and in our Output Classes on pages 98 to 113.

Statement of compliance

Our Statements of Performance section has been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period, and it complies with PBE financial reporting standards.

As the Authority has received financial contribution through the Vote measures, it is mandatory to report on these as per legal requirements stated within the Public Finance Act.

We have made judgements on the application of reporting standards and estimates and assumptions concerning the future, discussed below. The estimates and assumptions may differ from the subsequent results.

Critical reporting judgments, estimates and assumptions

Performance measures have been selected for our key activities. In selecting measures, we have made judgements to determine which aspects of performance are relevant and material to readers.

These measures are consistent with what is used for management and internal decision making.

For the reporting year 2022/23 there were no constraints collecting the performance information.

Given the size, diversity and complexity of our functions and services, we have grouped our material judgments under the following subsets:

- Policy and Regulatory Strategy
- Outreach and Education
- Certification, Licensing, Monitoring, and Inspection activity
- Security Service Delivery.

The Authority acknowledges that our measures need to be continually reviewed and improved on to fairly reflect the performance activity we undertake. A review of our current measures will be undertaken and reflected in the 2024/25 SPE.

Policy and Regulatory Strategy

At the Authority we need to measure the quality of our policy and regulatory strategy within the international context as well as domestically for the MoT and the Minister.

The Authority is a signatory state to the Chicago Convention as part of our International Civil Aviation Organisation (ICAO) obligations. Our level of compliance to ICAO Standards and Recommended Practices (SARPs) is determined through either alignment to the SARPs or a filing of a difference with ICAO outlining why, within the NZ context, there is no need for the state to adopt a particular SARP.

Our quality of policy advice provided through to MoT, and then the Minister, is measured with a bi-annual survey to the Minister, where four questions are asked as to the quality of our policy advice and the answers provided to Ministerial Servicing, Correspondence, Briefings and Parliamentary Questions.

Both aspects then help inform what our rules and standards programme should be, and how we work with MoT to deliver on development of rules and standards so that they are fit for purpose for the evolving aviation sector. Key measures are outlined in Output Class 1 on page 98.

Outreach and Education

The Authority strives to communicate effectively as one organisation with our stakeholders, to understand and influence safety and security of the aviation system.

This is achieved through stakeholder communications, education courses, safety campaigns and published safety reports. Success of our outreach and education activity is measured by the number that occur throughout the year. These are demand driven, and therefore the target number stated is an arbitrary number based on an estimation of what could occur in any given year.

The key outreach measures can be found in Output Class 2 on page 101.

Certification, Licensing, Monitoring, and Inspection activity

Our core aviation safety activity centres around ensuring that personnel, organisations, aircraft, and service providers all meet the requirements to enter the aviation system. A robust process occurs to check the quality of applicants before issuing a certificate or license, and once in the system, renewals are actioned in a timely manner to enable a participant to remain current.

These key certification and licensing measures are contained in Output Class 3 on page 104.

Once participants are operating within the system, it is important that the Authority monitors and inspects participants to ensure they are operating in adherence to the aviation rules and standards. As it is not possible to monitor all participants in any given year, an intelligence-led and risk-based process is applied to select the areas of focus.

A count of the number of oversight activities and investigations is reported on each year. Given investigations are dependent on activity within the sector, a target number should not be set, and this will be revisited for the 2024/25

performance year. However, for the 2022/23 year this information has been provided to give context based on historical trends.

When there is an incident or occurrence, the Authority needs to investigate these, to ensure there is no activity occurring which could make our skies unsafe. Investigations need to be completed in a timely manner to ensure that any changes required in the system can be implemented before another incident occurs. We measure the number completed within 180 days with a target of 100% completed within 12 months. These two time periods have been selected due to the complexity of investigations, that multiple parties can be involved, and the importance that a quality investigation is undertaken. An independent audit is undertaken each year, with 5% of regulatory investigations being sampled to confirm compliance against the Regulatory Strategy and Regulatory Enforcement Policy.

The key monitoring, inspection and investigation measures can be found in Output Class 4 on pages 107 and 108.

Security Service Delivery

People who fly need to feel safe. This requires trust in the aviation security system. The measures outlined in Output Class 5 on pages 111 and 112 help to give the flying public confidence that nothing has got onto an aircraft that shouldn't.

AvSec attend international forums and keep across developments within the screening technology area to ensure we provide a security screening service which keeps passengers safe and secure.

The measures in Output Class 5 will be revisited ahead of the 2024/25 performance year.

An introduction to the Statements of Performance

The Statements of Performance report against the performance measures contained in the Statement of Performance Expectations 2022/23. Service performance information in this section is presented in accordance with PBE FRS-48.

Contextual information about the Authority - who we are and what we do

WHO WE ARE

We are the government's primary civil 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.

Cost Allocation Policy

A number of cost-based measures in our Statements of Performance section demonstrate the cost-effectiveness of our activities. Cost allocations include 2 components:

- 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.

Performance measure footnotes or additional information

The Authority includes footnotes or additional information for some performance measures.

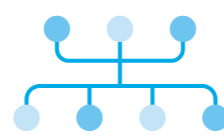
These further explain how the performance measure is calculated or give reasons where there is a significant variance to target.

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



Certification and licensing



Security service delivery



Outreach



Surveillance and investigation

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.

We deliver through our three pathways, set out fully as part of our strategic framework on pages 24 and 25.

Leadership and influence - Through regulatory leadership we influence a safe and secure civil aviation system for New Zealand. Success here is when our stakeholders are engaged, and when we see behaviours improve as a result of what we do.

Types of activity are:

- Providing advice, guidance, and information to the public and aviation participants
- leading New Zealand's international engagement to meet ICAO requirements
- supporting our Pacific neighbours with their aviation security programmes
- participating in Border Executive Board
- contributing to all of government security responses
- contributing to environmental work across government.

This pathway maps onto output classes 1 and 2.

Active regulatory stewardship - We monitor and care for the civil aviation regulatory system through our policy and operational responsibilities. Success here is when our regulation is fit for purpose and our reputation is strong.

Types of activity are:

- Continually improving the effectiveness of our policies and practices through our intelligence-led and risk-based approach
- ensuring ICAO policy settings are effective for New Zealand
- contributing to the development and now implementation of the new Civil Aviation Act 2023

- managing the Minister of Transport's aviation safety and security policy and rules programme, in partnership with the Ministry of Transport
- exploring and supporting the safe development and use of new technologies.

This pathway maps onto output classes 1, 3, and 4.

Professional regulatory practice - We act to identify risk and reduce it through intelligence-led intervention. Success here is evident in the reduction of risk to safety and security within the system.

Types of activity are:

- Controlling entrance into the aviation system through certification and licensing
- constantly monitoring and inspecting to ensure continuously safe operations within the aviation system
- investigating of accidents and incidents to learn how we can reduce risk within the system
- delivering security screening activities at security designated airports
- conducting perimeter patrols and access control checks at security-designated airports
- operating the airport identity card system
- supporting other government agencies with security services as requested, including a maritime security response.

This pathway maps onto output classes 2, 3, 4, and 5.

Output Class 1 - Policy and Regulatory Strategy

Output Class 2 - Outreach

Output Class 3 - Certification and Licensing

Output Class 4 - Monitoring, inspection and investigation

Output Class 5 - Security Service Delivery

Existing and new performance measures are considered each year by operational managers, and retention or changes are recommended to the Authority Leadership team who make decisions about their inclusion in the draft Statement of Performance Expectations (SPE). The draft SPE is sent to the Ministry of Transport (the Authority's monitoring Ministry under the Crown Entities Act 2004), and the Minister of Transport (the Authority's responsible Minister) for consultation, and the final decision is made by the Authority's Board.

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 2022/23 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.

Civil Aviation and Maritime Security Services

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 monitoring of rules and regulations and the management of risk for all aviation activities and preparedness to provide a maritime security response role to a high-level threat situation affecting cruise ships or their passengers.

These 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)
- Capacity to respond to requests from Maritime NZ for security assistance (Output Class 5).

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).

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).

Civil Aviation Authority Capital Injection

The Authority received a capital injection to upgrade aviation security infrastructure, the Authority's regulatory technology platform (EMPIC), and other critical infrastructure required for the Authority to undertake its regulatory and aviation security role.

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 by 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 in the section on page 96, headed *Performance measures under the Estimates of Appropriations 2022/23 - (Vote Transport, not included in the Authority's Statement of Expectations)*.

Financial Information about activities undertaken by the Civil Aviation Authority within output classes

To comply with our obligations under the Public Finance Act 1989, activities undertaken by the Civil Aviation Authority that are funded through Vote Transport are indicated within each relevant output class in the Statement of Performance. Relevant financial information is also provided in the tables following each output class performance summary.

A summary of appropriations funded through Vote Transport and from Vote Transport information supporting the Estimates 2022/23 is provided in the tables below.

