

CIVIL AVIATION AUTHORITY

Annual Report 2016-2017

“Pick important problems...fix them...then tell *that* story.”

– PROFESSOR MALCOLM SPARROW



Aviation Security Service
Kaiwhakamaru Rererangi

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 2016 to 30 June 2017.



Nigel Gould

[Chair of the Civil Aviation Authority of New Zealand](#)

17 October 2017

This Annual Report separately identifies all financial and performance matters that relate 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

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17 October 2017

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SECTION

1

Introduction



Foreword



Record passenger numbers, the continuing evolution of the aviation security threat environment, the introduction of new technologies that have the potential to radically reshape the civil aviation system and, first steps in the transition to risk-based regulation in aviation were the key challenges the Authority faced in 2016/17. Those themes will endure in coming years.

Given the magnitude of the challenges we face, it was gratifying to see an indicator of our success in the results of the Public Sector Reputation Index recently published by Colmar Brunton. The Authority was ranked as having the fifth best reputation out of all the Government agencies assessed. In the 'Trust' element of the index we were ranked third. This result is consistent with our own surveying of passenger confidence levels, which shows that 90% of overseas travellers feel 'extremely or very safe and secure' on domestic flights in New Zealand or on their departing international flight. The Authority considers that public and passenger perception is a useful indicator of whether it is meeting its outcome of 'safe and secure skies to help New Zealand Fly' and contributing positively to the vital role civil

aviation plays in the New Zealand economy. The Authority has a very clear focus on performing its legislated mandate, improving regulatory stewardship of the aviation sector and meeting Ministerial expectations. The Minister of Transport's expectations are that we:

- Support economic growth and productivity
- Balance being an effective regulator while providing an enabling environment for the New Zealand aviation sector
- Demonstrate value for money.

The 2016/17 year was very successful for the Authority with strong performance of its mandated functions. It has also performed those functions in a way that met Ministerial expectations.

The year saw good progress in the ongoing introduction of the new Safety Management System (SMS) Rule Part 100 and continued growth in the number and complexity of Unmanned Aerial Vehicles (UAVs). The performance-based SMS requirements will be exceptionally challenging both for the aviation sector and the Authority's regulatory workforce which are both conditioned to working within the current highly prescriptive Civil Aviation Rule set.

In the UAV area, we have the challenge of very significant growth in the number and complexity of operations while striving to balance an 'enabling' approach to the introduction of new technology and at the same time adequately manage risk. This enabling approach to the introduction of a disruptive technology demands engineering, aviation and regulatory skills of the highest order. The Authority is committed to this approach despite the fact that it very clearly demands greater capacity and capability than the more traditional compliance-based regulatory approach of the past.



Nigel Gould (left)
Chair



Graeme Harris
Chief Executive and
Director of Civil Aviation



The year has seen good progress on the journey of the Aviation Security Service toward its 2022 vision of a modern, effective, efficient and risk-based service provider. This progress has been made despite the recent extraordinary increase in passenger numbers that has significantly increased the demand for its services.

While coping with all of the above, the Authority is also stepping through the replacement of the obsolescent information systems supporting its business processes and this work will pick up pace in the next year.

SUPPORTING ECONOMIC GROWTH AND DEVELOPMENT

The year has seen a continuation of the Authority's strategy of international engagement where it provides a benefit to New Zealand. Such benefits may be reputational; such as an enhanced reputation for New Zealand as a safe place to fly to and within, or as a reputable source of aviation products or services. Alternatively, they may relate to our ability to influence the development of international standards to ensure that they do not impose an unreasonable burden in the New Zealand context.

The Authority has been prominent in promoting New Zealand's interests during the year. The Chief Executive chaired the Technical Commission of the International Civil Aviation Organization (ICAO) 39th General Assembly and is one year in to a three year term as Chair of ICAO's Asia Pacific Air Navigation Planning and Implementation Regional Group. During

the year technical agreements were signed between the Authority and the Civil Aviation Administration of China and the Civil Aviation Administration of Vietnam. Respectively, these relate to the manufacture of a New Zealand certificated aviation product in China and the training of the Vietnamese pilots by New Zealand flight training organisations.

Finally, it is worth noting that the New Southern Sky Programme for the modernisation of the air navigation and airspace system in New Zealand made very good progress during the year and will continue over the next few years. Cabinet tasked the Authority with coordinating this very complex programme of work. Just under 3% (\$1.2M) of our annual expenditure under the Regulatory Function is currently going into this work which will provide significant national benefits in the form of safety, efficiency and a reduction in carbon emissions.

FINANCIAL STATEMENTS AND VALUE FOR MONEY

The financial statements shown in this report reflect both the recent unprecedented growth in international passenger numbers and decisions made by the Authority in the context of the environment outlined above. They show a growth in expenditure committed to both the delivery of security services and regulatory functions. They also show reserves levels that are deliberately being held high while uncertainties are resolved or significant one-off costs are incurred.



In the regulatory part of the organisation, reserves will fund the business system replacement in coming years. They will also contribute to the significant investment in the training and competency assessment essential to improve the performance of its regulatory staff and equip them to work in the SMS environment. The Authority considers that this investment must be made in order to provide assurance that the safety benefits offered by the introduction of the SMS requirements will be fully realised.

In the Aviation Security Service, reserves will partially fund the growth in capacity and capability required in response to the increase in passenger numbers and the evolving threat environment.

During all of this the Authority is very mindful of the ongoing need to demonstrate value for money (VfM). It recognises that effectiveness is at the heart of VfM and considers that the increases in expenditure are the minimum necessary to ensure proactive and effective operations. In addition, it notes that VfM concepts are deeply embedded in the Authority's operations; including the way in which it is responding to the challenges outlined above.

By way of example, rather than simply increase staff numbers proportionate to the growth in passenger numbers, the Aviation Security Service is increasing the use of new technology to the greatest degree possible to improve productivity and minimise cost growth. In responding to concerns regarding the risks of commercial helicopter operations, the Authority has reallocated existing resource out of its oversight of airlines into the oversight of helicopter operations. Unfortunately, there is a practical limit to how much internal reallocation can be done without creating risks elsewhere.

Good decision-making regarding the ongoing business system replacement is also providing significant benefits. Approximately two years ago, after receiving the responses to a request for proposal for the replacement of its information systems, the Authority decided to defer planned investment in order to seek alternative options with lower costs and more acceptable risks. As a consequence of that decision and a subsequent partnership with the New Zealand Transport Agency, what was formerly a high risk programme is now projected to be completed over the next three years at less cost than initially envisaged and with significantly less risk than was originally assessed. The associated business process design work will provide an opportunity to use digital transformation as a key enabler for how we work and how we interact in a participant-centric way.

The Authority's red tape reduction initiative is also working to reduce unnecessary regulatory burden. The first rules project resulting from the initiative is on the current rules programme and, given Government acceptance, will likely result in the requirement for an Annual Review of Airworthiness for standard category recreational aircraft being replaced with a biennial review - which of course should halve the associated costs for the operators of such aircraft. On a similar theme, the Authority is currently consulting on the possibility of reducing the medical certification standard for the holders of a Private Pilot's Licence. This work has the potential to significantly reduce costs for such pilots and also reduce the Authority's costs in administering the current system.

The Authority will continue to drive VfM concepts despite essential increases in cost.

FUNDING

The end of the year marked the successful conclusion and implementation of the outcome from the most recent review of funding for the regulatory part of the organisation. The Authority considers the changes made have produced a more equitable funding system and one that ultimately will support achievement of the safety outcomes it seeks.

In the coming months we will move into a review of funding for the Aviation Security Service. In all of our funding considerations we will be careful to act very deliberately in order to avoid introducing oscillating charges and levies. Despite the difficulty of accurately predicting passenger numbers, the aim is to provide the sector with a stable and predictable charging regime.

FINALLY

We'd like to express our appreciation for the excellent work done by the staff of the Authority during the year. They have made a valuable contribution toward our outcome.



...Safe and secure skies to help New Zealand fly.



Our performance story

We balance providing an enabling environment for aviation with our obligation to be an effective regulator

The Authority contributes to the wider government priorities and strategies relevant to the transport sector¹, with the Government transport sector agencies' goal being 'a transport system that maximises economic and social benefits for New Zealand and minimises harm'.

We constantly consider the expectations of our Minister in our Board and management decisions - supporting economic growth and productivity, demonstrating value for money, balancing being an effective regulator while providing an enabling environment for the New Zealand aviation sector and increasing safety and security. We're mindful of demonstrating this through our actions and behaviours.

Our strategic framework, depicted on the opposite page, guides us. It aligns our impacts, objectives, focus areas and day to day activities to achieve our desired outcome.

Our outcome 'safe and secure skies to help New Zealand fly' is at the heart of our organisation and our people, and shapes everything we do. There is no single measure that shows whether we are achieving our outcome. Instead we use current safety trends in New Zealand, outlined in Appendix 2, to demonstrate achievement against our outcome indicators, with further detail in Appendix 5.

Our impacts are 'being safe' and 'feeling safe'. 'Being safe' is mirrored by the confidence that users of civil aviation have in the system. The perception 'feeling safe' is an important measure of whether we are succeeding. As with our outcome, there is no single measure we use to demonstrate our achievement against these impacts. Appendix 3 outlines our performance for the year against specific impact measures and Section 2 tells our impact performance story.

A critical part of the Authority's enduring strategic framework are our three objectives, which are:

- Effective and efficient security services
- A vibrant aviation system
- Improved sector safety performance.

Our objectives are as much about what we work on, as the way in which we work. Our achievements are outlined on pages 18-23, largely illustrated by case studies.

Improved sector performance requires the Authority to target areas of risk within the aviation system, and work on diminishing those risks. Key to targeting areas of risk are our safety and security focus areas – the particular areas of concern that need to be targeted to improve the safety and security performance of the system. As part of an annual strategic review, the Authority identifies issues that are emerging. This year we identified eight focus areas; we talk about our achievements in these areas in Section 2 and provide progress against our work programme in Appendix 1.

Our work is funded through five output classes shown in our strategic framework. We report on achievements within each output class in the Statements of Performance in Section 4.

The performance story presented in the following pages explains the relationship between why we do it (our impacts and objectives), what we do (our activities) and how we do it (the way we work).



We pick important problems, we fix them or work towards fixing them, and now we tell our story...

1 The transport sector includes the Ministry of Transport, New Zealand Transport Agency, Maritime New Zealand, the Civil Aviation Authority and the Transport Accident Investigation Commission.

Our outcome

Safe and secure skies to help New Zealand fly

Our impacts

Feeling safe

Being safe

1

Building effectiveness and resilience by design

2

Utilising new processes/ systems/ technologies to enable efficient and effective performance of functions

3

Prioritising aviation system risk by being intelligence driven and risk-based

4

Business efficiency by design

5

Customer/ participant centric engagement, interaction and service delivery

6

Targeted engagement to influence the environment in which we operate

Our objectives



Effective and efficient security services



A vibrant aviation system



Improved sector safety performance

Safety and security focus areas*

Our outputs

Policy and regulatory strategy

Outreach

Certification and licensing

Surveillance and investigation

Security service delivery

People

+

Information technology

+

Financials

The way we work

The way we work

Facts & figures

2016/17

NEW SOUTHERN SKY

2.2
million

passengers per annum
better protected by the
roll-out of Performance
Based Navigation (PBN)



4.2
million

kgs per annum less of CO₂
into the atmosphere as a
result of reduced fuel burn
from the roll-out of PBN



SCREENING AND SEARCHES



**13.4 million international
and domestic
passengers screened**



**65,943 proactive
Explosive Detector
Dog Unit searches**

APPLICATION/CERTIFICATION/LICENSING STATS

354

Aviation Related
Concerns investigated



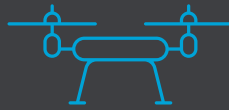
626

audits, inspections and
investigations conducted to
monitor adherence to safety
and security standards

INTERESTING FACTS ABOUT THE AVIATION SYSTEM

303

UAVs (drones) used in certificated operations



9,159

active pilots



AVIATION-RELATED ECONOMIC STATISTICS



\$8 billion

of goods exported by air



KEY DATES FOR THE AUTHORITY

August

First certification in New Zealand under Safety Management Systems (SMS) rules



September

End of the Winter season of air transport night flights in Queenstown



October

Memorandum of Understanding allowing students to be trained in the Authority's flight training syllabus signed with the Vietnam Civil Aviation Authority



May

New Board member, Anna Adams joined



April

The Authority ranked in **TOP 10** for leadership/success in Public Sector Reputation Index

www.colmarbrunton.co.nz/public-sector-reputation-index/

November

A trial delivery of pizza by an Unmanned Aerial Vehicle (UAV) took place



Head office of the Authority evacuated following 7.8 magnitude earthquake



REGISTERED AIRCRAFT UNDER THE AUTHORITY

5,100

Total Aircraft (approx)

39%



are standard category aeroplanes

Refer to Appendix 6 for more information on participants

17%



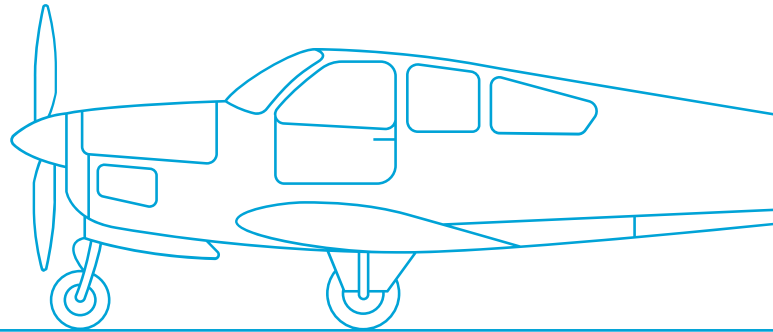
are helicopters

SECTION

2

**Our
achievements
during the year**





We achieve our impacts and objectives by identifying and fixing the important problems in the aviation system. In this section, we provide examples of how we achieved our impacts and used our objectives to direct the work we did in 2016/17.

ACHIEVING OUR IMPACTS IN 2016/17

WHY

Achieving our impacts

Why we focus on our impacts

Our impacts, 'being safe' and 'feeling safe', when achieved, mean aviation participants arrive at their destinations safely and securely, and experience our aviation system positively. There is no single measure that shows if we are achieving our impacts. In Appendix 3 we outline our achievement against a series of impact measures.

WHAT

Our key activities

What we do to achieve our impacts

In this section, we highlight the key activities contributing towards our impacts during 2016/17.

On pages 14-15, the 'Being safe' activities are discussed under the headings of:

- Responding to a complex security environment
- Becoming a more effective regulator
- Paying a fairer share of the costs of safety oversight
- Economic contribution to New Zealand.

On pages 16-17, the 'Feeling safe' activities are discussed under the headings of:

- Our survey
- Unmanned aerial vehicles (UAVs).



Being safe

RESPONDING TO A COMPLEX SECURITY ENVIRONMENT

This year we completed a number of initiatives to move from 'Industrial Screening' to 'Smart Security', included were:

- A refreshed Aviation Security Service leadership team and a new leadership and management model
- In conjunction with facilities improvements at Wellington airport, establishing an efficient centralised screening point
- Expanding the Explosive Detector Dog unit to 33 dog teams including establishing four teams in Queenstown
- Making significant improvements in security processes while moving into a new international terminal in Auckland, including trialling 'smart lanes' with six to be commissioned for use in 2017/18
- Strengthening our continuous improvement processes by examining different aspects of the operation
- Began trialling body scanners (Advanced Imaging Technology).

Looking ahead, we intend to complete the advanced imaging technology trial, implement security management systems (the security equivalent of safety management systems), trial behavioural detection and introduce a new airport identity card issuing-and-information system.

BECOMING A MORE EFFECTIVE REGULATOR

1. Using trends and safety data to identify weakness in the aviation system

The Authority promotes safe and secure skies in New Zealand through a continual systematic assessment of the risks to safety and security in civil aviation. We are continually gathering and analysing domestic and international information from the aviation system to determine what hazards are present now, or potentially in the future, in the civil aviation system. If risks associated with those hazards are identified, we then determine what regulatory interventions we can take to eliminate or mitigate that risk. Much of this work is 'invisible', as it results in an absence of harm which is impossible to measure.

We gather information through mandatory reporting² and receive roughly 7,500 accident and incident³ reports from participants annually. More information about the accidents and incidents is gained through safety investigations which determine what happened and if there are any safety lessons that can be learned. Reported accidents and incidents are continually analysed to determine trends and whether there are any systemic underlying causes. This work assists the Authority to identify potential risks in the system and intervene to reduce as much as possible the likelihood of a similar accident or incident.

One avenue of intelligence for the Authority is the reporting of Aviation Related Concerns (ARCs) by the public, participants and staff. Like accidents and incidents, a number of ARCs are investigated to determine if the concern reported represents a risk to aviation safety. The Authority then determines what regulatory action it may take in response to the identified aviation concern.

2. Challenges created by the introduction of Safety Management Systems (SMS)

The introduction of SMS aims to improve New Zealand's aviation safety performance through formal risk management frameworks and to embed an effective safety culture within aviation organisations. SMS implementation, which began on 1 February 2016 and must be completed no later than 1 February 2021, will affect almost every part of the aviation industry.

SMS is exceptionally challenging both for the aviation system and the Authority's regulatory workforce.

The impact on operators

Changes brought about through SMS will affect operators differently depending on their size, complexity and safety culture. Operators need to monitor their safety performance to ensure the way in which they mitigate risk associated with identified hazards is effective. This should be achievable by most operators, particularly those where leaders are committed to safety. Those that do not meet the requirements of the SMS will find that they cannot carry on in the system.

The impact on the Authority

Performance-based oversight, required as part of SMS, demands skills our staff (who are trained in a compliance-based oversight regime) may not possess. The assessment of whether an operator is taking practical steps to identify hazards and mitigate their associated risk is an entirely different thing to

2 Mandatory under Civil Aviation Rule (CAR) Part 12 - Accidents, Incidents and Statistics.

3 An accident occurs when there is significant damage to an aircraft or significant injury to a person, an incident occurs when there is potential for damage to an aircraft or injury to a person.

assessing whether they comply with a prescriptive rule requirement. We recognise that being a regulator goes beyond just technical knowledge and skills, and is essentially a profession.

Our focus on the 'Regulator as a Professional' programme means that the Authority has made, and will continue to make, a significant investment in training to equip staff to work in the SMS environment.

What we achieved during the current year

We approved SMS implementation plans, certificated organisations against the SMS rule, ran 31 industry workshops and conducted staff training. More than 70 implementation plans were approved, 10 organisations were certificated, and more than 300 participants attended industry workshops around the country.

Planning for the Group 2⁴ participant implementation plans began. These plans are required to be submitted by 30 July 2018. We will continue with the programme of industry workshops to assist this group.

PAYING A FAIRER SHARE OF THE COSTS OF SAFETY OVERSIGHT

By the end of June 2017, we had completed a comprehensive funding review of the way the Authority recovers its costs. It focused rather on re-balancing the sources of the Authority's revenue than on increasing it.

The changes help ensure that aviation participants are paying a fairer share of the costs of safety oversight. Some of the key changes were removing the hourly charge for routine activity for air transport and commercial transport operators and reducing the medical certification application fee. Where operators are found to be non-compliant, follow-up activity will be charged at the existing standard hourly rate.

The changes to safety levies, fees and charges resulting from the funding review took effect from 1 July 2017.

ECONOMIC CONTRIBUTION TO NEW ZEALAND

The safe and secure operation of New Zealand's civil aviation system is vital for a number of social and economic benefits. During 2016/17 these benefits included:

- Connecting New Zealand with the rest of the world – approximately 5.8 million passengers departed New Zealand on international flights

- Connecting people within New Zealand – approximately 11.8 million passengers carried on domestic flights within New Zealand
- Enabling approximately \$8 billion of exports to be flown from New Zealand airports.

During the year we actively influenced the aviation system's contribution to the economy. We provided significant input into international forums in countries such as Australia, China and the United States and at the International Civil Aviation Organization (ICAO), ensuring that New Zealand's interests are reflected in the wider international regulatory environment.

Effective international stakeholder engagement enables the Authority to facilitate progress of New Zealand aviation products and training in offshore markets. Over the past year the Authority has engaged with a number of regulators in this capacity. For example, in December 2016, the final stage of a working agreement between the Authority and the Civil Aviation Administration of China (CAAC) was completed. This agreement establishes the regulatory oversight required to enable the production of Pacific Aerospace Limited 750XL aircraft in China. The agreement, finalised in February 2017, strengthened the existing relationship between the Authority and the CAAC.

In October 2016, the Authority entered into an agreement with the Office of Transport Security (OTS) Australia, for the Aviation Security Service to deliver aviation security screening training for the Papua New Guinea (PNG) aviation system. The agreement is for the development and delivery of an aviation security instructor's course for screeners and trainers. The course, tailored to the PNG aviation security environment, will help develop a pool of suitably qualified PNG screening instructors. The training was completed by June 2017. OTS is also interested in exploring New Zealand's NZQA standards developed in aviation security.

A Memorandum of Understanding was finalised between the Authority and the Civil Aviation Authority Vietnam (CAAV) at the end of December 2016. This allows New Zealand flight training providers to train students in Vietnam using the New Zealand flight training syllabus.

Recognising the vital importance of an effective international aviation security system to New Zealand's economic success, we also contributed personnel from the Authority to chair the ICAO Aviation Security Panel and the ICAO Aviation Security Panel Working Group on Guidance Material. This involvement allows New Zealand to play a significant role in influencing aviation security worldwide.

⁴ Civil Aviation Rule (CAR) Part 115 Adventure Aviation – Certification and Operations; Part 119/135 Air Operators – Certification; Part 137 Agricultural Aircraft Operations; Part 139 Aerodromes – Certification, Operations and Use; Part 141 Aviation Training Organisations – Certification; Part 145 Aircraft Maintenance Organisations – Certification; Part 146 – Aircraft Design Organisations – Certification; Part 147 Maintenance Training Organisations – Certification; Part 148 Aircraft Manufacturing Organisations – Certification.

Feeling safe

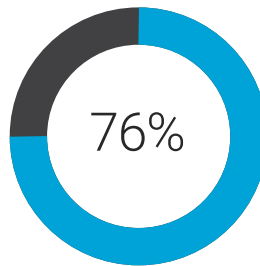
OUR SURVEY

It is important that people in New Zealand and international travellers feel confident that they can fly safely to, from, and within New Zealand. Perceptions are driven by the interactions individuals have either with the Authority or the civil aviation system as a whole, as well as coverage of issues or accidents in the media.

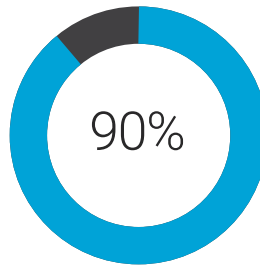
In May 2017, the survey 'Feel Safe' was conducted by Colmar Brunton. This was the fourth survey undertaken since 2011. Results are consistent with those of the last survey conducted in 2014.

When taking all aspects of aviation safety and security in New Zealand into account, the survey noted the majority of travellers feel very safe and secure when flying in New Zealand, including in any adventure and recreational aviation activities they participate in.

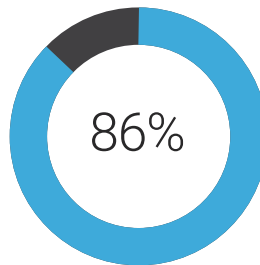
The major results of the survey are depicted in the graphs to the right. New Zealand resident travellers and, in particular, international travellers have widespread confidence in the safety and security of New Zealand aviation. Aviation security in New Zealand is considered effective and world class by three quarters of international travellers surveyed. Pre-flight security checks make the biggest contribution to both New Zealand resident and international travellers' feelings of safety and security – particularly the 'walk through' metal detectors and screening of carry-on luggage.



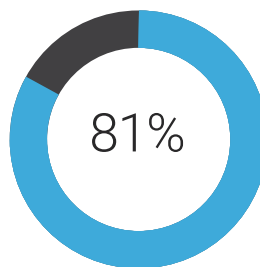
76%
of New Zealand Resident travellers feel extremely or very safe and secure on their most recent domestic or international flight



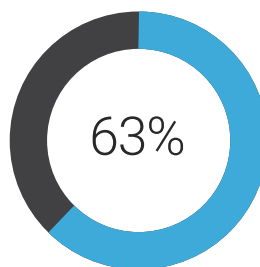
90%
of overseas visitors feel extremely or very safe and secure on domestic or international flights departing from New Zealand



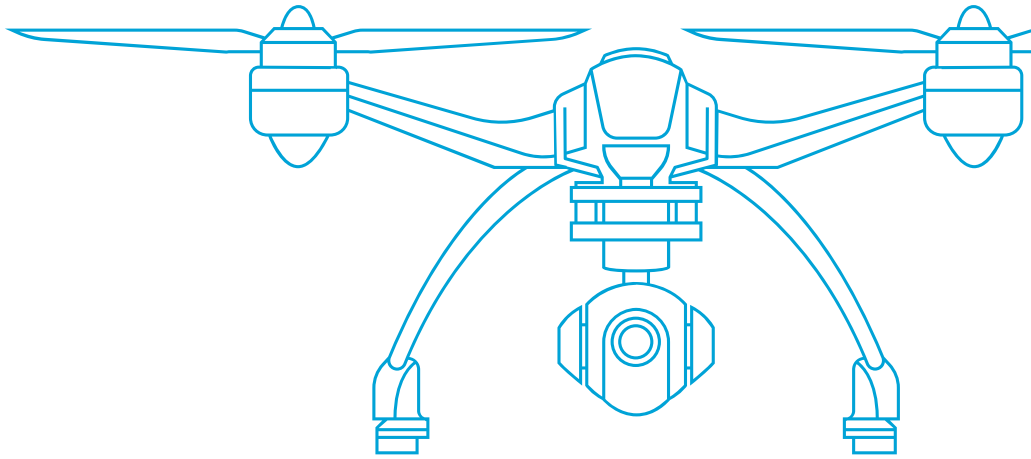
86%
of people flying to overseas destinations from New Zealand feel safe



81%
of people flying on screened domestic routes feel safe



63%
of people flying on non-screened domestic routes feel safe



UNMANNED AERIAL VEHICLES (UAVS) – commonly referred to as drones

UAVs present challenges for the aviation system. In response to data showing a significant increase in reported UAV occurrences⁵ and complaints over the period (2012 (11) to 2016 (199)), in February 2017 the Authority created a new role with a strong emphasis on UAV-related matters. The focus of that new role is on surveillance, certification, and proactive outreach and education with UAV operators.

There is widespread acceptance that UAV use near airports should be regulated, even among those who don't consider them to be particularly risky. This is evidenced by New Zealand resident travellers⁶ expressing safety and invasion of privacy concerns about drones. The Ministry of Transport is leading work on how to fully integrate UAVs and associated technologies into the New Zealand aviation system. The Authority is actively engaged in this work, and is providing technical and analytical support to the Ministry as it progresses this work.

ACHIEVING OUR OBJECTIVES IN 2016/17

WHY

Achieving our impacts

Why we focus on our objectives

- Effective and efficient security services means we are able to effectively identify and mitigate security threats, and passengers and goods are facilitated efficiently through airports
- A vibrant aviation system means the system remains safe while being open to new ideas and concepts
- Improved sector safety performance means the Authority targets areas of risk within the aviation system.

Key to targeting areas of risk to improve the safety and security performance of the system are our safety and security focus areas. Pages 24-25 provides detail against our 2016/17 work programme with further information provided in Appendix 1.

WHAT

Our key activities

What we do to achieve our objectives

We illustrate some key activities through the use of case studies as follows:

- Effective and efficient security services
 - Future 2022 and beyond
 - Processing passengers
- A vibrant aviation system
 - Modernising the air navigation and air space system
 - Safety risk panels
 - Digital initiative
- Improved sector safety performance
 - Sector risk profiling
 - The helicopter sector.

⁵ An 'occurrence' is the umbrella term for an accident, serious incident, immediate hazard to the safety of an aircraft operation, and incident.

⁶ 2017 'Feel Safe' survey.

Objective – efficient and effective security services



FUTURE 2022 AND BEYOND

– keeping current on civil aviation security measures

In response to evolving threats and increasing passenger numbers, the 'Future 2022 and beyond' strategy was developed in 2015/16. As part of that strategy, smart security was identified as an area of focus for the Authority through the 2016/17 year. Smart security is intended to improve security outcomes, improve passenger throughput, and optimise the use of equipment and staff.

Keeping current on civil aviation security measures is critical to smart security. This year we trialled the use of advanced imaging technology—in this case body scanning equipment—to understand the operational effects of introducing this type of technology into New Zealand. "Advanced Imaging Technology (AIT) would take air passenger screening to a new level, beyond the existing screening systems," says Mark Wheeler, General Manager of the Aviation Security Service.

"AIT uses millimetre-wave technology to provide an automatic, electronic means of detecting concealed objects. We need to explore this technology within the next one to two years to ensure that New Zealand is meeting the challenges of the dynamic threat environment, is keeping up with global trends and is continuing to be regarded as an attractive and safe travel destination."

This trial is just one of a number of activities that will roll out over the next three years to support this objective.



PROCESSING PASSENGERS – continuously improving

The Aviation Security Service places a heavy emphasis on continuous improvement, with a national continuous improvement team created to work across its activities to identify opportunities for improvement and act on them.

In 2016/17 the team worked with the Wellington Station to explore opportunities to improve the passenger experience and throughput rate at the north screening point of the terminal. The team worked alongside local staff to alleviate the causes of the queue.

The team focused on the actual processes and practices used at the screening point, resulting in changes to how passengers were processed. This led to less time in queues and more efficient practices by staff. The solution is now being trialled at other airports.

Resulting changes

Queue length reduced by
(longest queue from 116
passengers to 60 in the
trial period)

48%



Queue waiting time reduced by
(longest time in queue from
9.44 minutes to 4.43 minutes in
the trial period)

53%



Belt coverage of the moving
conveyor belt for carry-on bags
leading into the X-ray machine
from 60% to 88%

Objective – a vibrant aviation system



MODERNISING THE AIR NAVIGATION AND AIRSPACE SYSTEM IN NEW ZEALAND

– New Southern Sky

The New Southern Sky (NSS) programme, over a ten-year period (2014-2023), was developed as a way of coordinating work and maximising the benefits of modernising the air navigation and airspace system. The Authority leads this collaborative multi-organisation programme.

The programme is now in Stage 2 (2016-18), with 2016/17 seeing significant changes to the aviation system being implemented. In July 2016, the 'Concept of Operations 2023' was produced, which provided the NSS view of the New Zealand airspace in 2023. A review panel was established and a ground based navigations aid strategy delivered.

The Authority and key stakeholders are involved in a panel reviewing the country's network of ground based navigation aids, which can be used for instrument navigation and are not dependent on GPS. The panel is due to complete its work at the end of 2017.

Identified benefits:

- 2.2 million passengers per annum better protected by the roll out of Performance Based Navigation (PBN)
- 4.2 million kgs per annum less of CO₂ into the atmosphere as a result of reduced fuel burn from the roll-out of PBN

SAFETY RISK PANELS

– continuously improving our interventions

Aligning with our pursuit to be an intelligence driven, risk-based regulator, continuous improvement within the Authority has become part of our culture.

The creation of a safety risk panel within the Authority during 2016/17 is one excellent example of how we continuously improve the effectiveness of our interventions. The job of the panel is to assimilate safety data, identify and analyse risks, and make recommendations for action. This includes choosing a regulatory response appropriate to the situation, which may involve regulatory action, participant action, or a combination of both.

The desired outcome of this approach, is zero accident and harm events. The safety risk panel approach is intended to be fully integrated across the Authority over the next year. In 2017/18 a safety board will be established that will have oversight of all actions and further cement this practice within the Authority.



DIGITAL INITIATIVE

– better tools to make it easier and faster for aviation participants to work with us

The Authority is investing in a refresh of our information and business systems, bringing in technology that digitally enables our organisation and opens the opportunity to work with the aviation operators in new ways.

Over the past year we have implemented a new Enterprise Content Management System (ECMS), InfoHub, bringing all our document based information into one system. The whole Authority now has one place to access and work on documents securely and efficiently.

InfoHub is a unique example of an ECMS project across New Zealand Government. In addition to joining an All-of-Government offering (Open Text's managed ECMS service), we are sharing the platform managed by the New Zealand Transport Agency. Each agency is contributing and sharing resources and effort to improve and develop this platform, and seeing benefits in being able to share technical capability across the agencies.

With InfoHub in place we are now progressing to replace our regulatory work tool, Aviation Safety Management System (ASMS), enabling us to work more digitally.

As we progress, aviation participants will start noticing some changes in the options for interacting with us and in our ability to respond quickly to changing needs. In addition to our constant focus on aviation safety and security, these changes are designed with participants' experience with our services in mind.

Objective – improved sector safety performance



SECTOR RISK PROFILING

– what is it to aviation in New Zealand?

A Sector Risk Profile (SRP) is a collaborative approach to identifying and managing safety risks affecting a particular aviation sector. The objective is improved safety performance within the sector resulting in fewer accidents and harm events.

The SRP approach is based around capturing the knowledge, experience, and perceptions of as many participants as possible from the profiled sector. The resulting inputs are combined with data (such as occurrence trends and international studies) and expressed as a set of risk statements describing that risk. The causes of those risks are determined; preventative and recovery controls are selected to reduce the likelihood of each risk and then actions are agreed to activate the selected controls.