Vote Transport non-departmental output expenses

Non-departmental output expense	What is intended to be achieved with this appropriation	Actual 2022/23 \$000	Supplementary estimates 2022/23 \$000	Appropriation estimates 2022/23 \$000	Actual 2021/22 \$000
Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme (M72)	This appropriation is intended to enable the administration of the Automatic Dependent Surveillance-Broadcast transponders rebate scheme	179	272	179	149
Health and Safety at Work Activities - Civil Aviation (M72)	This appropriation is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system	1,201	1,201	1,201	1,201
Protection of Transport Sector Agency Core Functions (M72)	This appropriation is intended to achieve the protectport Sector Agency Core Functions whose third party revenue base has been significantly impacted as a result of COVID-19	56,335	101,348	126,183	111,898
Civil Aviation and Maritime Security Services (M72)	This appropriation funds provision of technical information and advice in relation to international matters affecting New Zealand aviation, standby screening and searching services at ports, the investigation, determining compliance, and enforcement of safety in the aviation sector, and the provision of advice and services by the Civil Aviation Authority to support Ministers to discharge their portfolio responsibilities relating to transport.	3,422	3,422	2,624	2,624

Vote Transport non-departmental other expenses

Non-departmental other expenses	What is intended to be achieved with this appropriation	Actual 2022/23 \$000	Supplementary estimates 2022/23 \$000	Appropriation estimates 2022/23 \$000	Actual 2021/22 \$000
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme (M72)	This appropriation is intended to provide rebates to aircraft operators who are required to fit Automatic Dependent Surveillance-Broadcast transponders.	2,896	7,778	2,624	1,395

Vote Transport non-departmental capital expenditure

Non-departmental capital expenditure	What is intended to be achieved with this appropriation	Actual 2022/23 \$000	Supplementary estimates 2022/23 \$000	Appropriation estimates 2022/23 \$000	Actual 2021/22 \$000
Civil Aviation Authority - Capital Injection (M72)	This appropriation is intended to upgrade aviation security infrastructure, the Authority's regulatory technology platform (EMPIC), and other critical infrastructure required for the Authority to undertake its regulatory and aviation security role.	18,863	49,408	53,561	3,739

Additional multi-year appropriation information

Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme Multi-year appropriation			\$000s
Appropriation commences	1 August 2019	Original appropriation	11,750
Appropriation expires	30 June 2023	Cumulative adjustments	0
Total adjusted appropriation			11,750
This appropriation is limited to rebates for the Automatic Dependent Surveillance-Broadcast (ADS-B) transponders rebate scheme to aircraft operators required to fit such equipment.		Cumulative actual expenditure 1 July 2022	3,972
		Current year actual expenditure	2,896
		Cumulative actual expenditure 20 June 2023	6,868
		Appropriation remaining 30 June 2023	4,882

Civil Aviation Authority - Capital Injection Multi-year appropriation			\$000s
Appropriation commences	1 July 2021	Original appropriation	113,219
Appropriation expires	30 June 2026	Cumulative adjustments	0
Total adjusted appropriation			113,219
This appropriation is limited to providing capital injections to the Civil Aviation Authority for Aviation Security Service security screening equipment, replacing regulatory technology platform, and other critical regulatory and aviation security infrastructure.		Cumulative actual expenditure 1 July 2022	3,740
		Current year actual expenditure	18,863
		Cumulative actual expenditure 20 June 2023	22,603
		Appropriation remaining 30 June 2023	90,616

Protection of Transport Sector Agency Core Functions			\$000s
Appropriation commences	1 April 2020	Original appropriation	196,400
Appropriation expires	30 June 2024	Cumulative adjustments	204,942
Total adjusted appropriation			401,342
This appropriation is limited to purchase of core services from the Civil Aviation Authority (including Avsec) and Maritime New Zealand that are no longer able to be cost-recovered from third parties as a result of COVID-19.		Cumulative actual expenditure 1 July 2022	227,941
		Current year actual expenditure	56,335
		Cumulative actual expenditure 30 June 2023	284,276
		Appropriation remaining 30 June 2023	117,066

Performance measures under the Estimates of Appropriations 2022/23

(Vote Transport, not included in the Authority's Statement of Expectations)

Non-Departmental Output Expenses

Protection of Transport Sector Agency Core Functions

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
Maintain appropriate capability for core functions - appropriate resourcing to meet service level requirements	Achieved	Achieved	Achieved	
Mitigate costs to the Crown - implement the plan for mitigating costs and any variations as agreed with the Ministry of Transport	Achieved	Achieved	Achieved	

Civil Aviation and Maritime Services

Survey on confidence in safety and security in air transport

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Decrease from 2019	Maintained	Survey not run in 2022/23	The survey was most recently conducted in September 2022. It was considered to be indicative of travellers' experience over 2021/22 and the results were published pages 28 - 29 and 96 - 97 of the 2021/22 Annual Report.
Percentage of resident travellers that felt extremely or very safe and secure	72%	75% or greater	Survey not run in 2022/23	The survey will be conducted next in 2024.
Percentage of overseas travellers that felt extremely or very safe and secure	86%	92% or greater	Survey not run in 2022/23	The survey will be conducted next in 2024.

Non-Departmental Capital Expenditure - Capital Injection

AvSec Security Screening Equipment, EMPIC and other Critical Infrastructure

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual
Percentage of planned works delivered to timeframe and standard	New measure	100%	100%

Output Class 1:

Policy and Regulatory Strategy

This output class strongly contributes to our strategic pathways of leadership and influence (in how we engage, influence, and provide information to stakeholders), and active regulatory stewardship (in how we contribute to a whole-of-system, life-cycle view of safety and security regulation).

Why this is important

Continuous improvement is foundational to the safety and security of the civil aviation regulatory system. We must take an active, not passive, role in regulatory stewardship; leading and influencing so that participants, government, and other stakeholders can make informed decisions.

What we want to achieve

We aim to provide excellent administration of regulation for the civil aviation system in New Zealand, supporting 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 to deliver on this output class

- We coordinate strategic engagement in the international aviation system
- we administer New Zealand's civil aviation obligations and interests within the delegation of the Minister of Transport
- we deliver Ministerial services – eg, providing answers to parliamentary questions, briefings, and responses to letters to the Minister from the public
- we develop options and solutions for specific issues within the aviation regulatory system
- we proactively identify emerging issues for aviation
- we deliver major policy and regulatory projects
- we develop and maintain linkages internally, across government, internationally, and within industry.

Our performance under this output class

Performance under this output class is set out under our strategic pathways of leadership and influence (in how we engage, influence, and provide information to stakeholders), and active regulatory stewardship (in how we contribute to a whole-of-system, life-cycle view of safety and security regulation), on pages 28 to 51 of this report. Performance measures have been developed for key aspects of the output class. Performance against these measures is set out immediately below.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1.1 International relations and International Civil Aviation Organisation obligations * We will ensure New Zealand's obligations as a signatory state to the Chicago Convention are met, where appropriate for New Zealand ¹¹ : <ul style="list-style-type: none"> • Maintained alignment with existing Standards and Recommended Practices (SARPs) • Alignment with new SARPs • Filing of Differences within required timeframes 	Maintained	Maintained	Maintained
1.2.1 Ministerial servicing – civil aviation * Our reports, correspondence and parliamentary questions will be acceptable to the Minister (assessed through a biannual survey) ¹² .	Met expectation	Met or exceed expectations	Met expectation
1.3.1 Policy advice – civil aviation * The policy advice we provide to Ministers, government departments and agencies meets the Authority's internal guidelines for quality policy advice ¹³ .	100%	100%	100%
1.4.1 System level design and intervention * We assess all emerging issues that impact the aviation regulatory system according to our issue assessment procedures.	100%	100%	100%
1.5.1 Rules and standards development * The rules and standards programme is delivered as agreed with the Minister of Transport.	100%	100%	100%
1.6.1 Pacific support Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade (MFAT).	100%	100%	100%

¹¹ This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority 2022/23 Statement of Performance Expectations. We consider this measure met if we align with new SARPs or, where there are differences between practice in New Zealand and that established by international standard, that these have been reported to the ICAO.

¹² This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority 2022/23 Statement of Performance Expectations. A four question Survey is sent to the Minister to assess the quality of Ministerial Servicing.

¹³ This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority 2022/23 Statement of Performance Expectations.

Output Class 2:

Outreach

Cost to deliver output class 1: Policy and Regulatory Strategy	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Crown funding (Vote Transport: Policy advice, Ministerial Servicing, International Relations and International Civil Aviation Organization Obligations)	1,779	1,779	-	1,779
Crown - Covid liquidity	645	893	(248)	1,692
Ministry of Transport and Ministry of Foreign Affairs and Trade contract revenue (Rules Development and Pacific Security Fund)	1,554	1,603	(49)	1,305
Levies	2,170	2,632	(462)	2,267
Revenue	6,148	6,907	(759)	7,043
Expense	(6,271)	(7,014)	743	(7,043)
Net surplus/(deficit)	(123)	(107)	(16)	-

Covid liquidity funding is below budget due to a greater than anticipated number of passengers arriving during the year which has reduced the liquidity funding requirement and increased the revenue from various passenger related levies.

This output class contributes to our strategic functions of leadership and influence (in how we engage, influence and provide information to the sector), and professional regulatory practice (in how we act to ensure safety and security knowledge is disseminated and understood).

Why this is important

Engagement with participants, organisations, and other aviation sector stakeholders is critical for the Authority. We need to understand what is happening in the environment that we regulate. Conversely, those who are regulated need to hear safety messages, updates on the regulatory environment, and to be aware of their responsibilities to keep the civil aviation system safe.

What we want to achieve

Increased understanding and awareness of the roles, responsibilities and risks of operating in the civil aviation system, by regulated parties (including non-traditional participants - for example, drone operators), stakeholders and the New Zealand public, so that behaviour changes and the civil aviation system becomes safer over time.

What we do to deliver on this output class

- Stakeholder communications (various channels - face-to-face visits, publications, online, etc.)
- aviation industry / regulatory partner facilitation, engagement and collaboration
- research and analysis
- risk-based safety and security campaign development and delivery.

Our performance under this output class

Performance under this output class is set out under our strategic pathways of leadership and influence (in how we engage, influence, and provide information to stakeholders), and professional regulatory practice (in how we act to ensure safety and security knowledge is disseminated and understood), on pages 28 to 51 of this report. Performance measures have been developed for key aspects of the output class. Performance against these measures is set out immediately below.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1.1 Building safety awareness			
* We build safety awareness through:			
• our face-to-face, phone, online or other remote contact with participants by the Aviation Safety Advisors	1,515	500 individual participants	1,500
• education courses, workshops or seminars to participants nationwide	26	12 delivered	9
• safety reports published on the Authority's website	2	4 published	3
• targeted safety campaigns in response to specific areas of concern or new issues that arise	5	5 campaigns	3
Safety courses, reports and campaigns are demand driven and/or based on an identified need. Therefore it is difficult to state a target number			
2.1.2 Education courses, workshops and seminars			
Our education courses, workshops, or seminars are rated by participants as 3 or higher.	94.29%	85%	100%
2.1.3 Aviation safety campaigns			
Our targeted safety campaigns meet or exceed their agreed success criteria.	100%	85%	100%
2.1.4 Stakeholder engagement strategy			
We will implement the Authority's new stakeholder framework and approach.	New measure	Achieved	Not achieved
This project's scope has been expanded to include the Authority Leadership Team's, and the Board's engagement calendar. This will go live in the first quarter of 2023/24.			

Cost to deliver output class 2: Outreach	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Crown - Covid liquidity	12	656	(644)	389
Levies	40	1,362	(1,322)	268
Other revenue	7	3	4	6
Revenue	59	2,021	(1,962)	663
Expense	(60)	(2,053)	1,993	(859)
Net surplus/(deficit)	(1)	(32)	31	(196)

Covid liquidity funding is below budget due to a greater than anticipated number of passengers arriving during the year which has reduced the liquidity funding requirement and increased the revenue from various passenger related levies.

Output Class 3:

Certification and Licensing

This relates to our strategic pathways to carry out professional regulatory practice (through our activities to allow people to enter, exit, and participate in the system), and active regulatory stewardship (through our intelligence-led risk assessments and continuous improvement).

Why this is important

People and organisations operating within the civil aviation system must be appropriately licensed, certified, and aware of their responsibilities as participants in the sector, to ensure the overall safety of the civil aviation system.

What we want to achieve

Robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

What we do to deliver on this output class

- Exercise control over entry, through issuing or amending aviation documents, and approvals of organisations, individuals and products
- exercise control over exit, through the suspension and revocation of documents
- provide administration of the ADS-B transponders rebate scheme.

Our performance under this output class

Performance under this output class is set out under our strategic pathways of professional regulatory practice (through our activities to allow people to enter, exit, and participate in the system), and active regulatory stewardship (through our intelligence-led risk assessments and continuous improvement), on pages 28 to 51 of this report. Performance measures have been developed for key aspects of the output class. Performance against these measures is set out immediately below.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1.1 Certification and licensing All certificates or licences that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards ¹⁴ .	New measure	Achieved	Achieved
3.1.2 Certification of organisations, products and aircraft * Applications and claims to the ADS-B transponders rebate scheme that meet eligibility ¹⁵ criteria are administered within required standards ¹⁶ .	100%	100%	100%
3.1.3 Personnel licensing Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through PDCA¹⁷ are subject to appropriate action. 	New measure	100% of improvements identified are subject to appropriate action.	100%

Cost to deliver output class 3: Certification and Licensing	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Crown funding (Vote Transport: Improving Safety in the Aviation Sector and ADS-B Rebate Scheme)	4,574	4,788	(214)	2,244
Crown - Covid liquidity	5,580	12,297	(6,717)	12,778
Levies	18,767	13,365	5,402	9,078
Fees and charges	5,189	5,154	35	4,509
Other revenue	121	45	76	187
Revenue	34,231	35,649	(1,418)	28,796
Expense	(34,918)	(36,202)	1,284	(28,221)
Net surplus/(deficit)	(687)	(553)	(134)	575

Covid liquidity funding is below budget due to a greater than anticipated number of passengers arriving during the year which has reduced the liquidity funding requirement and increased the revenue from various passenger related levies

¹⁴ The quality aspect of this measure is calculated through the quality assessment over a sample of certifications and licensing applications, with a target 100% of sampled cases meeting quality standards. The timeliness of licenses is calculated as the percentage of applications processed within 10 working days, with a target of 90%. Timeliness for certification is calculated as the percentage of certificates renewed before expiry, with a target of 95%. Processing certification and license applications include activities outside of the Authority's control, therefore timeliness targets have been set accordingly. As this is a new measure the methodology is still undergoing development. However, the Authority considers that certificates and licenses have been issued in accordance with quality and timeliness standards.

¹⁵ Information on eligibility criteria and required standards is available at www.aviation.govt.nz

¹⁶ This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority's 2022/23 Statement of Performance Expectations.

¹⁷ Plan-Do-Check-Act (PDCA) process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.

Output Class 4:

Monitoring, inspection and investigation

We carry out professional regulatory practice through our active investigations, audits, and monitoring activities, and active regulatory stewardship through our intelligence-led risk assessments and continuous improvement.

Why this is important

We take an active role in the civil aviation system, ensuring that participants act safely within the system. Monitoring, inspection and investigation activities ensure that we are confident that risks are being well managed throughout the civil aviation system, and that participants are carrying out their responsibilities, or are in a position to act if they are not.

What we want to achieve

Continued assurance that the aviation system in New Zealand is safe and secure.

What we do to deliver on this output class

- We monitor adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the Civil Aviation Act 1990, the Health and Safety at Work Act 2015 and the Hazardous Substances and New Organisms Act 1996
- we assess safety data and information to identify safety and security risks in order to inform and influence the management of risk
- we take appropriate action in the public interest to enforce the provisions of the Acts and Rules and to address safety risk.

Our performance under this output class

Performance under this output class is set out under our professional regulatory practice strategic pathway (through our activities in constantly monitoring and inspecting to ensure continuously safe operations within the aviation system, and investigating of accidents and incidents to learn how we can reduce risk within the system), on pages 28 to 51 of this report. Performance measures have been developed for key aspects of the output class. Performance against these measures is set out immediately below.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1.1 Health and safety assessments, investigations and audits * We will complete health and safety assessments, investigations, and audits within ¹⁸ : <ul style="list-style-type: none"> • 180 days • 12 months Three investigations took over 12 months to complete - this equates to 20% of the investigations in the past 12 months.	68%	70%	33%
	100%	100%	80%
4.1.2 Aviation safety monitoring, inspection and investigation We will monitor adherence to the Civil Aviation Act 1990 through the conduct of: <ul style="list-style-type: none"> • Oversight activities, e.g. audits, inspections, spot checks and system testing or performance reviews¹⁹. • Safety and security regulatory investigations²⁰. • Enforcement investigations • Aviation Related Concerns (ARC) investigations • Section 15A of the Civil Aviation Act 1990 investigations (Power of Director to investigate holder of aviation document) 	401	400-500	191
	334	300-390	359
	30	20-40	25
	549	500-600	476
	0	2-3	0
While regulatory oversight activity appears to be low this is due to work orders being raised to cover a group of events as opposed to individual events. The CAA's Regulatory Safety and Security Strategy directs efforts and resource by priority, towards large passenger carrying airlines in the first instance. These activities are larger in scale than comparative activities for smaller participants, and thus have the effect of lowering the overall activity count. This does not mean that the per person workload is less - only distributed into larger, longer activities. A risk-based approach is being applied to monitoring activity to ensure activity is focused on areas most at need. Investigations are dependent on activity within the sector, and therefore a target number should not be set.			
4.1.3 Assessment of regulatory investigations Regulatory investigations independently assessed by a third party ²¹ to ensure they are completed within 12 months and the recommendations made comply with our regulatory model.	100%	100% of those assessed comply	Achieved

¹⁸ This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority's 2022/23 Statement of Performance Expectations.

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

²⁰ The aim of safety and security regulatory investigations is to review aviation occurrences where safety benefit can be derived.

²¹ A list of investigations opened during the financial year is provided to the third party. This list excludes any investigations that still have enforcement actions. A sample of 5% is selected and compliance is measured against the Regulatory Strategy and Regulatory Enforcement Policy. The sampling is carried out in July of every year.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1.4 Aviation related concern investigations We will complete investigations of Aviation Related Concerns within: <ul style="list-style-type: none"> • 180 days of receipt • 12 months of receipt 	93.6%	80%	94.7%
4.1.5 Develop and publish aviation related health and safety good practice guides and guidance material * In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material and/or videos.	0	2-5	3
3 advisory circulars (ACs) have been updated to reflect a change to the Safety Management System. There is also mention of Human Factors and fatigue management.			
4.1.6 Airspace integration trials * Support delivered to the Airspace Integration Trials programme as agreed with the Ministry of Business, Innovation and Employment ²² .	New measure	100% agreed support as included in terms of reference with Ministry of Business, Innovation and Employment	100%
4.1.7 Continuous improvement programme Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through PDCA²³ are subject to appropriate action. 	88%	100% of improvements identified are subject to appropriate action	100%

Cost to deliver output class 4: Surveillance and Investigation	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Crown funding (Vote Transport: Health and Safety at Work Activities)	1,201	1,201	-	1,201
Crown - COVID liquidity	2,372	3,955	(1,583)	5,246
Levies	7,976	8,527	(551)	3,726
Fees and charges	28	28	-	23
Other revenue	47	17	30	81
Revenue	11,624	13,728	(2,104)	10,277
Expense	(11,857)	(13,941)	2,084	(11,587)
Net surplus/(deficit)	(233)	(213)	(20)	(1,310)

Covid liquidity funding is below budget due to a greater than anticipated number of passengers arriving during the year which has reduced the liquidity funding requirement and increased the revenue from various passenger related levies.

²² This performance measure is included in the 2022/23 Estimates for Vote Transport, in addition to its inclusion in the Authority's 2022/23 Statement of Performance Expectations.