The Authority conducted a Part 121 and 125 SRP focused on large and medium air transport operators, and those participants affecting the safety of these operations, by holding a workshop in March 2017. As part of collaborating with the aviation community, approximately 60 participants from across the sector attended, including international participants from Malaysia, China, Singapore, Australia and the United States of America. A second and final workshop was held in May 2017, again with very good participation from the sector. The information has been collated and a draft report, including proposed safety actions, was distributed in July 2017.

We used the learning from the workshops to develop a robust SRP methodology, and our intention is to examine other aviation sectors in the future based on risk prioritisation. This work is discussed further on page 24 with our reference to safety and security focus areas.



THE HELICOPTER SECTOR

– one of our eight safety and security focus areas

Helicopters are an important part of aviation activity in New Zealand and are used in a variety of roles – from agriculture to tourism and emergency services. There has recently been an unacceptably high accident rate among commercial helicopter operators. In response, the Authority emphasised oversight of helicopter operations through the establishment of ‘the helicopter sector’ safety and security focus area.

This year we engaged in a number of activities relating to the safety performance of the sector. This has included engagement with user groups, industry bodies and other government agencies, training seminars, amendment of guidance material such as Advisory Circulars, and prioritisation of helicopter related issues.

Under the requirements of Safety Management Systems (SMS), helicopter operators have until 31 July 2018 to submit a SMS implementation plan. The Authority will approve the plans and set a SMS certification date. A number of SMS workshops provided throughout the year assisted operators with the introduction of SMS, and these will continue through next year.

The focus on this sector will continue until improved accident rates are achieved.

Our progress in the safety and security focus areas for 2016/17

As part of an annual strategic review, the Authority identifies issues that are emerging in relation to the safety and security performance of the system. Central to this is the annual work programme of our focus areas. Progress made during 2016/17 is provided below, with more detail in Appendix 1.



Loss of control in flight:

Engagement with stakeholders through sector risk profiling (SRP) was central to managing this area.

The SRP conducted in March and May of 2017 (see case study on page 22) allowed us to identify risks precisely and target solutions and interventions appropriately. Understanding causes helps to determine how to measure the impact of our interventions and it allows periodic monitoring.

Two risks relating to loss of control in flight were identified and prioritised through SRP - aircraft upset and unintended flight path deviation. A number of new and/or enhanced controls were selected. The information formed the basis of a draft report, including proposed safety actions, which was distributed in July 2017. The Authority hosted a one-day Flight Path Management seminar in Wellington in March 2017. This was to increase awareness of the challenges associated with automation, the contributing factors to flight path deviations and loss of control in flight events. Information was shared about strategies and methodologies to manage related risks. The seminar was attended by approximately 90 aviation stakeholders including representatives from New Zealand, Australian and foreign air operators. ICAO has produced guidance material for operators regarding aircraft Upset Prevention and Recovery Training (UPRT). The Authority reviewed that guidance material, and is working with New Zealand participants to develop an Advisory Circular to guide air operators and aviation training organisations in the development and implementation of UPRT programmes.



Runway excursions:

Again, SRP was central to managing this focus. A draft report, including proposed safety actions, was distributed in July 2017. The International Air Transport Association (IATA) is leading the 'Runway Safety' initiative which includes reducing runway excursion events. Six safety measures were identified, each with a proposed way of carrying them out.

The Authority is reviewing this work and will incorporate proposed actions in the context of the SRP. Understanding causes will help to determine how to measure the impact of our interventions so that periodic monitoring can occur.



Airborne conflict:

Work progressed on accurately identifying this focus area, determining appropriate measures and developing a strategy to be implemented. Non-aviation system stakeholders, such as local government resource management and planning, were identified.



The helicopter sector:

An outcome from the SRP, the Helicopter Safety Survey and Robinson helicopter initiatives was initial definitions of the risks in the helicopter sector. We then conducted a gap analysis of the effectiveness of current controls and devised a high level risk management strategy. This strategy will be refined and a more detailed mitigation plan developed when the SRP is completed during the 2017/18 year. This is a multi-year programme of work, but at present, the current strategy centres on creating a more positive safety culture through the treatment of the risks identified in the SRP, as well as the implementation of Safety Management Systems (SMS).

Because the SMS transition period for helicopter operators extends to February 2021, efforts will be made to:

- Increase the presence of Authority inspectors in the field
- Focus education around the Health and Safety at Work Act on helicopter operators
- Prioritise, where possible, helicopter operators for SMS implementation dates, SMS education and helicopter-related issue assessments
- Establish safety risk panels to better identify and allocate resources to risk.



Queenstown operations:

We conducted a gap analysis of the effectiveness of current controls, created a stakeholder plan and engaged with stakeholders to precisely define the risks associated with Queenstown operations. Pleasingly, there were no major safety occurrences during the year, and analysis determined that current controls are effective. There were no issues found from spot checks conducted to mitigate the possibility that increased tourist numbers placed pressure on operators. Air transport night operations were introduced at Queenstown in 2016 following a robust certification process. We continue to monitor these operations through spot checks and other surveillance.



Security threat levels and responses:

Development in the international aviation security environment resulted in the Authority reprioritising its focus in this area. Consequently the original programme of work was amended



International air cargo security:

The current state of this focus area was identified and interventions planned to address the issues identified.



Smart security:

This year we changed the following aspects of security to address this focus area:

- Aviation Security Service leadership
- Completed the improvement of a major screening point in Wellington
- Increased the Explosive Detector Dog unit to 33 dog teams including establishing four teams in Queenstown
- Made significant improvements while moving into a new international terminal in Auckland including trialling 'smart lanes' with six to be commissioned for use in 2017/18
- Expanded our covert testing programme
- Began trialling body scanners.

For more information on our current safety and security focus areas see www.caa.govt.nz/assets/legacy/publicinfo/focus_areas_2016-2019.pdf

SECTION

3

Our organisation





HOW

The way we work

As the complexity of the aviation system increases, our regulatory and security roles must rise to the challenge. Our people are at the core of our effectiveness, and we are committed to providing a positive and productive work environment to enable them to excel in their role. In this section, we describe how we support our people to perform in this complex system. This includes developing capability, providing tools, processes and technology that drive improved effectiveness, and ensuring that our employment practices are underpinned by good employer principles.

OUR ORGANISATIONAL HEALTH AND CAPABILITY

To respond effectively to the increasing complexity of the aviation system, our core focus continues to be on being intelligence-led and risk-based. This requires us to actively seek out and use information and data about how the aviation system is performing, and target our efforts where the greatest risks to safety and security exist.

Over the last year, our focus has been on building our regulatory and leadership capability and on deploying our staff in the most effective way to meet the challenges we face. We introduced a number of new learning programmes focused on building core capabilities.

We continue to build a diverse organisation, where the range of skills, experiences and backgrounds of our people strengthen overall performance. Our investment in leadership development through new and expanding programmes helps our leaders to build a positive work environment.

Our quality management systems are evolving, and we improved in these over the last year so they continue to drive improved performance and effectiveness. Our investment in reviewing, assessing, and securing new and emerging technology helps our efforts to improve efficiency and effectiveness. It also ensures our staff have the tools they need to carry out their roles.

We use a range of measures to monitor and assess our overall organisational performance. A sample of these measures are:

- Staff turnover and vacancy rates (see our people on the page 31)
- The quality and efficiency of our core regulatory and security processes and outputs (see Section 4 - Statements of Performance)
- Measures of our financial performance (see Section 5 - Annual Financial Statements).

Our commitment to health and safety is evident in the increased focus on building our health and safety systems over the last year.

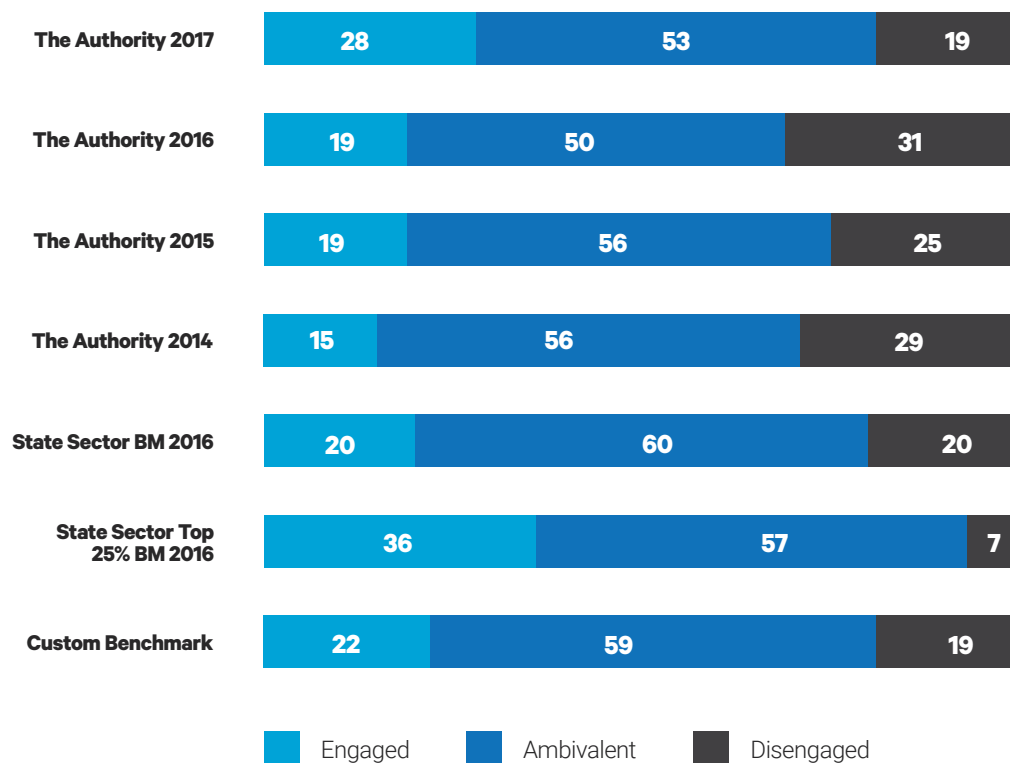
We strive to be an employer of choice, and our employment practices are underpinned by good employer principles. These include a strong focus on:

- Providing a positive and productive work environment
- Good and safe working conditions
- Fair and responsible employment practices
- Valuing diversity.

We place a significant focus on ensuring that all employees have the same access to opportunities, and the chance to perform and progress to their maximum potential. We engage with our staff, and with their representatives, in developing and reviewing our employment policies and practices, and have regular union forums. We regularly review our workplace policies and programmes to make sure they remain effective, appropriate, and reflect good practice.

The Authority's IBM staff engagement survey was carried out in June 2017. The response rate was 72.4%. The trend comparison below shows a steady increase in engagement since 2014, and provides comparisons against the State Sector benchmark in 2016 and the State Sector Top 25% benchmark in 2016.

ENGAGEMENT PROFILE



From 2014-2017 the three main focus areas identified as a result of the engagement survey were:

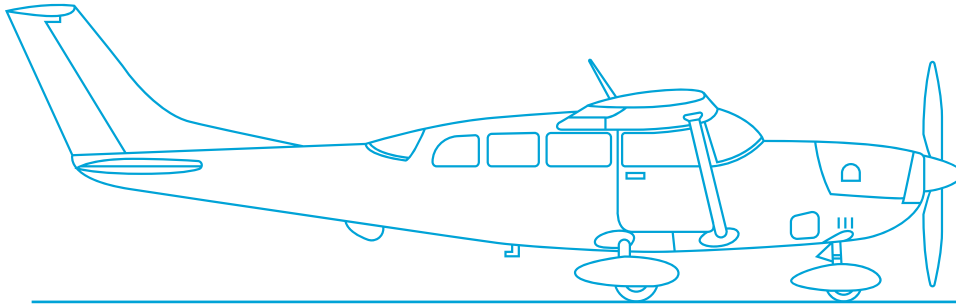
- Treating employees equally and with respect
- Open and honest communication
- Recognising and rewarding achievement.

A number of initiatives were implemented to address these areas aimed at empowering all staff through structure, development and education. Examples are:

- Leadership Development Forums held quarterly and facilitated by senior managers
- Creation of a national rostering centre to improve fair rostering practices

- Frontline management review and restructure in the Aviation Security Service to empower frontline managers
- The Aviation Security Service SmartWay leadership programme to provide the frontline managers with the required skills to be effective
- Creation of the Diversity and Inclusion working group.

Many of these initiatives are ongoing to continue on our engagement improvement journey.



OUR GOOD EMPLOYER PROGRAMME

We comply with the principles of being a good employer, provide safe working conditions, have impartial recruitment and selection processes, and fair employment practices and policies. Below we summarise these and outline our staff profile.

Leadership, accountability and culture

Our core behaviours underpin our recruitment, performance and development systems to ensure all align to support our desired culture. Our leadership induction and development programmes operate at all leadership levels, supporting our leaders to be effective in their roles. We place a particular emphasis on coaching to enable managers to effectively support their staff in the performance of their accountabilities. 'Just culture'⁷ principles are integral to our way of working, both internally and externally. We have a diversity working group to drive our efforts in building a diverse workforce and ensuring our workplace practices are appropriate and fit-for-purpose. We also have a range of active support networks for diversity groups.

Recruitment, selection and induction

Our commitment to building a diverse organisation where difference is valued is evident in our recruitment and selection practices. We aim to attract a diverse workforce with a broad range of skills and experience aligned to our culture and core capabilities. Our selection decisions are based on assessment against core role competencies, utilising gender neutral and non-discriminatory selection methods. Candidates are able to be supported through the selection process by whānau. A regular review of selection results supports our focus

on ensuring our recruitment practices are non-discriminatory. A comprehensive and structured induction programme for every new employee is co-led by the manager and our people and capability team, with regular review and check-in points to ensure it is meeting the employee's needs.

Employee development, promotion and exit

Enhanced learning programmes continue to be rolled out. Our leadership learning frameworks have been developed further, including a comprehensive programme for front-line leaders. We continue to support and encourage staff to develop beyond their core role and take up secondment and promotion opportunities.

Flexibility and work design

We have a range of policies that support flexible working arrangements, including flexible hours, and working from home or alternative locations. We have invested in technology to enable staff in different locations to link and collaborate with colleagues, and staff are helped to identify and act on opportunities to improve work practices. The value of this was clearly demonstrated in the response to the November 2016 earthquake, where a number of our staff worked remotely either at home or from other premises when the head office building was closed for two weeks. We provide active support to staff with family and other obligations.

⁷ One key to the successful implementation of safety regulation is to attain a 'just culture' reporting environment within aviation organisations, regulators and investigation authorities. This effective reporting culture depends on how those organisations handle blame and punishment. Only a very small proportion of human actions that are unsafe are deliberate (e.g. criminal activity, substance abuse, use of controlled substances, reckless non-compliance, sabotage, etc.) and as such deserve sanctions of appropriate severity. A blanket amnesty on all unsafe acts would lack credibility in the eyes of employees and could be seen to oppose natural justice. A 'no-blame' culture per se is therefore neither feasible nor desirable. What is needed is a 'just culture', an atmosphere of trust in which people are encouraged, even rewarded, for providing essential safety-related information – but in which they are also clear about where the line must be drawn between acceptable and unacceptable behaviour.

Remuneration, recognition and conditions

We use an external, independent job evaluation system to size all roles and ensure appropriate internal and external relativity in remuneration ranges. We undertake external benchmarking of our remuneration rates, monetary and non-monetary benefits, and terms and conditions of employment. We utilise a range of formal and informal methods to recognise contribution and performance.

Prevention of harassment and bullying

We have robust and comprehensive anti-harassment policies and procedures and there are clear and well understood paths for employees to raise any concerns. Our code of conduct clearly sets out the standards of behaviour and conduct expected of our people. This is supported by a range of other policies, with a strong emphasis on respect for others, that clearly define acceptable behaviour.

Safe and healthy environment

We have a structured network of engagement forums and committees focused on creating a safe and healthy work environment. These forums operate at a local and national level and provide a strong voice for employees in driving our focus towards this environment. Leaders and employees proactively work together to drive programmes and initiatives. We place a strong emphasis on building a reporting culture to support our efforts. Our staff are supported through an Employee Assistance programme, and are also able to access other specialist support when required.

Equal employment opportunities programme

We are committed to the principles and practices of equal opportunity, and reflect these in our good employer programmes. We will continue to foster a diverse workplace and an inclusive culture. We advertise vacancies internally and externally to ensure we meet our equal employment opportunities obligations. Appointments are based on merit, and all staff are valued and treated equitably and with respect, whatever their gender, ethnicity, social background, sexual orientation, or disability.

Our recruitment processes recognise gender requirements for some security-screening activities.

NEW ZEALAND BUSINESS NUMBER

Under the Ministerial Direction⁸ that came into force in July 2016, all Crown entities are required to report on progress of the implementation of the New Zealand Business Number (NZBN) and plans for the following year. This is provided below.

The Authority is including NZBN requirements in its Information Systems roadmap and is targeting completion by the end of the 2017/18 year.