²³ Plan-Do-Check-Act (PDCA) process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.

Output Class 5:

Security Service Delivery

Security service delivery is part of the Authority's role of professional regulatory practice; our screening and security delivery functions are regulatory actions in practice.

Why this is important

We need to sustain trust in New Zealand's aviation security system. Security screening and other activities sustain that trust by identifying threats and managing associated risks at security designated airports, and elsewhere as required across New Zealand.

What we want to achieve

We are evolving our security approach over time, to focus on developing a highly skilled workforce, creating a more intelligence-led, risk-based approach to security activities. We explore and adopt new technologies and innovative solutions.

We collaborate with others, at the border and internationally, to sustain confidence through our security outcomes and provide ease of passage for travellers.

What we do to deliver on this output class

- We carry out aviation security screening to keep passengers, crew and other personnel safe
- we provide security capability to strengthen New Zealand's national security, law enforcement activities and the border system
- we adopt new security technologies and systems to mitigate evolving threats to aviation.

Our performance under this output class

Performance under this output class is set out under our professional regulatory practice strategic pathway (through our activities in delivering security screening activities at security designated airports, conducting perimeter patrols and access control checks at security-designated airports, operating the airport identity card system, and supporting other government agencies with security services as requested, including a maritime security response), on pages 28 to 51 of this report. Performance measures have been developed for key aspects of the output class. Performance against these measures is set out immediately below.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.1.1 AvSec equipment and practices Acceptance by international regulators ²⁴ of AvSec equipment and practices as used within the New Zealand aviation security system. The ICAO security audit in 2022 confirmed NZ's overall level of compliance with Annex 17 security standards is high. NZ's unique and distinct security threat environment means not every ICAO standard needs to be incorporated in the NZ Civil Aviation Rules. Another element is the pace and size of the current Civil Aviation Rules programme.	Not achieved	100%	Not achieved
5.1.2 Deployment of technology Technologies deployed meet accepted international standards, as directed, and agreed by the Director of Civil Aviation. New technologies or equipment are being considered to address the ICAO concern above, and Computed Tomography (CT) scanning for cabin baggage are now being rolled out nationwide to keep pace with directed requirements to ensure NZ meets evolving international standards.	100%	100%	100%
5.1.3 Investigating, trialling and staying informed about new technology Meet obligations to investigate, trial, and stay informed on new technologies and practices ²⁵ .	100%	100% of initiatives aligned to strategy	100%
5.1.4 Screening capacity management Match of forecast screening capacity to actual passenger demand.	New measure	Less than 10% under capacity and less than 10% over capacity	Under capacity: 4.01% Over capacity: 10.73%

Due to ongoing staff shortages, AvSec still needs to cap the number of lanes open at peak periods. To offset this and aid passenger facilitation, AvSec continues to work closely with Airport stakeholders to smooth passenger presentation at screening points where possible. Such efforts have been increased recently in response to requests from the Ministry of Transport to increase focus on passenger facilitation. At identified high demand periods AvSec has prioritised extra capacity and opened lanes earlier, where staffing allows, to stop queues from building. Improved information has been provided on our website to inform passengers of known busy times and work is underway to expand measurement of queues across all periods to allow resourcing to be concentrated to times where queues are longest. Queue calmers have been deployed to assist passengers. While these efforts have improved passenger experiences, they have further increased the reported over supply in capacity as most queues occur at narrow time intervals

²⁴ International Civil Aviation Organisation (ICAO), European Civil Aviation Conference (ECAC), Transport Security Administration (TSA), Transport Canada.

²⁵ As outlined under the Civil Aviation Act 1990 Part 80 Section (c) and (d), with alignment to Horizon 2030 strategic plan.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.1.5 Management of service expectation Number of complaints ²⁶ upheld against the Aviation Security Service per 50,000 screened.	New measure	<2 per 50,000 passengers	0.41 complaints upheld per 50,000 passengers
5.2.1 Responding to major audit findings Major audit findings reported by the Civil Aviation Authority and internal Aviation Security Service quality audits responded to within required timeframes.	100%	100%	100%
5.2.2 Security monitoring of restricted air-side areas Security monitoring of restricted areas against regulated standards ²⁷ . New standards were issued by the Director of Civil Aviation on 19 October 2022 to increase monitoring activity in response to the ICAO audit. Avsec has met 100% of the increased standard for time coverage, but did not meet the intervention rate target on a small number of occasions between November 2022 & May 2023 due to resource shortages.	100%	100% of requirements met	98%
5.2.3 Responding to Government requests for security assistance Government requests for security assistance ²⁸ responded to.	100%	100% of requirements met	100%
5.2.4 Responding to Maritime NZ requests for service assistance * Capacity to respond to requests from Maritime NZ for security assistance.	102	50 qualified staff	114

26 In relation to the carrying out of requirements under Civil Aviation Part 140.

27 Airport identity Card checks, non-passenger screening, security patrols. This is a measure of whether relevant security roles have been appropriately rostered during the reporting period.

28 Patrols for New Zealand Police, monitoring of transport hubs.

Cost to deliver output class 5: Security service delivery	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Contracted services	2,327	-	2,327	1,751
Passenger security levies	110,524	86,379	24,145	36,083
Crown funding - Maritime Port Security	145	145	-	145
Crown - COVID Liquidity	47,726	83,548	(35,822)	91,793
Other revenue	(64)	2,159	(2,223)	(41)
Revenue	160,658	172,231	(11,573)	129,731
Expense	(167,960)	(177,920)	9,960	(135,716)
Net surplus/(deficit)	(7,302)	(5,689)	(1,613)	(5,985)

Covid liquidity funding is below budget due to a greater than anticipated number of passengers arriving during the year which has reduced the liquidity funding requirement and increased the revenue from various passenger related levies. Expenses are below budget due to less part time salaries being incurred which is partially offset by more full time staff being hired along with increased overtime.

Changes to output measures

This table lists the changes to output measures since last year's Annual Report and the reasons for those changes.

Reference	Output measure 2021/22	2021/22 Performance target	Changed output measure 2022/23	Changed 2021/22 Performance target
1.4.2	We will develop and release a regulatory strategy	By 30 June 2022	Deleted	Deleted

Reason for change: The Regulatory Strategy was released in 2021/22, measure and target no longer required.

2.1.1	We build safety awareness through: <ul style="list-style-type: none"> our face-to-face Aviation Safety Advisor visits to participants 	500 individual participants	We build safety awareness through: <ul style="list-style-type: none"> our face-to-face, phone, online or other remote contact with participants by the Aviation Safety Advisers 	No change
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Reason for change: Many of the interactions with participants are now via phone or online, in addition to face to face.

2.1.4	We will implement an action plan to support our Stakeholder Engagement Strategy	By 30 June 2022	We will implement the Authority's new stakeholder framework and approach	Achieved
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Reason for change: The action plan is now in place and the programme has moved on to the implementation of the stakeholder framework and approach.

3.1.1	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.	Measure in development during 2021/22	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.	Achieved
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Reason for change: Measure 3.1.1 was included in the 2021/22 Annual Report, but not used. The measure is used in 2022/23 and replaces 2021/22 measures 3.1.2, 3.1.3, and 3.1.4. The use of a single measure to replace the three old measures will allow for more comprehensive coverage of the systems that make up the certification and licensing output.

Reference	Output measure 2021/22	2021/22 Performance target	Changed output measure 2022/23	Changed 2021/22 Performance target
3.1.2	Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving a complete application.	100%	Deleted	Deleted

Reason for change: Replaced by 3.1.1 (see note above).

3.1.3	Timeliness: All personnel licensing activities will be completed within ten working days of receiving a compliant application.	100%	Deleted	Deleted
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Reason for change: Replaced by 3.1.1 (see note above).

3.1.4	Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards.	100% of the time	Deleted	Deleted
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Reason for change: Replaced by 3.1.1 (see note above).

3.1.6	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> Of PDCAs that identified an improvement opportunity, 75% resulted in improvement actions 	75% of PDCAs result in improvement actions	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> All improvements identified through PDCAs are subject to appropriate action. This measure is re-numbered 3.1.3 in the 2022/23 Annual Report	100% of improvements identified are subject to appropriate action
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Reason for change: Improved representation of process improvement decision making.

Reference	Output measure 2021/22	2021/22 Performance target	Changed output measure 2022/23	Changed 2021/22 Performance target
4.1.1	We will complete health and safety assessments, investigations and audits within: <ul style="list-style-type: none"> • 180 days 	60%	No change	70%

Reason for change: The revised target of 70% gives a more accurate representation of capacity and capability.

4.1.2	We will monitor adherence to the Civil Aviation Act 1990 through the conduct of:		We will monitor adherence to the Civil Aviation Act 1990 through the conduct of:	
	<ul style="list-style-type: none"> • Oversight activities, e.g. Audits, inspections, spot checks and system performance reviews 	400-500	<ul style="list-style-type: none"> • Oversight activities, e.g. Audits, inspections, spot checks and system testing or performance reviews 	No change
	<ul style="list-style-type: none"> • Safety Investigations 	300-390	<ul style="list-style-type: none"> • Safety and security regulatory Investigations 	No change
	<ul style="list-style-type: none"> • Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document) 	2-5	<ul style="list-style-type: none"> • No change 	2-3

Reason for changes:

- Oversight activities - the inclusion of 'testing' improves representation of activities performed
- Safety Investigation - inclusion of 'security regulatory' improves representation of activities performed
- Section 15A of the Civil Aviation Act 1990 Investigations - the revised target of 2-3 gives a more accurate representation of demand.

4.1.5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material.	2-5	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material and / or videos	No change
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Reason for change: Videos are now an important communications channel for this activity.

Reference	Output measure 2021/22	2021/22 Performance target	Changed output measure 2022/23	Changed 2021/22 Performance target
4.1.6	Support the Ministry of Business, Innovation and Employment on Airspace Integration Trials through provision of regulatory advice as requested: <ul style="list-style-type: none"> • trials per year (demand driven) • trials resulting in formal certification decisions under Part 102 	4-5 trials 2-3 formal certification decisions	Support delivered to the Airspace Integration Trials programme as agreed with the Ministry of Business, Innovation and Employment.	100% of agreed support as included in the terms of reference with the Ministry of Business, Innovation and Employment

Reason for change: New measure and target provide a more accurate representation of the service the Authority provides.

4.1.7	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • Of PDCAs that identified an improvement opportunity, 75% resulted in improvement actions. 	75% of PDCAs result in improvement actions	Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity: <ul style="list-style-type: none"> • All improvements identified through PDCAs are subject to appropriate action. 	100% of improvements identified are subject to appropriate action.
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Reason for change: Improved representation of process improvement decision making.

5.1.3	Meet obligations to investigate, trial, and stay informed on new technologies and practices.	Number of initiatives aligned to strategy	No change	100% of initiatives are aligned to strategy
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Reason for change: Change to the target provides a clearer representation of the level of alignment with strategy sought.

Reference	Output measure 2021/22	2021/22 Performance target	Changed output measure 2022/23	Changed 2021/22 Performance target
5.1.4	Match of forecast screening capacity to actual passenger demand.	> 80%	No change	Less than 10% under capacity and less than 10% over capacity

Reason for change: Change to target provides more explicit information about our scheduling accuracy by measuring capacity that is under and over passenger demand.

5.1.5	Percentage of complaints upheld against the Aviation Security Service.	< 2%	Number of complaints upheld against the Aviation Security Service per 50,000 screened.	<2 per 50,000 passengers
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Reason for change: The new measure and target are more readily explained and understood.

5.1.6	Dangerous goods are relinquished or removed from passengers or their luggage as a result of pre flight security screening.	Number of items removed	Deleted	Deleted
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Reason for change: Factors beyond the Aviation Security Service's control can have a large impact on the result of the previous volume measure.

5.2.2	Security monitoring of restricted air-side areas against regulated standards.	100% of requirements met	Security monitoring of restricted areas against regulated standards.	No change
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Reason for change: Allows for widening of the scope of monitoring to beyond air-side, to more accurately reflect the activities undertaken.

5.2.5	Provide agreed staffing to support All-Of-Government Managed Isolation and Quarantine facilities.	155 FTEs (full time equivalent)	Deleted	Deleted
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Reason for change: No longer applicable with scale back of managed isolation and quarantine from March 2022 onward as a result of Government border changes.

CAA	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Cost to deliver output classes 1-4				
Crown funding	16,163	25,569	(9,406)	25,329
Ministry of Transport contract revenue	1,554	1,603	(49)	1,305
Levies	28,953	25,886	3,067	15,339
Fees and charges	5,217	5,182	35	4,532
Other revenue	175	65	110	274
Revenue	52,062	58,305	(6,243)	46,779
Expense	(53,106)	(59,210)	6,104	(47,710)
Net surplus/(deficit)	(1,044)	(905)	(139)	(931)

Output class financials	2023 Actual \$000	2023 Budget \$000	2023 Variance \$000	2022 Actual \$000
Cost to deliver outputs				
Policy and regulatory strategy	(6,271)	(7,014)	743	(7,043)
Outreach	(60)	(2,053)	1,993	(859)
Certification and licensing	(34,918)	(36,202)	1,283	(28,221)
Surveillance and investigation	(11,857)	(13,941)	2,084	(11,587)
CAA delivery total	(53,106)	(59,210)	6,103	(47,710)
AvSec delivery	(167,960)	(177,920)	9,960	(135,716)
AvSec delivery total	(167,960)	(177,920)	9,960	(135,716)

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, relate to security card purchases by the Regulatory function from the Security function totalling \$6,000 (2022: \$318,000).

Financial Statements



Statement of comprehensive revenue and expense

For the year ended 30 June 2023

	Note	2023		2022
		Actual \$000	Budget \$000	Actual \$000
Revenue				
Levies		139,476	111,465	51,422
Revenue from other services		7,239	6,575	6,247
Crown funding revenue		64,034	109,261	117,267
Ministry contract revenue		1,554	1,603	1,305
Interest revenue		371	-	32
Other revenue		40	595	(81)
Total revenue	2	212,714	229,499	176,192
Expense				
Personnel costs	3	178,191	178,482	145,686
Depreciation and amortisation expense	10, 11	5,587	6,594	6,824
Finance costs	4	225	24	15
Other expenses	5	37,057	50,993	30,583
Total expenses		221,060	236,093	183,108
Net (Deficit)/Surplus		(8,346)	(6,594)	(6,916)
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(8,346)	(6,594)	(6,916)

Explanations of major variances against budget are provided in note 20.
The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2023

	Note	2023		2022
		Actual \$000	Budget \$000	Actual \$000
Assets				
Current assets				
Cash and cash equivalents	6	11,852	7,301	1,093
Receivables	7	17,137	14,655	13,878
Services work in progress	9	221	81	160
Prepayments		2,807	-	2,000
Total Current Assets		32,017	22,037	17,131
Non-Current Assets				
Property, plant and equipment	10	25,358	56,317	18,330
Intangible assets	11	9,073	12,360	4,460
Total Non-Current Assets		34,431	68,677	22,790
Total Assets		66,448	90,714	39,921
Liabilities				
Current liabilities				
Creditors and other payables	12	18,230	9,049	5,532
Employee entitlements	13	21,247	17,296	18,375
Provisions	14	371	523	510
Total Current Liabilities		39,848	26,868	24,417
Non-Current Liabilities				
Employee entitlements	13	8,084	8,989	7,507
Provisions	14	375	250	375
Total Non-Current Liabilities		8,459	9,239	7,882
Total Liabilities		48,307	36,107	32,299
Net Assets		18,141	54,607	7,622
Equity				
General funds	16	18,141	54,607	7,622
Total Equity		18,141	54,607	7,622

Explanations of major variances against budget are provided in note 20.
The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2023

	Note	2023		2022
		Actual \$000	Budget \$000	Actual \$000
Equity				
Opening balance of equity at 1 July				
General funds		7,622	16,473	10,799
Total opening balance of equity at 1 July	16	7,622	16,473	10,799
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		(8,346)	(6,594)	(6,916)
Owner transactions				
Capital contributions from the Crown		18,865	44,727	3,739
Total changes in equity during the year	16	10,519	38,134	(3,177)
Closing balance of equity at 30 June				
General funds		18,141	54,607	7,622
Total closing balance of equity at 30 June	16	18,141	54,607	7,622

Explanations of major variances against budget are provided in note 20.
The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2023

	Note	2023		2022
		Actual \$000	Budget \$000	Actual \$000
Cash Flows from Operating Activities				
Receipts from levies		137,122	105,519	50,406
Receipts from other services		6,229	7,410	2,008
Receipts from Crown funding and Ministry contracts		65,588	110,864	118,572
Interest and other sundry revenue received		504	516	638
Payments to employees		(166,527)	(170,015)	(137,236)
Payments to suppliers		(33,461)	(58,388)	(37,652)
Goods and Services Tax (net)		(239)	(189)	(2,552)
Net Cash Flows from Operating Activities		9,216	(4,283)	(5,816)
Cash Flows from Investing Activities				
Sale of property, plant and equipment		-	79	137
Purchase of property, plant and equipment		(12,022)	(38,482)	(3,658)
Purchase of intangible assets		(5,300)	(6,245)	(3,267)
Net Cash Flows from Investing Activities		(17,322)	(44,648)	(6,788)
Cash Flows from Financing Activities				
Capital contributions from the Crown		18,865	44,727	3,739
Net Cash Flows from Financing Activities		18,865	44,727	3,739
Net increase/(decrease) in cash and cash equivalents		10,759	(4,204)	(8,865)
Opening cash and cash equivalents at 1 July		1,093	11,505	9,958
Closing Cash and Cash Equivalents at 30 June	6	11,852	7,301	1,093

Explanations of major variances against budget are provided in note 20.
The accompanying notes form part of these financial statements.

Statement of cash flows (continued)

For the year ended 30 June 2023

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

	Actual 2023 \$000	Actual 2022 \$000
(Deficit)/surplus	(8,346)	(6,916)
Add/(less) non-cash items		
Depreciation and amortisation expense	5,587	6,824
Impairment of receivables	-	(29)
Net (gains)/losses on foreign exchange and derivate financial instruments	1	-
Discount unwind on employee entitlements	225	15
Total non-cash items	5,813	6,810
Add/(less) items classified as investing or financing activities		
Losses on disposal of property, plant & equipment and intangibles	93	37
Total items classified as investing or financing activities	93	37
Add/(less) movements in working capital items		
Receivables increase	(3,257)	(4,572)
Services work in progress increase	(62)	(79)
Prepayments (increase)/decrease	(807)	389
Creditors & Other payables increase/(decrease)	12,697	(3,644)
Employee entitlements increase	3,224	2,196
Provisions decrease	(139)	(37)
Net movements in working capital items	11,656	(5,747)
Net cash flow from operating activities	9,216	(5,816)

The accompanying notes form part of these financial statements.

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 of 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 2023. The financial statements were approved by the Authority on 31 October 2023.