The systems identified in planned replacements as having NZBN requirements are:

- **Finance system (Finance One)** – We engaged with the vendor (TechnologyOne) in June 2017 on a planned migration to a cloud solution of the current Financial Management Information Systems platform known as TechnologyOne Cloud.
- **Aviation Safety Management System (ASMS) and Airport Identity Card Information System (AICIS)** – Both of these systems are scheduled to be replaced within the next three years, with NZBN requirements incorporated into the replacement solution for each.
- **Regulated Air Cargo Agent System (RACA)** – This system currently has the ability to store NZBN numbers, although no functionality has been developed around the use of NZBN.

In all systems, a specific implementation plan has yet to be developed. This will include options to identify a NZBN entity via its NZBN number and retrieve or verify its relevant primary business data. We are still investigating whether the Civil Aviation Act 1990 needs to be updated to include NZBN as the primary identifier for an organisation when interacting with the Authority.

⁸ The Directions specify four different agency tiers. The full versions of the Directions can be downloaded from www.dpmc.govt.nz/sites/all/files/circulars/coc_16_03_0.pdf or www.mbie.govt.nz/info-services/business/better-for-business/nzbn/document-image-library/signed-s107-ministerial-direction-nzbn.pdf

Our people

Ethnicity

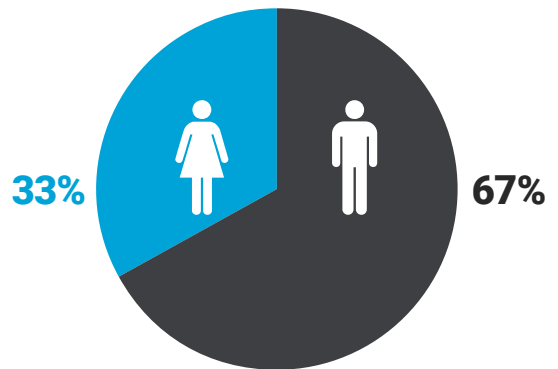
Not reported	869	Maori	23
NZ European	234	Asian	35
Pasifika	21	Other	65



Gender profile



Management gender profile



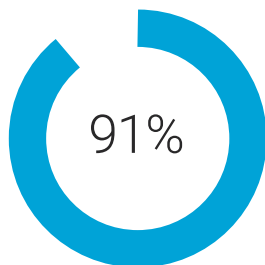
Total staff numbers

1,247 (FTE 1,127)
Head count (including contracts)

Operations/Management

47% Member of collective agreement
53% Individual employment agreements

Kiwisaver enrolments

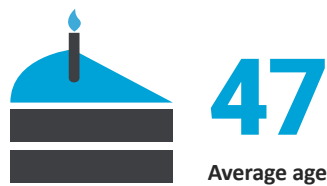


Employment status



Staff turnover

11.13%



The financial results reflect the continued focus by the Board on achieving sustainable funding for the Authority. The Board remains committed to minimising the financial burden on the aviation sector and the travelling public.

Our financial highlights

During 2016/17, the Authority continued its efforts to drive efficiency and improve operational capability through the organisation. This included facilitating increased security screening, increasing staff numbers in response to higher passenger volumes and investing in change to improve performance and the engagement of staff. Progress continues in developing the Authority's strategic capabilities, with investments in screening equipment, business systems and in improving organisational resiliency following the November 2016 Kaikoura earthquake that affected Wellington.

The financial results, summarised in the table at the end of this section, reflect the continued focus by the Board on achieving sustainable funding for the Authority. The results also reflect an environment where revenue is primarily derived from levies and charges paid by airlines on the basis of passengers carried and where passenger volumes are quite volatile.

In 2017, the Authority achieved a surplus of \$0.3 million compared with a budgeted deficit of \$5.2 million. This higher than budgeted surplus is largely driven by variances to budget in the Aviation Security Service, which delivered a \$0.5 million surplus compared to a budgeted deficit of \$4.7 million, while the Regulatory Function's deficit of \$0.2 million was \$0.3 million better than budget.

HIGHLIGHTS OF THE REGULATORY FUNCTION

The 2017 year produced an operating deficit of \$0.2 million that was \$0.3 million more favourable than the budget. This was driven by revenue being \$0.6 million higher than budgeted, largely reflecting:

- Higher than budgeted passenger volumes
- The transfer from the Aviation Security Service of aid funding from the Ministry of Foreign Affairs and Trade to support security services in the Pacific

- Insurance proceeds from a business interruption claim relating to the Kaikoura earthquake in November 2016, which resulted in a temporary inability to access the Authority's National Office in Wellington.

Expenses were \$0.3 million higher than budgeted, primarily a result of:

- Earthquake disruption costs, together with additional expenditure to increase the Authority's resilience to future natural disaster events, particularly to improve the ability of staff to work remotely in the event of business disruption
- Corresponding costs incurred in providing security services in the Pacific, funded by the Ministry of Foreign Affairs and Trade.

The financial result also included the ongoing funding of major regulatory programmes of work, such as:

- The New Southern Sky programme that is fundamentally changing the way airspace and air navigation will be managed in the future, that has wide-ranging financial benefits to the aviation community
- The introduction of Safety Management Systems, which aims to improve the country's aviation safety performance through formal risk management frameworks in every New Zealand aviation organisation, leading to an effective safety culture in each.

The result also includes the completion of a multi-year investment to implement the Authority's new Enterprise Content Management System, and costs relating to making changes arising from the Regulatory Function's Triennial Funding Review (which came into effect on 1 July 2017).

The Regulatory Function incurred lower than budgeted capital expenditure of \$0.3 million, with small savings being achieved on some projects, and for timing reasons, other projects being moved into the 2017/18 financial year.



HIGHLIGHTS OF THE AVIATION SECURITY SERVICE

The 2017 year produced a surplus of \$0.5 million, compared with a budgeted deficit of \$4.7 million. This was driven by favourable revenue of \$10.7 million, partially offset by higher expenditure of \$5.5 million. The improved revenue was achieved primarily as a result of:

- Favourable passenger volumes (particularly international passenger volumes)
- Changes to passenger security charges on 6 December 2016 relating to additional domestic screening activity
- A refund of historic ACC levies following a review of the ACC levy classification applied to employees of the Aviation Security Service
- Additional income from third party services (e.g. 'Last Point of Departure' security screening for United States of America bound flights).

The higher than budgeted level of expenditure was due to many factors, including:

- Cost of performing additional domestic security screening activity
- Cost of security screening the higher than budgeted passenger volumes
- Cost of providing additional third party services
- A provision to recognise historic liabilities in respect of the Aviation Security Service's compliance with the Holidays Act 2003.

Capital expenditure was \$3.6 million above budget for the year, largely due to the costs of buying additional security screening equipment for increased domestic screening activities.

FINANCIAL HEALTH

The Board is comfortable with the progress being made with the financial health of the Authority. The key indicators of this are provided in the table at the end of this section. In July 2017, the Board approved an updated Reserves and Funding policy required by the growth in the Authority's operations, which applies to both the Regulatory Function and Aviation Security Service. This policy defines minimum and maximum levels of working capital cash reserves to manage short term operational requirements and to provide an initial response if operational activity had to change. This reserve is designed to operate within a specified range, expressed as a number of weeks of operating expenditure to accommodate future growth in the Authority. The policy also defines the level of cash reserves that should be maintained at any time in the capital cycle to fund the replacement of assets when they reach the end of their useful lives.

The Board continues to actively manage the Regulatory Function and the Aviation Security Service cash and equity reserve levels. To continue the digital transformation of the Authority to provide more efficient internal and user-centric solutions, there will be significant investment, commencing in 2017/18, to replace the Regulatory Function's legacy core business application. The level of reserves for the Aviation Security Service are also being managed in light of the triennial review of their charges, with recommendations due to be made to the Minister of Transport in 2018/19.

GROUP FINANCIAL RESULT AND ORGANISATION FINANCIAL HEALTH INDICATORS

	REGULATORY FUNCTION 2017		SECURITY SERVICE 2017		GROUP 2017		REGULATORY FUNCTION 2016	SECURITY SERVICE 2016
	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M
COMPREHENSIVE REVENUE AND EXPENSE								
Revenue	44.2	43.6	93.5	82.8	137.4	126.1	41.0	86.1
Expense	44.4	44.1	93.0	87.5	137.1	131.3	40.4	85.8
Surplus / (Deficit)	(0.2)	(0.5)	0.5	(4.7)	0.3	(5.2)	0.6	0.3
Note that Group Revenue and Expense includes inter-entity eliminations of \$0.3m.								
EQUITY								
General funds	11.2	10.1	14.3	11.2	25.5	21.3	11.4	10.9
Property, plant and equipment revaluation reserve	-	-	0.7	0.7	0.7	0.7	-	0.7
Passenger security charges and other fees and charges reserves								
International passenger security charge	-	-	13.1	8.2	13.1	8.2	-	12.0
Domestic passenger security charge	-	-	0.8	-	0.8	-	-	2.2
Other fees and charges	-	-	-	-	-	-	-	-
Sub-total passenger security charges and other fees and charges reserves	-	-	13.9	8.2	13.9	8.2	-	14.2
Total equity	11.2	10.1	28.9	20.1	40.1	30.2	11.4	25.8
LIQUIDITY								
Working capital	9.2	7.4	22.2	12.8	31.4	20.2	8.8	22.6
Bank and investments	10.1	7.5	25.5	12.8	35.6	20.3	9.7	24.9
CAPITAL EXPENDITURE								
Capital expenditure	0.3	0.9	6.4	2.8	6.7	3.7	0.3	3.7
PASSENGER NUMBERS (000'S)								
International	6,335	6,056	6,335	6,056	6,335	6,056	5,773	5,773
Domestic	12,631	12,461	7,059	6,900	12,631	12,461	11,736	6,736

CAPITAL AND ASSET MANAGEMENT

The table below shows comparative actual capital expenditure against budget:

	ACTUAL 2016/17 (\$000)	BUDGET 2016/17 (\$000)	% OF BUDGET SPENT	VARIANCE COMMENT
REGULATORY FUNCTION				
Computer hardware	234	422	55	The purchase of server equipment was delayed due to building consent issues, as was the decision to transition to cloud based technology rather than maintain a server platform.
Computer software	14	252	6	The library management system project was deferred, which impacted on the scheduled replacement of related software.
Plant & equipment	14	10	140	Immaterial.
Furniture & fittings	14	-	-	Immaterial.
Motor vehicles	41	100	41	The scheduled replacement of vehicles is now no longer required.
Leasehold improvements	13	70	19	Gaining the building consent for changes to the computer hardware room in Auckland was delayed.
TOTAL	330	854	39	
SECURITY SERVICE				
Computer software	198	123	161	The purchase of staff management software enduring licences was not budgeted.
Plant & equipment	5,780	2,362	245	Additional security screening equipment was purchased.
Furniture & fittings	3	81	4	Budgeted furniture replacement cost less than the threshold for capitalising.
Motor vehicles	332	205	162	Additional motor vehicles were purchased.
Leasehold improvements	104	79	132	Immaterial.
TOTAL	6,417	2,850	225	

Strong governance is fundamental to achieving our outcome and impacts.

Governance

A key factor to achieving our strategic framework is strong governance, including proactive risk management policies and having a diverse Board.

Strong governance helps ensure our strategy and business plans are developed and approved, our financials reflect our activities and areas of focus, and our performance goals are set to stretch us and are met, while remaining focused on delivering 'Safe and secure skies to help New Zealand fly'.

BOARD APPOINTMENT

The Minister appoints the Board to oversee the Authority's performance, to ensure it performs well, manages risks prudently, and that it is sustainable over the longer term through a well-conceived and well-structured strategy. The rate of remuneration for Board members is set according to the Cabinet Fees Framework and agreed to by the responsible Minister. The Board engages with key stakeholders and takes into account the expectations of the Minister, the Government and the New Zealand public. In May 2017, Anna Adams joined the Board, filling the vacancy created when John Bartlett came to the end of his term. In September 2017, Peter Griffiths resigned. We take this opportunity to acknowledge the valuable contribution made by John and Peter since they joined the Board in 2010 and to welcome Anna.

BOARD COMPOSITION

As at June 2017, the Board was made up of five independent non-executive members. Diverse capability across the Board is vital so our Board is experienced in governance across varied portfolios ranging from central and local government through to commercial operations. They are equally diverse in their skills and experience in business, in such disciplines as accounting, law and delivery of commercial performance.

HOW THE BOARD OPERATES

The Board has statutory functions⁹ in the civil aviation system. It performs eleven functions that direct the operation of the Authority to achieve its outcome.

The Board operates within regulatory frameworks and rules – the Civil Aviation Act 1990, the Crown Entities Act 2004, and the Health and Safety at Work Act 2015. These impose various obligations and statutory financial reporting requirements on the Board.

The Board makes decisions on things that materially affect the Authority's performance. It defines the individual and collective responsibilities of the Board and its committees. Operational responsibility is delegated to the Chief Executive (CE) and the General Manager of the Aviation Security Service, by a formal delegated authority framework. Day to day management is delegated to the CE, the General Manager, Aviation Security Services and the Authority Leadership Team.

COMMITTEES

The Audit, Finance and Risk Committee (AFRC) is composed of all Board members and may include external members. Its role is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the oversight of the Authority's functions. This includes oversight of matters relating to the effectiveness of the Authority's:

- Regulatory functions
- Financial management
- Accounting
- Audit
- Performance reporting
- Risk management.

The committee approves the annual internal assurance plan and provides governance oversight for external audits.

9 www.legislation.govt.nz/act/public/1990/0098/latest/DLM217197.html

Board Profile



FROM LEFT

James (Jim) Boulton / Board Member

Jim Boulton was Chief Executive of Christchurch International Airport Ltd (CIAL) and a Crown appointee to the CIAL board for the previous six years. Jim has been Director, Managing Director and Chairman of several substantial public and private companies and was appointed to the Board of the Authority in 2013.

Anna Adams / Board Member (term started on 1 May 2017)

Anna Adams is a lawyer, partner and chair of the board of law firm Meredith Connell, where she leads the public law and health law team. Anna's legal career has involved public and local government law, regulatory law, judicial review, civil litigation, inquests and criminal prosecution. Anna is a member of the Auckland Medico-Legal Society Committee and the Advisory Council to the Human Rights Lawyers Association.

Nigel Gould / Chair

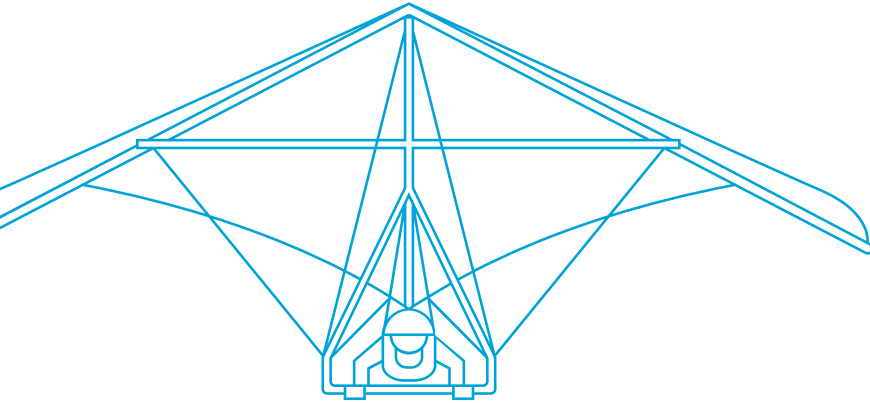
A qualified chartered accountant, Nigel has had a career in finance and establishing businesses in information technology, farming, and more recently, tourism. Nigel holds several governance positions in the private sector, and in 2011 was appointed Chair of the Board of the Authority.

Grant Lilly / Board Member

Grant has had an extensive career in senior roles with Air New Zealand and Qantas Airways. He has a portfolio of governance appointments in central government, local government and corporate entities, and industry associations. Grant was appointed to the Board of the Authority in 2011.

Peter Griffiths / Deputy Chair (resigned 25 September 2017)

Peter Griffiths is a business leader with a particular interest in strategy and the delivery of commercial performance. Peter is a Director for Z Energy Ltd, New Zealand Oil and Gas Ltd and Marsden Maritime Holdings Ltd. Peter was appointed as Deputy Chair of the Board of the Authority in 2010.



Leadership

The Authority is comprised of two operational functions:

- The Regulatory Function (often referred to as the CAA) which regulates New Zealand's civil aviation system; and
- The Aviation Security Service (usually called Avsec), which is jointly responsible with the New Zealand Police for security at security-designated airport and air navigation facilities.

The Chief Executive (CE), who is the Director of Civil Aviation (DCA), and the General Manager (GM) of the Aviation Security Service, have statutory functions, described below.

- The CE is accountable for the exercise of his functions under the Civil Aviation Act 1990, the Crown Entities Act 2004 and the Health and Safety at Work Act 2015. In the position of the DCA, he makes independent decisions in relation to aviation documents, medical certificates, granting exemptions and enforcing rules and regulations.
- The Board delegates responsibility and authority relating to performance of the Aviation Security Service to the GM of the Aviation Security Service.

The Authority Leadership Team (ALT) is made up of senior managers of the Regulatory Function and the Aviation Security Service. It works with the Board to help set the strategic direction for the Authority. This involves what the Authority should look like today and in the future, planning how we will get there and managing the work that will get us there. It manages the Authority's risks, ensures the Authority operates efficiently and effectively, and meets regularly with the Board and by itself.

We are committed to leading our people to achieve the Authority's outcome and objectives.

Authority Leadership Team



FROM LEFT

Tim Bowron

General Manager Corporate Services

Janine Hearn

General Manager Organisational Development

Mark Hughes

Deputy Director Air Transport and Airworthiness

Graham Purver

Executive Group Manager Aviation Security Service

Graeme Harris

Chief Executive (CE) and Director of Civil Aviation (DCA)

Steve Moore

Deputy Director General Aviation

John Sneyd

Chief Legal Counsel

John Kay

Deputy Chief Executive

Chris Ford

Deputy Director Aviation Infrastructure and Personnel

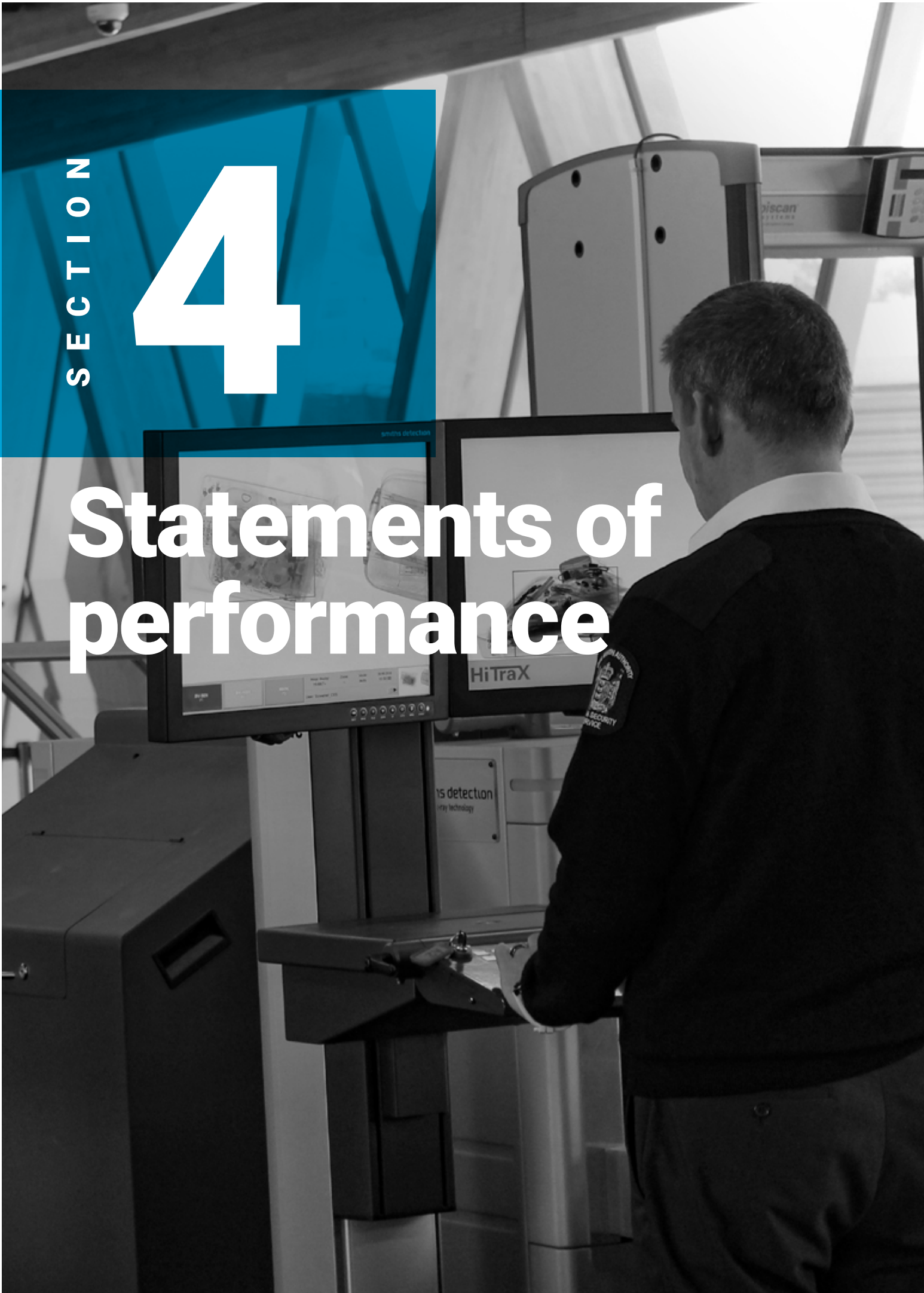
Mark Wheeler

General Manager Aviation Security Service

SECTION

4

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 2017.

Signed on behalf of the Board:

Nigel Gould

Chair of the Civil Aviation
Authority of New Zealand

17 October 2017

Grant Lilly

Board Member of the Civil Aviation
Authority of New Zealand

17 October 2017

Independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of the Civil Aviation 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 Civil Aviation Authority on his behalf.

OPINION

We have audited:

- the financial statements of the Civil Aviation Authority on pages 63 to 93, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies; and
- the performance information of the Civil Aviation Authority on pages 44 to 61 and 102 to 103.

In our opinion:

- the financial statements of the Civil Aviation Authority on pages 63 to 93:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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.
- the performance information on pages 44 to 61 and 102 to 103:
 - presents fairly, in all material respects, the Civil Aviation Authority's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- what has been achieved with the appropriations; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 17 October 2017. 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

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 Civil Aviation 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 Civil Aviation Authority for assessing the Civil Aviation 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 Civil Aviation Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004.

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 Civil Aviation Authority's statement of intent, the estimates of appropriations, and 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 Civil Aviation Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Civil Aviation Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Civil Aviation 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 Civil Aviation 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 5 to 39, 94 to 101, and 104 to 117, 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 Civil Aviation 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Kelly Rushton

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand



Our performance during 2016/17

Performance measures contained in the Authority's Statement of Performance Expectations 1 July 2016 – 30 June 2017 are divided into the following five output classes:

OUTPUT CLASS 1 – Policy and Regulatory Strategy

OUTPUT CLASS 2 – Outreach

OUTPUT CLASS 3 – Certification & Licensing

OUTPUT CLASS 4 – Surveillance & Investigation

OUTPUT CLASS 5 – Security Service Delivery

To comply with our responsibilities under the Public Finance Act, the activities funded through the Crown from Vote Transport and how performance is measured from the Information Supporting the Estimates for each activity is indicated within the appropriate outputs and denoted by an asterisk*. The associated funding is disclosed in the relevant output class financials.

The funding for International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), and Health and Safety in Employment Activities (delivered within Output Class 4: Surveillance and Investigation) is provided under the Vote Transport multi-category appropriation – 'Policy Advice and Related Outputs'.

This multi-class appropriation is intended to achieve a safe and secure airspace environment through the implementation and maintenance of rules and regulations and the management of risk for all aviation activities.

Crown funding is also provided through the Maritime Port Security appropriation. This appropriation is intended to achieve preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers. This activity is delivered under Output Class 5: Security Service Delivery.

OUTPUT CLASS 1



Policy and Regulatory Strategy

- Develops options and solutions for specific issues with the aviation regulatory system;
- Proactively identifies emerging issues for aviation;
- Delivers major policy and regulatory projects;
- Strategically coordinates Authority engagement in the international aviation system;
- Delivers Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials; and
- Develops and maintains linkages internally, across government, internationally and within industry.

CATEGORY	WHAT IS INTENDED TO BE ACHIEVED?	HOW DOES THIS CONTRIBUTE TO OUR OBJECTIVES?
1.1 International Relations and International Civil Aviation Organization Obligations ¹⁰	Administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport.	Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our objectives "Improved sector safety performance" and "A vibrant aviation system". This contributes to reducing trade and market barriers.
1.2 Ministerial Servicing – Civil Aviation	The effective delivery of support to executive government and parliamentary processes.	The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all three objectives in our strategic framework.
1.3 Policy Advice – Civil Aviation	A high level of safety and security standards within the New Zealand civil aviation system.	Through robust analysis and decision making, this output directly contributes to our objectives of "Improved sector safety performance" and "A vibrant aviation system".
1.4 System Level Design and Intervention	An effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.	The proactive identification of emerging issues within the civil aviation environment allows us to develop minimum safety and security standards for aviation participants that directly contribute to all three of the objectives defined in the Authority's strategic framework.
1.5 Rules and Standards Development	Timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.	A robust and fit for purpose regulatory structure directly contributes to all three of the objectives defined in the Authority's strategic framework.
1.6 Pacific Support	Provision of support for our Pacific region neighbours to improve regional air safety and security.	Our objectives of "Improved sector safety performance" and "A vibrant aviation system" are demonstrated through our role as a regional leader and safety promoter to the Pacific States.

¹⁰ The Authority administers New Zealand's international civil aviation obligations and interests as delegated by the Minister of Transport. For example, coordinating New Zealand input into international conferences and meetings, managing the flow of incoming International Civil Aviation Organization State letters and coordination of technical aviation agreements with other countries.

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
1.1 International Relations and International Civil Aviation Organization Obligations					
Quality: * International engagement is undertaken that meets the objectives of the Civil Aviation Authority International Engagement Strategy	* 100% of objectives met	* 100% of objectives met	✓	* 100% of objectives met	
International Civil Aviation Organization (ICAO) compliance:					
Timeliness: Respond to incoming ICAO State letters by due date as set by ICAO	94%	100%	✗	94%	(a)
Maintain the currency of the Electronic Filing of Differences in accordance with ICAO timeframes	100%	100%	✓	100%	
Quality: Facilitate the planned safety audit of New Zealand by ICAO for the 2016 year resulting in compliance to at least the average of OECD countries or better	Met	The ICAO safety audit results in compliance for New Zealand to at least the average of the OECD countries or better.	✓	N/A (safety audit scheduled for Dec 2016)	(b)
Significant Safety Concerns raised by ICAO	Nil	Nil	✓	Nil	
* ICAO coordinated validation mission carried out as a result of a significant safety concern	* Nil	* Nil	✓	* Nil	
International engagement is undertaken that meets New Zealand's role and obligations as a member state of the ICAO. Participation on ICAO regional and global fora with demonstrated contribution to outcomes of those fora	Achieved	Achieved	✓	New measure	
1.2 Ministerial Servicing – Civil Aviation					
Quality: * Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by bi-annual survey) based on a scale of "exceeded expectations", "met expectations" or "requires improvement"	* Met expectations	* Met expectations	✓	* 95% of papers met expectations	
Quality and timeliness: Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system	95%	100%	✗	95%	(c)

VARIANCE COMMENT

- (a) 15 out of 16 met the due date, with one deadline being missed in December 2016 due to the closure of the head office building caused by the November 2016 earthquake.
- (b) New Zealand Effective Implementation (EI) score is 84.86 compared to OECD average of 84.24, therefore the target was met. Facilitation of the planned audit is incidental to the result. Refer to Appendix 7 for detail.
- (c) The Minister's office returned some responses for refinement which resulted in occasionally not meeting the prescribed timeframes.

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
1.3 Policy Advice – Civil Aviation					
Quality: * Percentage of policy papers that meet the standards set out in the Authority's policy development procedures i.e. quality and timeliness of deliverables (assessed by annual independent audit)	* 100%	* 95%	✓	* 100%	
Timeliness: All policy projects prioritised for delivery by the Issue Review Panel (in accordance with the prioritisation procedures agreed by the panel) are delivered against objectives and timeframes specified in the respective project plans.	100%	100%	✓	100%	
1.4 System Level Design and Intervention					
Quality: Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross government	Significant emerging issues that directly impact the civil aviation environment were proactively briefed to the Minister of Transport inclusive of mitigating strategies	Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies	✓	Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies	
All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures	100%	100%	✓	100%	
Quality and timeliness: Complete an analysis of the civil aviation regulatory framework following the changes to the Civil Aviation Act and the move to a risk based approach to regulation (subject to progress of Act review)	Not achieved	Analysis completed by 30 June 2017 (subject to the extent of impact of changes)	✗	Civil Aviation Act review led by the Ministry of Transport is still in progress	(d)
1.5 Rules and Standards Development					
Quantity: Number of rules under development agreed between the Authority and the Ministry of Transport	7	6-10	✓	12	(e)
Number of Rules completed agreed between the Authority and the Ministry of Transport	1	3-5	✗	6	(f)
Quality and timeliness: Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook)	100%	100%	✓	100%	

VARIANCE COMMENT

(d) Civil Aviation Reform Bill not yet completed to enable analysis of changes.

(e) Refer to Appendix 4 for detail.

(f) The Authority and the Ministry of Transport originally agreed capacity for 3-5 rule projects in 2016/17. Constraints throughout the year resulted in the delivery of 1 project.

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
1.6 Pacific Support					
Timeliness: Action plan for each state developed and delivered according to the timetable agreed with each state	Achieved	Delivered according to timetable	✓	Delivered according to timetable	
Quality: Improvement in aviation safety and security outcomes in the Pacific as evidenced by an increased level of compliance with the ICAO eight critical elements of oversight system for safety and security (particularly resolution of safety concerns) ¹¹	Achieved	Improved level of compliance with ICAO eight critical elements	✓	Funding approved through 2016-18 to achieve improved levels of compliance with the ICAO eight critical elements. The level of improvement will be demonstrated through the results of the ICAO State Audits. The timing of the audits is at ICAO discretion.	
New systems and processes established and used as a result of training	Achieved	Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided	✓	Training on continuous monitoring audit processes and systems commenced in Dec 2015	
Increased industry satisfaction and willingness to engage in the Pacific	Not achieved	Survey results reflect industry satisfaction and willingness to engage in the Pacific	✗	Independent assessor currently undertaking survey across Pacific. Results due for evaluation by Dec 2016	(g)

VARIANCE COMMENT

(g) The World Bank did not undertake the planned survey.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2017

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 1: Policy and Regulatory Strategy				
* Crown funding (Vote Transport: Policy advice)	1,779	1,780	(1)	1,779
Ministry of Transport contract revenue (rules development & Pacific)	2,051	1,874	177	1,353
Levies	1,530	1,723	(193)	1,348
Fees and charges	85	-	85	45
Other revenue	-	-	-	-
Revenue	5,445	5,377	68	4,525
Expense	(5,445)	(5,377)	(68)	(4,525)
Net Surplus/(Deficit)	-	-	-	-

¹¹ ICAO has identified and defined the following critical elements of a State's safety oversight system: CE-1 Primary aviation legislation, CE-2 Specific operating regulations, CE-3 State civil aviation system and safety oversight functions, CE-4 Technical personnel qualification and training, CE-5 Technical guidance, tools and the provision of safety-critical information, CE-6 Licensing, certification, authorization and approval obligations, CE-7 Surveillance obligations and, CE-8 Resolution of safety concerns. Definitions of each of the critical areas can be found at www.icao.int/Security/USAP/Pages?The-Critical-Elements.aspx

OUTPUT CLASS 2



Outreach

- Fosters and promotes safety and security across the civil aviation sector;
- Fosters and promotes health and safety in employment within the bounds of the Authority delegation;
- Raises public awareness on transport of dangerous goods by air.

CATEGORY	WHAT IS INTENDED TO BE ACHIEVED?	HOW DOES THIS CONTRIBUTE TO OUR OBJECTIVES?
2.1 Outreach	Increased understanding and knowledge of aviation safety amongst participants and the public.	People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes on risk identification and management. This directly contributes to all three of our objectives defined in our strategic framework.

HIGHLIGHT

All targets for the year achieved

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
Reports and Publications					
Quantity: Number of standard publications released including safety summary reports, aviation safety reports, Vector magazines and other targeted publications ¹²	6 Vector magazines 30 other publications	12-18	✓	6 Vector Magazines 33 other publications	
Timeliness: Percentage of reports and publications that are produced in accordance with the Authority's procedures	100%	100%	✓	100%	
Education					
Quantity: Number of educational units (seminars, workshops and courses) delivered to 30 June 2017	31 AvKiwi 5 Maintenance Controller Courses 4 Aviation Safety Coordinator Courses	20-30	✓	32 AvKiwi Seminars 6 Maintenance Controller Courses 3 Aviation Coordinator Courses	
Quality: Percentage of educational units that are:					
• delivered in accordance with the schedule published on the Civil Aviation Authority website; and	100%	100%	✓	100%	
• rated by participants as a 3 or higher in their overall rating of the seminar and the benefit provided	100%	100%	✓	100%	

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2017

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 2: Outreach				
Levies	5,252	4,892	360	4,748
Fees and charges	-	-	-	-
Other revenue	116	33	83	115
Revenue	5,368	4,925	443	4,863
Expense	(5,399)	(4,981)	(418)	(4,751)
Net Surplus/(Deficit)	(31)	(56)	25	112

¹² Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report

Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report

Vector Magazine: Authority Internal Procedure

OUTPUT CLASS 3



Certification and licensing

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

CATEGORY	WHAT IS INTENDED TO BE ACHIEVED?	HOW DOES THIS CONTRIBUTE TO OUR OBJECTIVES?
3.1 Certification and licensing	Robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.	The robust assessment and certification of participants in the civil aviation system ensures we meet our objective of "Improved sector safety performance".