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 continued to impact the operations of the Authority until restrictions were lifted in April 2022 at which time revenue from the passenger and safety levies started to increase with a return to pre-pandemic levels forecast at the end of the 2023/2024 year. Note 20 on page 149 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 issued and not yet effective and not adopted early

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

Disclosure of Fees for Audit Firms' Services

An amendment to PBE International Public Sector Accounting Standard 1 Presentation of Financial Reports (PBE IPSAS 1) requires entities to disclose the fees incurred for services received from audit or review firms, and a description of each service, using the specified categories. The amendment is effective for the year ending 30 June 2025 with early adoption permitted. This amendment will result in additional disclosures. The Authority does not intend to early adopt the amendment.

Onerous Contracts

An amendment to PBE International Public Sector Accounting Standard 19 Provisions, Contingent Liabilities and Contingent Assets (PBE IPSAS 19) clarifies the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous, and therefore whether a provision needs to be recognised. The amendment is effective for the year ending 30 June 2024 with early application permitted. This amendment is not expected to impact the Authority's financial statements in any subsequent financial reporting period and the Authority does not intend to early adopt this amendment.

New accounting standards and interpretations

In the current year, the Authority applied the following new standards and interpretations that are effective for an annual period that begins on or after 1 July 2022.

PBE IPSAS 41 Financial Instruments

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 Financial Instruments, which supercedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The Authority has adopted PBE IPSAS 41 for the first time this year. There has been no change as a result of adopting this new standard, because the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

This standard establishes new requirements for the selection and presentation of service performance information. The Authority has adopted PBE FRS 48. The main change between PBE FRS 48 and PBE IPSAS 1 Presentation of Financial Statements is that PBE FRS 48 requires additional information to be disclosed on the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. This is disclosed on pages 84-86 of the service performance information.

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 2007 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 (Corporate Services, and Strategy, Governance, Risk 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 2023 \$000	Actual 2022 \$000
Safety levies		
International passenger levies	7,500	1,244
Domestic passenger levies	19,579	12,325
Other levies	1,874	1,770
Total safety levies revenue	28,953	15,339
Security levies		
International passenger levies	65,392	10,419
Domestic passenger levies	45,131	25,663
Total security levies	110,523	36,082
Total levies	139,476	51,422
Revenue from other services		
Aviation regulatory and safety services	5,216	4,523
Other contracted aviation security services	2,023	1,724
Total revenue from other services	7,239	6,247

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 Authority.

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 Non-Departmental Output Expense and Multi-Year 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 (2022: nil).

International relations and International Civil Aviation Organization obligations

The Authority has received 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 received 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 received 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 received 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. \$59,094,000 of this appropriation was drawn down in 2023 (2022: \$111,898,000).

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.

Ministry contract revenue

	Actual 2023 \$000	Actual 2022 \$000
Rules development (Ministry of Transport)	800	800
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	754	505
Total Ministry contract revenue	1,554	1,305

Interest revenue

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

Other revenue

	Actual 2023 \$000	Actual 2022 \$000
(Loss)/Gain on sale of property, plant and equipment	(93)	109
Net foreign exchange gains	-	(5)
Other revenue	133	(185)
Total other revenue	40	(81)

Asset disposals and other revenue

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 loss on sale of assets was \$93,000 (2022: gain \$109,000). Other revenue mainly relates to building rental revenue and an onerous lease provision that was accelerated on cancellation of an office lease between the Aviation Security Service and Callaghan Innovation.

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 2023 \$000	Actual 2022 \$000
Salaries and wages	160,797	132,441
Employer contributions to defined contribution plans	5,501	4,698
Other personnel expenses	8,444	6,306
Increase/(decrease) in employee entitlements	3,449	2,241
Total personnel costs	178,191	145,686

During the year ended 30 June 2023, no (2022: 1) employees received compensation and other benefits in relation to cessation (2022: \$247,000).

4. Finance Costs

	Actual 2023 \$000	Actual 2022 \$000
Discount unwind on long-term employee entitlements	225	15
Total finance costs	225	15

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 2023 \$000	Actual 2022 \$000
Fees to auditor:		
Fees to Audit New Zealand for audit of financial statements	160	149
Operating lease expenses	6,304	7,129
Building operating expenses	1,987	2,052
Information technology expenses	4,494	5,627
Staff travel	4,668	1,969
Insurance	1,242	1,090
Allowance for credit losses on receivables	(5)	(28)
Safety information services	3,391	2,923
Consultancy	3,501	2,495
Consumables and maintenance	6,322	3,380
Other expenses	4,992	3,797
Total other expenses	37,057	30,583

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 2023 \$000	Actual 2022 \$000
Not later than one year	7,831	4,541
Later than one year and not later than five years	12,445	12,960
Later than five years	915	914
Total non-cancellable operating leases	21,191	18,415

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.

A significant portion of the total non-cancellable operating lease expense related 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. However, due to unexpected earthquake strengthening work required to the building, one lease, held by the Aviation Security Service, has been cancelled from 1 May 2022.

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

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.

Cash and Cash Equivalents

	Actual 2023 \$000	Actual 2022 \$000
Cash at bank and on hand	11,852	1,093
Total cash and cash equivalents	11,852	1,093

While cash and cash equivalents at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, 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 0.12% (2022: 0.01%).

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 2023 \$000	Actual 2022 \$000
Receivables arising from exchange transactions	17,147	13,907
Other receivables	3	3

	2023			2022		
	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	16,753	-	-	3,531	-	-
Past due 1-30 days	352	0%	-	8,537	0%	-
Past due 31-60 days	22	0%	-	1,761	0%	-
Past due 61-90 days	5	9%	-	29	2%	(1)
Past due over 90 days	18	72%	(13)	52	59%	(31)
Total	17,150		(13)	13,910		(32)

	Actual 2023 \$000	Actual 2022 \$000
Less: allowance for credit losses	(13)	(32)
Total receivables	17,137	13,878

The expected credit loss rates for receivables at 30 June 2023 and 30 June 2022 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 2023 and 30 June 2022 were determined as follows:

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

	Actual 2023 \$000	Actual 2022 \$000
Opening allowance for credit losses as at 1 July	(32)	(90)
Decrease in loss allowance made during the year	5	29
Receivables written off during the year	14	29
Balance at 30 June	(13)	(32)

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

Aviation liability insurance premiums covering the 2022/23 financial year had not been finalised by the end of the current financial year and therefore no forward exchange contract was entered into.

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 2023 \$000	Actual 2022 \$000
Services work in progress	221	160
Total services work in progress	221	160

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

Accounting policy

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	
Cost or valuation								
Balance at 1 July 2021	1,656	8,666	813	39,577	568	3,294	2,209	56,783
Additions/(Transfers)	1,704	602	62	242	-	747	240	3,597
Disposals	-	-	-	(312)	-	(471)	(31)	(814)
Balance at 30 June 2022	3,360	9,268	875	39,507	568	3,570	2,418	59,566
Balance at 1 July 2022	3,360	9,268	875	39,507	568	3,570	2,418	59,566
Additions/(Transfers)	6,958	-	30	5,139	-	89	42	12,258
Disposals	(2)	-	-	(3,478)	-	(576)	-	(4,056)
Balance at 30 June 2023	10,316	9,268	905	41,168	568	3,083	2,460	67,768
Accumulated depreciation and impairment losses								
Balance at 1 July 2021	-	(7,019)	(710)	(23,425)	(549)	(2,167)	(1,786)	(35,656)
Depreciation expense	-	(565)	(21)	(5,238)	(7)	(269)	(182)	(6,283)
Eliminate on disposal	-	-	-	287	-	384	32	703
Balance at 30 June 2022	-	(7,584)	(731)	(28,376)	(556)	(2,052)	(1,936)	(41,236)
Balance at 1 July 2022	-	(7,584)	(731)	(28,376)	(556)	(2,052)	(1,936)	(41,236)
Depreciation expense	-	(424)	(27)	(3,966)	(5)	(282)	(196)	(4,900)
Eliminate on disposal	-	-	-	3,298	-	427	-	3,725
Balance at 30 June 2023	-	(8,008)	(758)	(29,044)	(561)	(1,907)	(2,132)	(42,411)
Carrying amounts								
At 1 July 2021	1,656	1,647	103	16,152	19	1,127	423	21,127
At 30 June 2022	3,360	1,684	144	11,131	12	1,518	482	18,331
At 30 June 2023	10,316	1,260	147	12,124	7	1,176	328	25,358

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	Motor vehicles	Computer equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Balance at 1 July 2021	115	-	881	642	18	1,656
Assets capitalised	(330)	(57)	(241)	(654)	(202)	(1,484)
Additions	215	57	2,719	13	184	3,188
Balance at 30 June 2022	-	-	3,359	1	-	3,360
Balance at 1 July 2022	-	-	3,359	1	-	3,360
Assets capitalised	-	-	-	(1)	-	(1)
Additions	243	51	6,654	-	11	6,959
Disposals	-	-	(2)	-	-	(2)
Balance at 30 June 2023	243	51	10,011	-	11	10,316

The total amount of property, plant and equipment in the course of construction is \$10,315,597 (2022: \$3,123,000).

Capital commitments

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

	Actual 2023 \$000	Actual 2022 \$000
Plant and equipment	8,882	3,983
Total capital commitments	8,882	3,983

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;
- 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.

Movements for each class of intangible asset are as follows:

	Acquired software	Acquired software under construction	Internally developed software	Total
	\$000	\$000	\$000	\$000
Cost				
Balance at 1 July 2021	6,440	68	2,116	8,624
Additions/(Transfers)	230	3,036	-	3,266
Balance at 30 June 2022	6,670	3,104	2,116	11,890
Balance at 1 July 2022	6,670	3,104	2,116	11,890
Additions/(Transfers)	645	5,300	-	5,945
Transfer to available for use	-	(645)	-	(645)
Balance at 30 June 2023	7,315	7,759	2,116	17,190
Accumulated amortisation and impairment losses				
Balance at 1 July 2021	(4,773)	-	(2,116)	(6,889)
Amortisation expense	(541)	-	-	(541)
Balance at 30 June 2022	(5,314)	-	(2,116)	(7,430)
Balance at 1 July 2022	(5,314)	-	(2,116)	(7,430)
Amortisation expense	(687)	-	-	(687)
Balance at 30 June 2023	(6,001)	-	(2,116)	(8,117)

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.

	Acquired software	Acquired software under construction	Internally developed software	Total
Carrying amounts				
At 1 July 2021	1,667	68	-	1,735
At 30 June 2022	1,356	3,104	-	4,460
At 30 June 2023	1,314	7,759	-	9,073

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 \$7,759,756 (2022: \$3,104,690).

12. Creditors and Other Payables

Accounting policy

Short-term payables are recorded at the amount payable.

	Actual 2023 \$000	Actual 2022 \$000
Creditors and payables under exchange transactions		
Creditors	12,392	3,966
Capital funding in advance	1,607	-
Other payables	409	343
Total creditors and payables under exchange transactions	14,408	4,309
Creditors and payables under non-exchange transactions		
Taxes payable (GST, PAYE)	3,822	1,223
Total creditors and payables under non-exchange transactions	3,822	1,223
Total creditors and other payables	18,230	5,532

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 is calculated on an actuarial basis.

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, including actuarial calculated sick leave not expected to be settled within 12 months, 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 2023 ranged from 4.19% pa to 5.43% pa (2022: ranged from 0.38% pa to 4.30% pa) and a salary inflation factor of 6.0% pa for the year ended 30 June 2023, with a long term salary inflation rate of 4.0% (2022: 1.0% - 1.5% pa and 3.08% 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 \$625,000 lower/\$727,000 higher respectively (2022: \$592,000 lower/\$686,000 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 \$622,000 higher/\$544,000 lower respectively (2022: \$574,000 higher/\$504,000 lower respectively).

Employee entitlements

	Actual 2023 \$000	Actual 2022 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	3,225	3,977
Annual leave	15,869	12,384
Current portion of long-term employee entitlements		
Sick leave	258	203
Retiring and long service leave	1,895	1,811
Total current portion	21,247	18,375
Non-current employee entitlements are represented by:		
Long-term employee entitlements		
Retiring and long service leave	7,674	7,190
Sick leave	410	317
Total non-current portion	8,084	7,507
Total employee entitlements	29,331	25,882

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 2023 \$000	Actual 2022 \$000
Provisions		
Current provisions are represented by:		
Restructuring	21	-
Legal and employment proceedings	350	510
Total current portion	371	510
Non-current provisions are represented by:		
Lease make-good	375	375
Total non-current portion	375	375
Total provisions	746	885

Movements for each class of provision are as follows:

	Onerous contracts \$000	Lease make-good \$000	Restructuring \$000	Legal and employment proceedings \$000	Total \$000
2023					
Balance at 1 July 2022	-	375	-	510	885
Additional provisions made/(reversed)	-	-	21	(160)	(139)
Balance at 30 June 2023	-	375	21	350	746
2022					
Balance at 1 July 2021	168	350	250	154	922
Additional provisions made/(reversed)	(168)	25	(250)	356	(37)
Balance at 30 June 2022	-	375	-	510	885

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.

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 related to the legal matters currently in progress, except for the contingent liabilities related to the personal grievances disclosed below (2022: nil).

Personal grievance

At balance date, the Authority had five outstanding personal grievances relating to various employment matters with a maximum exposure of \$197,124. Contingent liabilities relating to employment matters are assessed by taking into account

the merits of each case, known risk factors, and previous payments made in similar matters.

Contingent assets

The Authority has no contingent assets (2022: \$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 2023 \$000	Actual 2022 \$000
EQUITY		
General funds		
Opening balance at 1 July	7,622	10,799
Deficit for the year	(8,346)	(6,916)
Capital contributions from the Crown	18,865	3,739
Closing balance at 30 June	18,141	7,622
Passenger security reserve		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	7,302	(5,985)
Transfer (to)/from general funds	(7,302)	5,985
Closing balance at 30 June	-	-
Passenger safety reserve - fixed fees		
Opening balances at 1 July	-	-
Deficit for the year	(3,928)	(3,629)
Transfer from levies reserve	3,928	3,629
Closing balance at 30 June	-	-

	Actual 2023 \$000	Actual 2022 \$000
Passenger safety reserve - hourly charges		
Opening balances at 1 July	-	-
Deficit for the year	(4,993)	(4,069)
Transfer from levies reserve	4,993	4,069
Closing balance at 30 June	-	-
Passenger safety reserve - other		
Opening balances at 1 July	-	-
Deficit for the year	(60)	(2,704)
Transfer from levies reserve	60	2,704
Closing balance at 30 June	-	-
Passenger safety reserve - levies		
Opening balances at 1 July	-	-
Surplus for the year	4,993	4,065
Transfer to specific reserves	(8,981)	(10,402)
Transfer from passenger safety reserve - other general reserves	3,988	6,337
Closing balance at 30 June	-	-
Passenger safety reserve - other general reserves		
Opening balances at 1 July	-	-
Surplus for the year	2,944	5,406
Transfer to specific reserves	(3,988)	(6,337)
Transfer from general funds	1,044	931
Closing balance at 30 June	-	-

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 2023 \$000	Actual 2022 \$000
Board Members	172	150
Authority Leadership Team and senior employees	4,322	3,727
Total key management personnel compensation	4,494	3,877

Key management personnel full-time equivalent

	Actual 2023	Actual 2022
Board Members	1	1
Authority Leadership Team and senior employees	15	14
Total key management personnel full-time equivalent	16	15

Key management personnel include Board Members, the Director of Civil Aviation and the ten member Authority Leadership Team (refer to page 15) and also includes other senior employees with the ability to influence decisions.

During the year ended 30 June 2023, no (2022: nil) key management personnel received compensation and other benefits in relation to cessation (2022: nil).

The Authority normally has a six 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 2023 \$000	Actual 2022 \$000
Financial assets measured at amortised cost		
Cash and cash equivalents	11,852	1,093
Receivables	17,137	13,878
Total financial assets measured at amortised cost	28,989	14,971
Financial liabilities measured at amortised cost		
Creditors and other payables	18,230	5,532
Total financial liabilities measured at amortised cost	18,230	5,532

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 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:

- \$80,657 (2022: \$67,500) lower if the NZ dollar had weakened
- \$72,975 (2022: \$61,000) 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 76% (2022: 71%) 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), and 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 2023 \$000	Actual 2022 \$000
Cash at bank and term deposits		
AA-	11,852	1,093
Total cash at bank and term deposits	11,852	1,093

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	Contractual cash flows	Less than 6 months	Between 6 months & 1 year	Later than 1 year
	\$000	\$000	\$000	\$000	\$000
2023					
Payables (excluding income in advance and taxes payable)	14,401	14,401	14,401	-	-
Total contractual undiscounted cash flows	14,401	14,401	14,401	-	-
2022					
Payables (excluding income in advance and taxes payable)	4,309	4,309	4,309	-	-
Total contractual undiscounted cash flows	4,309	4,309	4,309	-	-

19. Events after the Balance Date

There were no significant events after balance date.

20. 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 2023 of \$212.7 million reflected the post-Covid 19 travel recovery with levies increasing by \$88 million (171%) which exceeded the levies budget of \$111.5 million by \$27.9 million (25%). However, despite this, total revenue was below budget by \$16.8 million (-7.3%) which was due to significantly less liquidity funding required than budgeted which is further reflection of the post-Covid recovery. The significant variances are as follows:

Safety levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and operator safety levies of \$28.95 million was above budget by \$3 million. This was mainly the result of the recovery from the pandemic, with levies continuing to grow into the new financial year.

Revenue from passenger security levies

Revenue from passenger security levies of \$110.52 million was above the budget of \$86.38 million (27.9%) mainly due to the Covid recovery which has seen the return of several international carriers.

Revenue from other services

Revenue from other services of \$7.2 million was lower than the budget of \$6.0 million (20%), largely due to an increase in air operator certificates and licences in a post-Covid recovery.

Crown funding revenue

Crown funding revenue of \$66.8 million was below budget of \$109.3 million (-38.9%) largely due to less expenditure and hence less funding required to continue the Authority's operations as it moves closer to becoming fully self-funding.

Other revenue

Other revenue of \$40k was below the budget of \$359k mainly due to income from unbudgeted seminars hosted by the Authority, and losses on disposals of fixed assets.

EXPENSE

Expenditure for the year ended 30 June 2023 of \$221.06 million was below budget of \$236.09 million (-6.4%). The significant variances are as follows:

Depreciation and amortisation expense

Depreciation and amortisation expense of \$5.59 million below the budget of \$6.59 million by \$1.0 million (15.2%). This was mainly due to the deferral of budgeted capital expenditure into the 2023/2024 year which resulted from the delay in returning to the Asteron Centre and the delay of planned expenditure on new regulatory screen equipment.

Other expenses

Other expenses of \$37.06 million were lower than the budget of \$50.99 million (-27.3%) and this was primarily due to reduced ADS-B grant payments and the delays in several large projects including the return to the Asteron Centre and the Authority's funding review.

Statement of Financial Position

Property, Plant and Equipment

Actual capital expenditure for property, plant and equipment of \$11.8m is below budget of \$33.5m (64.7%) due to timing of expenditure on Cabin Baggage Screening (\$12.3m), timing of equipment purchases (\$4.7m), timing of expenditure on Passenger Screening (\$1.4m), Non Passenger Screening (\$2.1m) and Holdstow Baggage Screening (\$0.9m). The remaining budget for this has been carried over into the 2023/2024 year.