HIGHLIGHT

Demonstrated continuous improvement
of our regulatory function

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
3.1 Certification and Licensing					
Quality:					
Number of certifications carried out (demand driven volumes provided for contextual information):					
• Organisation	1,111	1,200 -1,600	✗	1,063	(h)
• Aircraft	765	930 - 1,130	✗	755	
• Service providers	90	35-45	✓	57	
Number of licensing procedures carried out	6,254	5,000-7,000	✓	5,886	
Quality and effectiveness:					
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the ROR policy ¹³)	Met	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified	✓	Met	(i)

VARIANCE COMMENT

- (h) Lower than target range figures are a result of certification activity being demand driven and depends on the number of applications submitted by industry.
- (i) Refer to the ROR summary on pages 61-62

**FINANCIAL PERFORMANCE OF OUTPUT CLASSES
(STATEMENT OF SERVICE PERFORMANCE)**

For the year ended 30 June 2017

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 3: Certification and licensing				
Levies	14,650	13,980	670	13,048
Fees and charges	6,490	6,881	(391)	6,605
Other revenue	466	143	323	478
Revenue	21,606	21,004	602	20,131
Expense	(21,733)	(21,161)	(572)	(19,668)
Net Surplus/(Deficit)	(127)	(157)	30	463

13 The ROR Policy includes three components of assessment – PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.

OUTPUT CLASS 4



Surveillance and investigation

- Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- Conducts inspections, audits and investigations under the Health and Safety at Work Act 2015;
- Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk;
- Takes appropriate regulatory intervention under the Civil Aviation Act 1990 to hold participants to account where necessary.

CATEGORY	WHAT IS INTENDED TO BE ACHIEVED?	HOW DOES THIS CONTRIBUTE TO OUR OBJECTIVES?
4.1 Surveillance and investigation	Continued assurance that the civil aviation system in New Zealand is safe and secure.	People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of “Improved sector safety performance” and “Effective and efficient security services”.

HIGHLIGHT

Regulatory investigations assessed independently and found fit for purpose

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
4.1 Surveillance and investigation					
*Health and Safety at Work Act 2015					
Quantity: Number of health and safety in employment investigations, audits and inspections	9	16	✗	25	(j)
Percentage of occurrences investigated or reviewed where notifiable injury or illness is as per section 23 of the Health and Safety at Work Act 2015	100%	100%	✓	New measure	
Percentage of occurrences investigated or reviewed where notifiable incident is as per section 24 of the Health and Safety at Work Act 2015	100%	75%	✓	New measure	
Percentage of occurrences investigated or reviewed where minor = an isolated occurrence or deficiency not indicative of a significant system problem, including minor Hazardous Substances and New Organisms incidents	100%	30%	✓	New measure	
Quantity and timeliness: Percentage of audit and inspection reports completed and dispatched within 30 days after the date of the exit meeting	100%	100%	✓	New measure	
Percentage of Health and Safety at Work follow up actions to be completed within 10 weeks of the exit meeting date	100%	100%	✓	New measure	
Civil Aviation Act 1990					
Quantity: Number of audits and inspections	586	630-750	✗	631	(k)
Number of Safety investigations (demand driven)	309	300 - 390	✓	282	
Number of Enforcement investigations	41	20-40	✓	39	
Number of Aviation Related Concerns (ARC) investigations	354	400-460	✗	317	(l)
Percentage of occurrences investigated or reviewed (based on the historical averages of the occurrences investigated). The aim of the safety Investigation team is to investigate all critical and major occurrences and minor where benefit would be derived from the investigation.	52%	>50% are classified as Minor	✓	62%	(m)
	40%	>35% are classified as Major	✓	29%	
	8%	>15% are classified as Critical	✗	9%	
Number of Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document)	4	5-10	✗	6	(n)

VARIANCE COMMENT

- (j) This measure is the number of audits, inspections and investigations closed. There are a further 27 investigations, conducted in 2016/17 that are substantially (>75%) complete. Low completion numbers reflects resourcing burden of recruitment and training of new staff.
- (k) Audits and inspections are risk-based. The Authority carried a number of vacancies in the units responsible for these activities during the 2016/17 year. This meant only high risk activities were prioritised for auditing.
- (l) 2016/17 saw an increase in ARCs and occurrences raised compared to 2015/16. Some open Work Requests which had been completed were not closed off in time before the end of the financial year.
- (m) Given that only 0.74% of occurrences were critical this year, achieving the >15% target is unrealistic. In addition to the low number of critical events that occurred in 2016/17, the most serious of critical events are investigated by TAIC and not the Authority. This further decreases the number of critical events investigated by the Authority.
- (n) Section 15As are demand driven.

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
Civil Aviation Act 1990 continued					
Number of hours spent on targeted safety analysis reporting by sector:					
Airline Sector	1,535	2,000	✗	1,436	(o)
Helicopter and agricultural	1,304	1,500	✗	1,115	
Other	1,384	1,500	✗	801	
Quality and effectiveness: Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the ROR policy ¹⁴) This applies directly to: • Aviation Related Concerns (ARC) inspections and investigations • Safety and regulatory investigations	Met	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified	✓	New Measure	(p)
Quality and timeliness: Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines	100%	100%	✓	Met	
Percentage of safety investigations that are assessed externally (by a third party), as meeting the Safety and Investigations Unit Business Plan time scales and are based on defensible and justifiable reasons aligned with the Authority's strategic framework and Regulatory Operating Model (based on a quarterly assessment of progress against the ROR Policy ¹⁴)	0%	100%	✗	Met	(q)
Percentage of regulatory investigations that are independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model	100%	100%	✓	Met	

VARIANCE COMMENT

- (o) Actual resource dedicated to this activity for 2016/17 was lower than expected when the target was set. The target for next year has been adjusted downwards to reflect this current level of resourcing.
- (p) Refer to the ROR summary on page 60-61.
- (q) While the Authority met the second part of this performance measure, the safety investigations completed have not been externally assessed due to an internal process of priority for the Authority. This has been addressed in the 2017/18 Statement of Performance Expectations.

**FINANCIAL PERFORMANCE OF OUTPUT CLASSES
(STATEMENT OF SERVICE PERFORMANCE)**

For the year ended 30 June 2017

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 4: Surveillance and investigation				
* Crown funding (Vote Transport: Health and safety in employment)	1,610	1,610	-	908
Levies	8,669	8,688	(19)	8,678
Fees and charges	1,207	1,703	(496)	1,699
Other revenue	252	298	(46)	280
Revenue	11,738	12,299	(561)	11,565
Expense	(11,771)	(12,584)	813	(11,488)
Net Surplus/(Deficit)	(33)	(285)	252	77

14 The ROR Policy includes three components of assessment – PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.

OUTPUT CLASS 5



Screening activity

- Screens all passengers and their carry-on baggage at security designated airports;
- Screens all hold baggage on departing international flights;
- Screens airport workers with access to enhanced security areas at international airports;
- Manages the issue of airport identity cards;
- Conducts perimeter patrols at security designated aerodromes and navigation facilities;
- Maintains preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.

CATEGORY	WHAT IS INTENDED TO BE ACHIEVED?	HOW DOES THIS CONTRIBUTE TO OUR OBJECTIVES?
5.1 Screening activity	Keeping passengers and people on the ground safe from a security threat.	By meeting our objective of “effective and efficient security services” we ensure that threats and risks don’t materialise, or are resolved as quickly and unobtrusively as possible. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.
5.2 Audit performance; access control; Maritime security services	Compliance of security screening to the standards required for airside and maritime security.	High standards maintained in the delivery of security services directly contributes to our objective of “Effective and efficient security services”.

HIGHLIGHT

Targets achieved for average passenger wait time while achieving quality standards for optimal screening

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
5.1 Screening activity					
Quality and Timeliness:	2	Nil	✗	2	(r)
Number of flight delays attributable to screening activities (due to security system failure) ¹⁵					
Average passenger wait times at international departure screening points for operational efficiency and customer satisfaction	Met (2 min 23 sec)	≤ 3 mins	✓	Met (2 mins 29 secs)	
Average passenger wait times at domestic departure screening points for operational efficiency and customer satisfaction	Met (1 min 47 sec)	≤ 3 mins	✓	Met (1 min 40 secs)	
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure) ¹⁵	Met (1.397 items per million screened) ¹⁶	< 3.4 items per million screened	✓	Met (.965 items per million screened)	
Number of verified dangerous goods discovered post screening points (due to security system failure) ¹⁵	Met (.277 items per million screened) ¹⁶	< 3.4 items per million screened	✓	Met (.052 per million screened)	
Number of substantiated complaints against security officers involved in the screening function	Not met (57 substantiated complaints: 1.072 per 250,000 passengers screened)	No more than 1 per 250,000 passengers screened	✗	Met (8 substantiated complaints made, with 12,500,968 passengers screened)	(s)
Quantity:					
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:					
Metro-domestic airports (Auckland, Wellington, Christchurch)	Met (78.28%)	>67.5%	✓	Met (75.86%)	
Metro international airports (Auckland, Wellington, Christchurch)	Not met (60.33%)	>64%	✗	Not met (61.97%)	(t)
Regional combined (domestic and international airports) (Queenstown and Dunedin)	Not met (57.15%)	>57.5%	✗	Met (61.46%)	(u)
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus) ¹⁷	Met (8.2%)	<12% rostering surplus	✓	Met (9.4%)	

VARIANCE COMMENT

- (r) Two security breaches occurred that the Aviation Security Service responded to. To ensure security was not compromised, contingency plans implemented meant additional measures were required to re-secure the area.
- (s) A change to the way screening was done during the year resulted in a rise in complaints due to passengers being unaware of the impact of the changes.
- (t) Close to the target set for the year.
- (u) Close to the target set for the year.

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

16 Result calculated using screening baggage data that was available at the time of producing the report. Due to a change in technology some data has been corrupted and averages have been used. If additional baggage data is made available, the number of verified system failures will decrease.

17 Rostering surplus is the percentage of time that operational staff is deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.

	ACTUAL 2016/17	TARGET 2016/17	ACHIEVED	ACTUAL 2015/16	NOTES
5.2 Audit performance; access control; Maritime security services					
Quality:	98%	100%	✗	92%	(v)
Audit Performance: Percentage of any audit findings cleared within the specified timeframes					
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit	3	Nil	✗	6	(w)
Access Control: Number of corrective action requests pertaining to access control issued by the Regulator	Nil	Nil	✓	2	
* Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support	Nil	Nil	✓	Nil	

VARIANCE COMMENT

(v) One finding went past its due date as the need to actively manage it was not clearly understood.

(w) Relates to a failure to follow required procedures, which on these occasions did not present a high risk situation.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES (STATEMENT OF SERVICE PERFORMANCE)

For the year ended 30 June 2017

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
SECURITY SERVICE				
Cost to deliver output class 5: Security service delivery				
Contracted services	4,548	4,024	524	4,499
Passenger security charges	86,427	77,588	8,839	80,089
* Crown Funding - (Vote Transport: Maritime Port Security Service)	145	145	-	145
Other revenue	2,405	1,047	1,358	1,325
Revenue	93,525	82,804	10,721	86,058
Expense	(93,068)	(87,494)	(5,574)	(85,791)
Net Surplus/(Deficit)	457	(4,690)	5,147	267

Financial performance of output classes

	2017 ACTUAL \$000	2017 BUDGET \$000	2017 VARIANCE \$000	2016 ACTUAL \$000
COST TO DELIVER OUTPUTS				
Output Class Financials:				
Policy and regulatory strategy	(5,445)	(5,377)	(68)	(4,525)
Outreach	(5,399)	(4,981)	(418)	(4,751)
Certification and licensing	(21,733)	(21,161)	(572)	(19,668)
Surveillance and investigation	(11,771)	(12,584)	813	(11,488)
Regulatory Function delivery total	(44,348)	(44,103)	(245)	(40,432)
Security Service delivery	(93,068)	(87,494)	(5,574)	(85,791)
Security Service delivery total	(93,068)	(87,494)	(5,574)	(85,791)

OUTPUT CLASSES FINANCIAL COMMENTARY

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. The eliminations, which have been included in the Financial Statements, include inter-entity rent and audit work conducted by the Regulatory Function for the Security Service amounting to \$253,000 (2016: \$289,000).



Regulatory Oversight Review – annual summary

The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating the Authority's regulatory function and is used as a quality and effectiveness measures across Output Classes 3 and 4.

The three components of assessment are:

1. PDCA (plan, do, check and act) process¹⁸
2. Internal assurance reviews¹⁹
3. Intervention effectiveness measurement²⁰

This year there were 103 PDCA reviews, one internal assurance review and two intervention effectiveness measurement reviews.

ACTIVITY	NUMBER OF PDCAS COMPLETED	% OF TOTAL PDCAS COMPLETED
Surveillance	33	32
Certification	46	44
Licensing	1	1
Investigation	7	7
Other	16	16
Total	103	100

An internal audit of the PDCA process was carried out. The audit report noted that "The PDCA process has established a solid foundation to guide continuous improvement across the Authority that is impactful and value driven".

The 103 PDCA reviews conducted covered a range of certification, surveillance and investigation activities plus other activities addressing, for example, information management, exemptions, airspace, and aviation events. The number of PDCAs completed is shown below and the percentage of total PDCAs is provided.

The internal assurance review looked at Part 102 Remotely Piloted Aircraft Systems activity and identified two key areas for improvement in qualitative risk assessments and increasing the capacity of the Authority's resource in this area. Both are being addressed.

The two intervention effectiveness reviews noted the sound capability of the resources used in the interventions. However, there was a lack of clear definition of the requirements for the intervention, how intervention performance should be measured and whether or not any significant improvement in safety performance can be attributed to the intervention.

¹⁸ A critical assessment to the overall execution of activities at an operational unit level through self-review assessing against procedural elements, principles of good regulation, risk management and the behaviours expected of a professional regulator

¹⁹ Includes internal regulatory-focused systems-based reviews conducted independently of operational units

²⁰ Measures how well selected interventions achieve their goals based on an assessment of the intent, capability and results associated with an intervention

Findings of the reviews

Several opportunities for improvement were identified as a result of the ROR programme and in many cases have been or are being implemented. Findings of the PDCA process are summarised in the table below.

ASPECT OF THE REVIEW	FINDINGS
The way we work	<ul style="list-style-type: none"> • use of cross-functional resources • more effective use of enforcement and operational resources
Resource capability	<ul style="list-style-type: none"> • professional approach of staff and their ability to interact constructively with aviation industry participants • improvements in the areas of critical thinking and the adoption of a risk-based approach
Process/procedure/application	<ul style="list-style-type: none"> • processes and procedures were generally followed • a number of new processes were developed and assessed
Document management	<ul style="list-style-type: none"> • the standard of documentation was generally satisfactory
Timeliness	<ul style="list-style-type: none"> • activities reviewed were completed in a timely manner
Disruption due to the kaikoura earthquake	<ul style="list-style-type: none"> • created disruption to normal business activities (staff worked remotely and normal business and communication systems not always available, including access to hard-copy files, manuals, printers etc.) • staff displayed initiative and flexibility to enable certification and surveillance activities to continue in a safe and timely manner
Improvement opportunities	<ul style="list-style-type: none"> • The new Enterprise Content Management System (Infohub) was implemented during this reporting period – there were some issues in locating documents during the transition to the new system but it is anticipated these events will be minimised in the next reporting period. • Assessors are becoming increasingly critical in their assessments and continue to highlight areas for improvement, often resulting in coaching of individual staff rather than a change to the process itself. • The benefits of the improvement opportunities (the new Infohub system, Regulatory Craft and Safety Management Systems training) have been apparent. • The Regulatory Oversight Review also highlighted new opportunities for improvement at system, process, unit and individual levels. A significant number of these opportunities have been, or are being, implemented.