Additional financial information

Statement of comprehensive revenue and expense

For the Year Ended 30 June 2023

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 CAA and AvSec.

Group		CAA		AvSec		Elimination		Authority	
		2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000
	Revenue								
51,422	Levies and passenger security charges	28,953	25,887	110,523	86,379	-	-	139,476	112,266
6,247	Revenue from other services	5,216	5,182	2,029	1,629	(6)	(801)	7,239	6,010
117,267	Crown funding revenue	16,163	25,568	47,871	83,693	-	-	64,034	109,261
1,305	Ministry contract revenue	1,554	1,603	-	-	-	-	1,554	1,603
32	Interest revenue	72	-	299	-	-	-	371	-
(81)	Other revenue	104	65	(64)	530	-	(236)	40	359
176,192	Total revenue	52,062	58,305	160,658	172,231	(6)	(1,037)	212,714	229,499
	Expense								
145,686	Personnel costs	49,993	40,878	128,198	137,604	-	-	178,191	178,482
6,824	Depreciation and amortisation expense	842	905	4,745	5,689	-	-	5,587	6,594
15	Finance costs	11	-	214	24	-	-	225	24
30,583	Other expenses	2,260	17,427	34,803	34,603	(6)	(1,037)	37,057	50,993
183,108	Total expenses	53,106	59,210	167,960	177,920	(6)	(1,037)	221,060	236,093
(6,916)	Net (deficit)/surplus	(1,044)	(905)	(7,302)	(5,689)	-	-	(8,346)	(6,594)
(6,916)	Total comprehensive revenue and expense	(1,044)	(905)	(7,302)	(5,689)	-	-	(8,346)	(6,594)

Statement of financial position

As at 30 June 2023

Group		CAA		AvSec		Elimination		Authority	
		2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000
	Current Assets								
1,093	Cash and cash equivalents	2,738	1,578	9,114	5,723	-	-	11,852	7,301
13,878	Receivables	5,942	4,557	11,955	11,416	(760)	(1,318)	17,137	14,655
-	Derivative financial instruments	-	-	-	-	-	-	-	-
160	Services work in progress	221	81	-	-	-	-	221	81
2,000	Prepayments	1,374	-	1,433	-	-	-	2,807	-
17,131	Total current assets	10,275	6,216	22,502	17,139	(760)	(1,318)	32,015	22,037
	Non-Current Assets								
18,330	Property, plant and equipment	891	5,083	24,468	51,234	-	-	25,358	56,317
4,460	Intangible assets	8,715	11,754	358	606	-	-	9,073	12,360
22,790	Total non-current assets	9,606	16,837	24,826	51,840	-	-	34,432	68,677
39,921	Total assets	19,881	23,053	47,326	68,979	(760)	(1,318)	66,447	90,714
	Current Liabilities								
5,532	Creditors and other payables	5,712	3,164	13,278	7,203	(760)	(1,318)	18,230	9,049
18,375	Employee entitlements	4,137	3,063	17,110	14,233	-	-	21,247	17,296
510	Provisions	171	250	200	273	-	-	371	523
24,417	Total current liabilities	10,020	6,477	30,588	21,709	(760)	(1,318)	39,847	26,868
	Non-Current Liabilities								
7,507	Employee entitlements	358	314	7,726	8,675	-	-	8,084	8,989
375	Provisions	275	250	100	-	-	-	375	250
7,882	Total non-current liabilities	633	564	7,826	8,675	-	-	8,459	9,239
32,299	Total liabilities	10,654	7,041	38,413	30,384	(760)	(1,318)	48,306	36,107
7,622	Net assets	9,228	16,012	8,913	38,595	-	-	18,141	54,607
	Equity								
7,622	General funds	9,228	16,012	8,913	38,595	-	-	18,141	54,607
-	Specific reserves	-	-	-	-	-	-	-	-
7,622	Total equity	9,228	16,012	8,913	38,595	-	-	18,141	54,607

Statement of changes in equity

For the year ended 30 June 2023

Group		CAA		AvSec		Elimination		Authority	
		2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000
Equity									
Opening balance of equity at 1 July									
10,799	General funds	4,772	6,696	2,850	9,777	-	-	7,622	16,473
-	Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	-
-	Specific reserves	-	-	-	-	-	-	-	-
10,799	Total opening balance of equity at 1 July	4,772	6,696	2,850	9,777	-	-	7,622	16,473
(6,916)	Net (deficit)/surplus for the year	(1,044)	(905)	(7,302)	(5,689)	-	-	(8,346)	(6,594)
3,739	Capital contributions from the Crown	5,500	10,221	13,365	34,507	-	-	18,865	44,728
(3,177)	Total changes in equity during the year	4,456	9,316	6,063	28,818	-	-	10,519	38,134
Closing balance of equity at 30 June									
7,622	General funds	9,228	16,012	8,913	38,595	-	-	18,141	54,607
-	Specific reserves	-	-	-	-	-	-	-	-
7,622	Total closing balance of equity at 30 June	9,228	16,012	8,913	38,595	-	-	18,141	54,607

Statement of cash flows

For the year ended 30 June 2023

Group		CAA		AvSec		Elimination		Authority	
		2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000	2023 Actual \$000	2023 Budget \$000
Cash Flows from Operating Activities									
50,406	Receipts from levies	28,845	24,062	108,277	82,258	-	(801)	137,122	106,320
2,008	Receipts from passenger security levies and charges, and other services	5,099	5,899	1,136	1,511	(6)	-	6,229	6,609
118,572	Receipts from Crown funding and Ministry contracts	17,717	27,171	47,871	83,693	-	-	65,588	110,864
638	Interest and other sundry revenue received	163	65	341	687	-	(236)	504	300
(137,236)	Payments to employees	(46,761)	(38,738)	(119,766)	(131,277)	-	-	(166,527)	(170,015)
(37,652)	Payments to suppliers	(3,109)	(19,665)	(30,358)	(39,760)	6	1,037	(33,461)	(58,172)
(2,552)	Goods and Services Tax (net)	413	(22)	(652)	(167)	-	-	(239)	(189)
(5,816)	Net cash flows from operating activities	2,367	(1,228)	6,849	(3,055)	-	-	9,216	(4,283)
Cash Flows from Investing Activities									
-	Maturity of investments	-	-	-	-	-	-	-	-
137	Sale of property, plant and equipment	12	-	(106)	79	-	-	(94)	79
-	Placement of investments	-	-	-	-	-	-	-	-
(3,658)	Purchase of property, plant and equipment	(188)	(4,086)	(11,740)	(34,396)	-	-	(11,928)	(38,482)
(3,267)	Purchase of intangible assets	(5,250)	(6,135)	(50)	(110)	-	-	(5,300)	(6,245)
(6,788)	Net cash flows from investing activities	(5,426)	(10,221)	(11,896)	(34,427)	-	-	(17,322)	(44,648)
(6,789) Cash Flows from Financing Activities									
3,739	Capital contributions from the Crown	5,500	10,221	13,365	34,506	-	-	18,865	44,727
-	Proceeds from external borrowings	-	-	-	-	-	-	-	-
3,739	Net cash flows from financing activities	5,500	10,221	13,365	34,506	-	-	18,865	44,727
(8,865)	Net increase/(decrease) in cash and cash equivalents	2,441	(1,228)	8,318	(2,976)	-	-	10,759	(4,204)
9,958	Opening cash and cash equivalents at 1 July	297	2,806	796	8,699	-	-	1,093	11,505
1,093	Closing cash and cash equivalents at 30 June	2,738	1,578	9,114	5,723	-	-	11,852	7,301

Information required by statute

Declaration required under the sections 171 and 172 of the Search and Surveillance Act 2012

Number of times the Authority has exercised its powers under section 24(4) of the Civil Aviation Act 1990 in 2022/23	Nil
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Board Member Remuneration paid or payable to each Board member during the year

	Actual 2023 \$000	Actual 2022 \$000
H Duynhoven (appointed May 2019)	24	24
J Fredric (Chair - appointed December 2019)	49	49
S Haszard (appointed Mar 2021, resigned October 2023)	29	29
J Hatchwell (appointed Jul 2019)	24	24
C Spillane (appointed December 2019)	24	24
A Hong (appointed August 2022)	22	-
Total Board Member remuneration	172	150

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 (2022: nil).

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

	Actual 2023 \$000	Actual 2022 \$000
\$100,000 - \$109,999	128	47
\$110,000 - \$119,999	90	51
\$120,000 - \$129,999	66	60
\$130,000 - \$139,999	69	43
\$140,000 - \$149,999	31	26
\$150,000 - \$159,999	24	18
\$160,000 - \$169,999	16	5
\$170,000 - \$179,999	14	9
\$180,000 - \$189,999	4	7
\$190,000 - \$199,999	10	4
\$200,000 - \$209,999	5	6
\$210,000 - \$219,999	5	2
\$220,000 - \$229,999	3	-
\$230,000 - \$239,999	-	2
\$240,000 - \$249,999	2	3
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	2	2
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	4	-
\$290,000 - \$299,999	1	-
\$310,000 - \$319,999	2	1
\$340,000 - \$349,999	1	1
\$420,000 - \$429,999	-	1
\$440,000 - \$449,999	1	-
Total number of employees	479	290

During the year ended 30 June 2023, no (2022: 1) employees received compensation and other benefits in relation to cessation (2022: \$247,000).other benefits in relation to cessation (2022: nil).



Aviation Security Service

Kaiwhakamaru Rererangi

Civil Aviation Authority of New Zealand
(Including Aviation Security Service)

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