SECTION

5

Annual financial statements



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2017

	NOTE	2017 ACTUAL \$000	2017 BUDGET \$000	2016 ACTUAL \$000
REVENUE				
Levies revenue	2	30,101	29,283	27,823
Passenger security charges	2	86,427	77,588	80,089
Revenue from other services	2	12,252	12,356	12,786
Crown funding revenue	3	3,534	3,535	2,832
Ministry contract revenue	3	2,064	2,072	1,514
Other revenue	4	3,051	1,323	1,809
Total revenue		137,429	126,157	126,853
EXPENSE				
Personnel costs	5	106,419	100,960	97,822
Depreciation and amortisation expense	12,13	3,850	4,141	3,543
Finance costs	6	152	174	181
Other expenses	7	26,742	26,070	24,388
Total expenses		137,163	131,345	125,934
Net Surplus/(Deficit)		266	(5,188)	919
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		266	(5,188)	919

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTE	2017 ACTUAL \$000	2017 BUDGET \$000	2016 ACTUAL \$000
ASSETS				
Current Assets				
Cash and cash equivalents	8	11,161	1,298	3,596
Debtors and other receivables	9	14,054	13,120	13,123
Services work in progress		178	147	462
Investments – term deposits	10,26	24,500	19,000	31,000
Total Current Assets		49,893	33,565	48,181
Non-Current Assets				
Property, plant and equipment	12	16,050	15,943	12,786
Intangible assets	13	552	1,107	953
Investment property	14	143	139	262
Total Non-Current Assets		16,745	17,189	14,001
Total Assets		66,638	50,754	62,182
LIABILITIES				
Current Liabilities				
Creditors and other payables	15	6,793	4,930	6,466
Employee entitlements	16	11,365	8,283	10,173
Provisions	17	345	144	146
Total Current Liabilities		18,503	13,357	16,785
Non-Current Liabilities				
Employee entitlements	16	6,951	6,211	7,059
Provisions	17	1,035	977	1,155
Total Non-Current Liabilities		7,986	7,188	8,214
Total Liabilities		26,489	20,545	24,999
Net Assets		40,149	30,209	37,183
EQUITY				
General funds	18	25,468	21,345	22,219
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,935	8,118	14,218
Total Equity		40,149	30,209	37,183

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements.

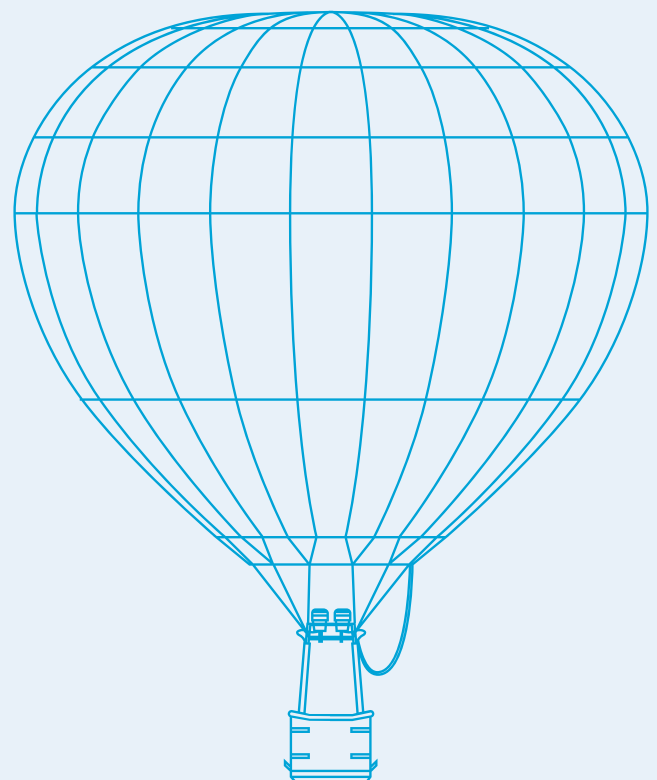
STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	NOTE	2017 ACTUAL \$000	2017 BUDGET \$000	2016 ACTUAL \$000
EQUITY				
Opening balance of equity at 1 July				
General funds	18	22,219	21,368	21,165
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	14,218	13,283	14,353
Total opening balance of equity at 1 July		37,183	35,397	36,264
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		266	(5,188)	919
Owner Transactions				
Capital contributions from the Crown	18	2,700	-	-
Total changes in equity during the year		2,966	(5,188)	919
Closing balance of equity at 30 June				
General funds	18	25,468	21,345	22,219
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,935	8,118	14,218
Total closing balance of equity at 30 June		40,149	30,209	37,183

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	NOTE	2017 ACTUAL \$000	2017 BUDGET \$000	2016 ACTUAL \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from levies		29,983	29,266	27,434
Receipts from passenger security charges and other services		98,359	89,721	92,921
Receipts from Crown funding and Ministry contracts		5,598	5,607	4,503
Interest and other sundry revenue received		3,539	1,323	2,640
Payments to employees		(99,479)	(101,018)	(89,283)
Payments to suppliers		(33,081)	(25,982)	(30,533)
Interest paid		-	-	-
Goods and Services Tax (net)		83	(250)	34
Net Cash Flows from Operating Activities	19	5,002	(1,333)	7,716
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments		6,500	5,000	-
Sale of property, plant and equipment		110	-	190
Placement of investments		-	-	(4,500)
Purchase of property, plant and equipment		(6,536)	(3,359)	(3,816)
Purchase of intangible assets		(211)	(345)	(163)
Net Cash Flows from Investing Activities		(137)	1,296	(8,289)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributions from the Crown		2,700	-	-
Net Cash Flows from Financing Activities		2,700	-	-
Net increase/(decrease) in cash and cash equivalents		7,565	(37)	(573)
Opening cash and cash equivalents at 1 July		3,596	1,335	4,169
Closing Cash and Cash Equivalents at 30 June	8	11,161	1,298	3,596

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements.



Notes to the Financial Statements

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Civil Aviation Authority (the Authority) is Government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992, and is domiciled in New Zealand. As a Crown entity, the Authority is also subject to the provisions of the Crown Entities Act 2004. The Authority has a responsibility to work towards the development and delivery of achieving an integrated, safe, responsive and sustainable civil aviation system.

To fulfil these statutory responsibilities, the Authority comprises the Regulatory Function of the Authority and the separate Security Service.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority has designated itself as a public benefit entity (PBE) for financial reporting under New Zealand equivalents to International Public Sector Accounting Standards.

These financial statements of the Authority are for the year ended 30 June 2017.

The financial statements were approved by the Authority on 17 October 2017.

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.

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. They have been prepared in accordance with Tier 1 Public Benefit Entity accounting standards.

These financial statements comply with Public Benefit Entity (PBE) accounting standards.

Measurement basis

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

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

Presentation currency and rounding

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

Changes in accounting policies

There have been no changes in accounting policies.

Standards issued that are not yet effective and not early adopted

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

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The timing of the Authority adopting PBE IFRS 9 will be guided by the Treasury's decision on when the Financial Statements of Government will adopt PBE IFRS 9. The Authority has not yet assessed the effects of the new standard.

Impairment of Revalued Assets

In April 2017, the XRB issued Impairment of Revalued Assets, which now clearly scopes in revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs. The timing of the Authority adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of Government will adopt the amendment.

Significant Accounting Policies

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

Revenue

The Authority earns revenue from:

- Regulated levies and charges on airlines based on outgoing international passenger
- Fees and charges for regulatory and aviation safety functions and security activities;
- Interest revenue;
- Crown funding through Vote Transport; and
- Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity).

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

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

Provision of fee-based services

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.

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

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

Goods and services tax

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

The net Goods and Services Tax 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 Goods and Services Tax.

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

Income tax

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

Payment of any surplus to the Crown

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

Derivative financial instruments and foreign currency transactions

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

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

Forward exchange contract derivatives are recognised in the Statement of Financial Position at their fair value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the surplus or deficit in the period in which they arise.

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



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.

Other financial assets

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

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

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

Impairment of financial assets

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

Other financial liabilities

Financial liabilities measured at amortised cost - comprising creditors and other payables

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

Leases

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.

Cash and cash equivalents

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

Services work in progress

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

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

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.

Investments

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

Bank deposits

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

Property, plant and equipment

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

Accounting for revaluations

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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. When revalued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

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

Buildings (including components)	10 – 24 years	10% – 4%
Leasehold improvements	Remaining life of lease	
Furniture and fittings	10 years	10%
Plant and equipment	5 – 10 years	20% – 10%
Office equipment	5 years	20%
Motor vehicles	4 – 5 years	25% – 20%
Computer equipment	3 – 4 years	33% – 25%

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software and the development and maintenance of websites 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 that the asset is de-recognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Acquired computer software	3 – 5 years	33% – 20%
Developed computer software	3 – 5 years	33% – 20%

Impairment of property, plant and equipment and intangible assets

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

Non-cash-generating assets

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

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 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.

Investment property

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

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

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

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. 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 staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- The present value of the estimated future cash flows.

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

Post-employment entitlements

Superannuation schemes: Obligations for the Authority's contributions to Kiwisaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit.

Provisions

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

Provisions are measured at the present value of the 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.

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.

Equity

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

General funds Property, plant and equipment revaluation reserve

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

Passenger security charges and other fees and charges reserves

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

Passenger safety reserves

- This reserve relates to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

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

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 (Business Development and Services, and Legal Services) 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, assumptions and judgements

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 discussed below:

Internally developed computer software intangible assets availability of use

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

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

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

Lease classification

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

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

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

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 16.



2 REVENUE FROM LEVIES AND SERVICES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
LEVIES REVENUE		
International passenger levies	8,263	7,530
Domestic passenger levies	21,290	19,755
Other levies	548	538
Total levies revenue	30,101	27,823
PASSENGER SECURITY CHARGES		
International passenger security charges	56,409	58,445
Domestic passenger security charges	30,018	21,644
Total passenger security charges	86,427	80,089
REVENUE FROM OTHER SERVICES		
Aviation regulatory and safety services	7,708	8,290
Other contracted aviation security services	4,544	4,496
Total revenue from other services	12,252	12,786

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 levy revenue as well as security charges and other services as exchange transactions.

3 CROWN FUNDING AND MINISTRY CONTRACT REVENUE

Crown funding revenue

The Authority has been provided with funding from the Crown through a Multi-Class Output Expense Appropriation 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 (2016: nil).

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Policy advice	663	663
International relations and International Civil Aviation Organization obligations	685	685
Ministerial servicing	431	431
Health and safety at work activities - Civil Aviation	1,610	908
Total multi-class output expense appropriation	3,389	2,687
Maritime port security	145	145
Total revenue from the Crown	3,534	2,832

Policy advice

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

International relations and International Civil Aviation Organization obligations

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

Ministerial servicing

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

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
- Fund other activities connected with HSW practice in the aviation industry.

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.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
MINISTRY CONTRACT REVENUE		
Rules development (Ministry of Transport)	1,194	1,200
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	870	314
Total Ministry contract revenue	2,064	1,514

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.

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.

4 OTHER REVENUE

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Interest revenue	1,036	1,141
Net gain on sale of property, plant and equipment	82	133
Net foreign exchange gains	37	-
Other revenue	1,896	535
Total other revenue	3,051	1,809

During the year the Authority disposed of property, plant and equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$82,000 (2016: \$133,000).

5 PERSONNEL COSTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Salaries and wages	96,183	86,480
Employer contributions to defined contribution plans	3,156	2,522
Other personnel expenses	5,996	5,832
Increase/(decrease) in employee entitlements	1,084	2,988
Total personnel costs	106,419	97,822

Employer contributions to defined contribution plans include contributions to Kiwisaver, the National Provident Fund and the Government Superannuation Fund.

6 FINANCE COSTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Discount unwind on long-term employee entitlements	152	181
Total finance costs	152	181

7 OTHER EXPENSES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	115	112
• Fees to Audit New Zealand for other services	-	-
Operating lease expenses	5,560	5,504
Building operating expenses	1,157	1,135
Information technology expenses	2,763	2,174
Staff travel	3,398	3,368
Insurance	781	846
Impairment of receivables	38	21
Safety information services	2,958	3,057
Consultancy	5,440	4,037
Consumables and maintenance	2,572	2,102
Net foreign exchange losses	-	111
Net loss on disposal of property, plant and equipment & intangibles	5	14
Revaluation of investment property	133	150
Other expenses	1,822	1,757
Total other expenses	26,742	24,388

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 5.

8 CASH AND CASH EQUIVALENTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Cash at bank and on hand	4,661	3,596
Cash equivalents – short-term deposits	6,500	-
Total cash and cash equivalents	11,161	3,596

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value, due to the short-term nature of the deposits.

The weighted average effective interest rate for the short-term deposits held is 1.45% (2016: 1.56%).

No part of cash and cash equivalents has been pledged as security for liabilities or contingent liabilities.

As all cash and cash equivalents – short-term deposits are held with New Zealand registered banks that have high quality credit ratings, no security is held for the balances, nor considered necessary.

9 DEBTORS AND OTHER RECEIVABLES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Debtors arising from exchange transactions	13,011	12,419
Other receivables	1,150	861
Less: provision for impairment	(107)	(157)
Total debtors and other receivables	14,054	13,123

The carrying value of debtors and other receivables approximates their fair value, due to the short period of time in which they are expected to be collected.

As at 30 June 2017 and 2016, all receivables were reviewed for evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

The ageing profile of receivables at year end is detailed below:

	2017			2016		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	12,916	-	12,916	11,247	-	11,247
Past due 1-30 days	988	-	988	1,778	-	1,778
Past due 31-60 days	68	-	68	26	-	26
Past due 61-90 days	22	-	22	34	-	34
Past due over 90 days	167	(107)	60	195	(157)	38
Total	14,161	(107)	14,054	13,280	(157)	13,123

All receivables are assessed for impairment and where there is doubt as to the collectability then an impairment provision is made.

Movements in the provision for impairment of receivables are as follows:

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July	(157)	(159)
Additional provisions made during the year	(68)	(28)
Receivables written-off during the period	88	23
Provisions reversed during the year	30	7
Balance at 30 June	(107)	(157)

10 INVESTMENTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CURRENT INVESTMENTS ARE REPRESENTED BY:		
Term deposits	24,500	31,000
Total current investments	24,500	31,000
MATURITY ANALYSIS AND EFFECTIVE INTEREST RATES OF TERM DEPOSITS		
Term deposits with maturities of less than 12 months	24,500	31,000
Effective interest rate	3.5%	4.0%
Total current investments	24,500	31,000

The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

11 DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has taken a forward exchange contract for USD 230,000 (2016: USD 350,000) to settle liability insurance cover premiums for the 2017/18 financial year. The contract will be settled within six months from balance date.

The fair value of the forward exchange contract has been determined using the market rate as at balance date.

12 PROPERTY, PLANT AND EQUIPMENT

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

	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OR VALUATION								
Balance at 1 July 2015	564	7,649	722	17,301	670	2,395	3,029	32,330
Additions/(Transfers)	(430)	118	43	3,356	-	556	173	3,816
Disposals	-	(142)	(72)	(1,953)	(147)	(445)	-	(2,759)
Balance at 30 June 2016	134	7,625	693	18,704	523	2,506	3,202	33,387
Balance at 1 July 2016	134	7,625	693	18,704	523	2,506	3,202	33,387
Additions/(Transfers)	128	116	17	5,832	-	166	277	6,536
Disposals	-	-	-	(65)	-	(281)	-	(346)
Balance at 30 June 2017	262	7,741	710	24,471	523	2,391	3,479	39,577
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at 1 July 2015	-	(3,924)	(563)	(11,351)	(602)	(1,408)	(2,595)	(20,443)
Depreciation expense	-	(563)	(48)	(1,635)	(25)	(389)	(188)	(2,848)
Eliminate on disposal	-	141	59	1,952	148	389	-	2,689
Balance at 30 June 2016	-	(4,346)	(552)	(11,034)	(479)	(1,408)	(2,783)	(20,602)
Balance at 1 July 2016	-	(4,346)	(552)	(11,034)	(479)	(1,408)	(2,783)	(20,602)
Depreciation expense	-	(522)	(32)	(2,062)	(19)	(374)	(229)	(3,238)
Eliminate on disposal	-	-	-	62	-	251	-	313
Balance at 30 June 2017	-	(4,868)	(584)	(13,034)	(498)	(1,531)	(3,012)	(23,527)
CARRYING AMOUNTS								
At 1 July 2015	564	3,726	159	5,950	68	987	434	11,888
At 30 June 2016	134	3,280	141	7,670	44	1,098	419	12,786
At 30 June 2017	262	2,873	126	11,437	25	860	467	16,050

The total amount of property, plant and equipment in the course of construction is \$262,000 (2016: \$134,000). The depreciation expense for property, plant and equipment is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. 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.

13 INTANGIBLE ASSETS

Movements for each class of intangible asset are as follows:

	ACQUIRED SOFTWARE	ACQUIRED SOFTWARE UNDER CONSTRUCTION	INTERNALLY DEVELOPED SOFTWARE	INTERNALLY DEVELOPED SOFTWARE UNDER CONSTRUCTION	TOTAL
	\$000	\$000	\$000	\$000	\$000
COST					
Balance at 1 July 2015	4,919	104	2,096	22	7,141
Additions/(Transfers)	231	(68)	22	(22)	163
Balance at 30 June 2016	5,150	36	2,118	-	7,304
Balance at 1 July 2016	5,150	36	2,118	-	7,304
Additions/(Transfers)	247	(36)	-	-	211
Balance at 30 June 2017	5,397	-	2,118	-	7,515
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2015	(3,686)	-	(1,970)	-	(5,656)
Amortisation expense	(623)	-	(72)	-	(695)
Balance at 30 June 2016	(4,309)	-	(2,042)	-	(6,351)
Balance at 1 July 2016	(4,309)	-	(2,042)	-	(6,351)
Amortisation expense	(554)	-	(58)	-	(612)
Balance at 30 June 2017	(4,863)	-	(2,100)	-	(6,963)
CARRYING AMOUNTS					
At 1 July 2015	1,233	104	126	22	1,485
At 30 June 2016	841	36	76	-	953
At 30 June 2017	534	-	18	-	552

There were no intangibles in the course of construction (2016: \$36,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. 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.

14 INVESTMENT PROPERTY

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July	262	402
Fair value gains/(losses) on valuation	(119)	(140)
Balance at 30 June	143	262

The Authority owns a building at Auckland Airport (the former security service operational base), on land owned by Auckland Airport. The original carrying cost of this building was \$900,000.

The building was revalued at 30 June 2017 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$143,000 (2016: \$262,000). As it is probable that Auckland Airport will require the demolition of the building at the end of the current lease period in August 2018 the value of the building has been prepared on a discounted cashflow basis.

15 CREDITORS AND OTHER PAYABLES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS		
Creditors	4,408	4,078
Other payables	278	325
Total creditors and payables under exchange transactions	4,686	4,403
CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (GST, PAYE)	2,107	2,063
Total creditors and payables under non-exchange transactions	2,107	2,063
Total creditors and other payables	6,793	6,466

The carrying value of creditors and other payables approximates their fair value, as these liabilities are non-interest bearing and are normally settled within 30 days.

16 EMPLOYEE ENTITLEMENTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Accrued salaries and wages	2,157	1,974
Annual leave	8,327	7,256
Current portion of long-term employee entitlements		
Sick leave	147	139
Retiring and long service leave	734	804
Total current portion	11,365	10,173
NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Long-term employee entitlements		
Retiring and long service leave	6,701	6,780
Sick leave	250	279
Total non-current portion	6,951	7,059
Total employee entitlements	18,316	17,232

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 2017 ranging from 1.97% pa to 4.75% pa (2016: ranged from 2.12% pa to 4.75% pa) and a salary inflation factor ranging between 2.0% and 2.5% pa for the year ended 30 June 2017, with a long term salary inflation rate of 3.0% (2016: 2.0% pa - 4.1% pa and 3.0% pa respectively) were used.

The Authority has investigated the issue of historic non-compliance with certain provisions of the Holidays Act and concluded that remedial action is required in order to compensate affected present and past employees. The investigation is on-going, however the Authority has been able to estimate its historic liability which has now been accrued for in employee entitlements.

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 \$616,000 lower/\$717,000 higher respectively (2016: \$660,000 lower/\$772,000 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 \$623,000 higher/\$543,000 lower respectively (2016: \$662,000 higher/\$574,000 lower respectively).

17 PROVISIONS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	145	146
Restructuring	200	-
Total current portion	345	146
NON-CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	577	714
Lease make-good	458	441
Total non-current portion	1,035	1,155
Total provisions	1,380	1,301

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS \$000	LEASE MAKE-GOOD \$000	RESTRUC- TURING \$000	TOTAL
2017				
Balance at 1 July 2016	860	441	-	1,301
Additional provisions made/(reversed)	(138)	17	200	79
Balance at 30 June 2017	722	458	200	1,380
2016				
Balance at 1 July 2015	852	429	-	1,281
Additional provisions made/(reversed)	8	12	-	20
Balance at 30 June 2016	860	441	-	1,301

Onerous contracts

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 3.92% was used to calculate the present value of the cost of the onerous lease.

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 20.

The Authority has also recognised a liability for the cost to make good the leased land at Auckland Airport which is currently occupied by the old security service operational base building. It is expected that Auckland Airport will require the land on expiry of the lease in August 2018. The building is accounted for as an investment and is disclosed in Note 14.

Restructuring provision

The Authority approved a detailed and formal restructuring plan which was announced in May 2017. The provision represented the estimated cost for redundancy payments.

18 EQUITY

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
GENERAL FUNDS		
Opening balance at 1 July	22,219	21,165
Surplus/(deficit) for the year	266	919
Transfer (to)/from specific reserves	283	135
Capital contributions from the Crown	2,700	-
Closing balance at 30 June	25,468	22,219
RESERVES		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Closing balance at 30 June	746	746
Passenger security charges reserve – international		
Opening balances at 1 July	12,029	8,705
Surplus/(deficit) for the year	1,423	3,604
Transfer (to)/from general funds	(280)	(280)
Closing balance at 30 June	13,172	12,029
Passenger security charges reserve – domestic		
Opening balances at 1 July	2,189	5,648
Surplus/(deficit) for the year	(1,306)	(3,339)
Transfer (to)/from general funds	(120)	(120)
Closing balance at 30 June	763	2,189

Passenger security charges reserve – other fees and charges

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	341	1
Transfer (to)/from general funds	(341)	(1)
Closing balance at 30 June	-	-

Passenger safety reserve – fixed fees

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(1,179)	(1,211)
Transfer (to)/from levies reserve	1,179	1,211
Closing balance at 30 June	-	-

Passenger safety reserve – hourly charges

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(6,936)	(5,514)
Transfer (to)/from levies reserve	6,936	5,514
Closing balance at 30 June	-	-

Passenger safety reserve – other

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(1,062)	(1,147)
Transfer (to)/from levies reserve	1,062	1,147
Closing balance at 30 June	-	-

Passenger safety reserve – levies

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	8,152	7,652
Transfer (to)/from specific reserves	(9,177)	(7,872)
Transfer (to)/from other general reserves	1,025	220
Closing balance at 30 June	-	-

Passenger safety reserve – other general reserves

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	834	872
Transfer (to)/from specific reserves	(1,025)	(220)
Transfer (to)/from other general funds	191	(652)
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.

19 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Net surplus/(deficit)	266	919
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	3,850	3,543
Impairment of receivables	(50)	(2)
Net foreign exchange (gains)/losses	(37)	111
Discount unwind on employee entitlements	152	181
Fair value (gains)/losses on investment property	133	150
Total non-cash items	4,048	3,983
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:		
(Gains)/losses on disposal of property, plant & equipment and intangibles	(77)	(119)
Total items classified as investing or financing activities	(77)	(119)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
Debtors & other receivables (increase)/decrease	(881)	315
Services work in progress (increase)/decrease	284	(315)
Creditors & other payables increase/(decrease)	364	118
Employee entitlements increase/(decrease)	919	2,795
Provisions increase/(decrease)	79	20
Net movements in working capital items	765	2,933
Net cash from operating activities	5,002	7,716

20 CAPITAL AND OPERATING COMMITMENTS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CAPITAL COMMITMENTS		
Plant and equipment	503	1,982
Total capital commitments	503	1,982

The Authority has entered into agreements for the acquisition of baggage screening equipment and upgrades to existing equipment located at the main airports.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
NON-CANCELLABLE OPERATING LEASES		
Not later than one year	5,441	5,480
Later than one year and not later than five years	12,254	15,186
Later than five years	2,860	4,596
Total non-cancellable operating leases	20,555	25,262

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

Part of the office premises in Wellington has been sublet due to it being surplus to requirements and the sublease expires in November 2022. The Authority has recognised a provision of \$722,000 (2016: \$860,000) in respect of this lease (refer Note 17).

A significant portion of the total non-cancellable operating lease expense relates to two leases of two floors of office premises in Wellington. The leases expire in November 2037 and November 2040, with the option to vacate the premises at the respective lease renewal dates of November 2019 and November 2022.

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

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are \$3,739,000 (2016: \$4,429,000).

21 CONTINGENCIES

Contingent liabilities

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2016: \$nil) existing in relation to any legal matters currently in progress.

Personal grievance

The Authority had a contingent liability in 2016 relating to a personal grievance brought by an employee where the maximum potential liability was assessed as \$50,000. This was successfully resolved and there are no such matters outstanding as at 30 June 2017.

Contingent assets

The Authority has no contingent assets (2016: \$nil).

22 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related party transactions

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.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Board Members	147	148
Authority Leadership Team and senior employees	3,811	3,810
Total key management personnel compensation	3,958	3,958

	ACTUAL 2017	ACTUAL 2016
KEY MANAGEMENT PERSONNEL FULL TIME EQUIVALENT		
Board Members	1	1
Authority Leadership Team and senior employees	17	17
Total key management personnel full-time equivalent	18	18

Key management personnel include Board Members, the Director of Civil Aviation and his nine member Authority Leadership Team (refer to pages 38-39) and also includes other senior employees with the ability to influence decisions. The Authority has a five member board, appointed for terms of up to three years and it reports to the Minister of Transport. The Authority does not provide remuneration or benefits to the Minister of Transport or the Associate Minister of Transport.

23 BOARD MEMBERS REMUNERATION

The total value of remuneration paid or payable to each Board member during the year was:

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
BOARD MEMBERS REMUNERATION		
A Adams (appointed May 2017)	4	-
J Bartlett (retired from board May 2017)	19	24
J Boulton (reappointed October 2016)	24	24
N Gould (Chairman - reappointed October 2016)	49	49
P Griffiths (resigned 25 September 2017)	27	27
G Lilly reappointed May 2017)	24	24
Total board member remuneration	147	148

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.

24 EMPLOYEE REMUNERATION

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
TOTAL REMUNERATION PAID OR PAYABLE		
\$100,000 - \$109,999	61	42
\$110,000 - \$119,999	39	37
\$120,000 - \$129,999	32	28
\$130,000 - \$139,999	18	17
\$140,000 - \$149,999	14	6
\$150,000 - \$159,999	6	14
\$160,000 - \$169,999	14	8
\$170,000 - \$179,999	4	8
\$180,000 - \$189,999	8	5
\$190,000 - \$199,999	3	2
\$200,000 - \$209,999	5	1
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	1	3
\$230,000 - \$239,999	1	2
\$240,000 - \$249,999	5	3
\$250,000 - \$259,999	1	-
\$260,000 - \$269,999	-	-
\$270,000 - \$279,999	-	-
\$280,000 - \$289,999	-	-
\$290,000 - \$299,999	-	-
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	-	-
\$320,000 - \$329,999	1	-
\$330,000 - \$339,999	-	-
\$340,000 - \$349,999	-	-
\$350,000 - \$359,999	-	-
\$360,000 - \$369,999	-	-
\$370,000 - \$379,999	-	-
\$380,000 - \$389,999	1	1
Total number of employees	215	179

During the year ended 30 June 2017, 14 (2016: 32) employees received compensation and other benefits in relation to cessation totalling \$728,000 (2016: \$1,739,000). No Board Members received compensation or other benefits in relation to cessation (2016: nil).

25 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

26 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	11,161	3,596
Debtors and other receivables	14,054	13,123
Investments – term deposits	24,500	31,000
Total loans and receivables	49,715	47,719
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Creditors and other payables	6,793	6,466
Total financial liabilities measured at amortised cost	6,793	6,466

Fair value hierarchy disclosures

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.

27 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 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.

Interest rate risk

The Authority is exposed to interest rate risk on its balances of cash and cash equivalents. 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.

Currency risk

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 to mitigate the foreign currency risk exposure.

As the Authority has no significant foreign currency monetary items at the balance sheet date, the effect on net surplus/(deficit) of any changes in foreign exchange rates is limited to the impact on the fair value of foreign currency forward contract derivatives and is not considered to be material. The Authority has no designated hedging instruments or foreign currency translation reserves, therefore there is no direct impact on equity from changes in foreign currency exchange rates.

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, and derivative contracts entered into. 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.

The Authority holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

	2017		2017	2016		2016
	\$000	CONCENTRATION	%	\$000	CONCENTRATION	%
CONCENTRATIONS OF CREDIT RISK						
Loans & receivables						
New Zealand registered banks	35,658		71.7	34,593		72.5
New Zealand airports	155		0.4	167		0.4
Domestic and International passenger airlines	10,609		21.3	10,023		21.0
Other	3,290		6.6	2,933		6.1
Total concentrations of credit risk	49,712		100.00	47,716		100.00

Surplus funds are invested with registered banks and organisations with a minimum AA- credit rating (Standard and Poor's).

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 liquidity maintenance 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
2017					
Creditors and other payables (Note 15)	6,793	6,793	6,793	-	-
Total contractual undiscounted cash flows	6,793	6,793	6,793	-	-
2016					
Creditors and other payables (Note 15)	6,466	6,466	6,466	-	-
Total contractual undiscounted cash flows	6,466	6,466	6,466	-	-

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$357,000 (2016: \$346,000).

28 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. 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 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.

29 SECURITY SERVICE SPECIFIC RESERVES

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

	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	OTHER FEES/ CHARGES	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
2017						
Revenue	57,318	30,408	4,735	92,461	81,955	84,901
Expense	(55,896)	(31,714)	(4,394)	(92,004)	(86,645)	(84,635)
Net surplus/(deficit)	1,422	(1,306)	341	457	(4,690)	266
Opening balance at 1 July 2016	12,030	2,189	-	14,219	13,283	14,354
Transfer (to)/from General Reserves	(280)	(120)	(341)	(741)	(475)	(401)
Closing balance at 30 June 2017	13,172	763	-	13,935	8,118	14,219
2016						
Revenue	58,445	21,653	4,803	84,901	82,203	81,363
Expense	(54,841)	(24,992)	(4,802)	(84,635)	(78,232)	(76,055)
Net surplus/(deficit)	3,604	(3,339)	1	266	3,971	5,308
Opening balance at 1 July 2015	8,706	5,648	-	14,354	14,185	9,051
Transfer (to)/from General Reserves	(280)	(120)	(1)	(401)	(400)	(6)
Closing balance at 30 June 2016	12,030	2,189	-	14,219	17,756	14,353

30 REGULATORY FUNCTION SPECIFIC RESERVES

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

	FIXED FEES	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2017							
Revenue	3,059	4,723	5,440	30,935	44,157	43,605	41,084
Expense	(4,239)	(11,660)	(6,501)	(21,948)	(44,348)	(44,103)	(40,432)
Net surplus/(deficit)	(1,180)	(6,937)	(1,061)	8,987	(191)	(498)	652
Opening balance at 1 July 2016	-	-	-	11,382	11,382	10,608	10,730
Transfer (to)/from General Reserves	1,180	6,937	1,061	(9,178)	-	-	-
Closing balance at 30 June 2017	-	-	-	11,191	11,191	10,110	11,382
2016							
Revenue	2,917	5,432	4,040	28,695	41,084	39,789	38,778
Expense	(4,128)	(10,946)	(5,187)	(20,171)	(40,432)	(39,594)	(38,252)
Net surplus/(deficit)	(1,211)	(5,514)	(1,147)	8,524	652	195	526
Opening balance at 1 July 2015	-	-	-	10,730	10,730	10,920	10,204
Transfer (to)/from General Reserves	1,211	5,514	1,147	(7,872)	-	-	-
Closing balance at 30 June 2016	-	-	-	11,382	11,382	11,115	10,730

31 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 2017 of \$137.4 million was higher than the budget of \$126.1 million by \$11.3 million (9%). The significant variances are as follows:

Levies revenue

Regulatory Function levy revenue from departing domestic and international passengers of \$30.1 million was higher than the budget of \$29.3 million by \$0.8 million (3%). This favourable variance was primarily due to both domestic passenger and international passenger volumes being higher than budget expectations (primarily in Auckland) by 1% and 5% respectively.

Revenue from passenger security charges

Revenue from passenger security charges of \$86.4 million was higher than the budget of \$77.6 million by \$8.8 million (11%). The international passenger security charge was higher than budget by \$0.7 million (1%). This is proportionately lower than the extent to which international passenger volumes exceeded budget (5%), since there was also an unbudgeted reduction in the international passenger security charge from 6 December 2016. Domestic passenger security charges were higher than budget by \$8.1 million (37%). This is primarily due to changes to passenger security charges on 6 December 2016 relating to additional domestic screening activity.

Revenue from other services

Revenue from other services of \$12.3 million was marginally lower than the budget of \$12.6 million by \$0.3 million (3%). This was primarily due to the Regulatory Function performing a lower level of chargeable activity, reflecting the move to a risk based approach to monitoring.

Crown funding revenue

Crown funding revenue of \$3.5 million was in line with the budget of \$3.5 million.

Other Revenue

Other revenue of \$3.1 million was higher than the budget of \$1.1 million by \$2.0 million primarily due to a refund of ACC levies, incurred in prior years, as a result of a change in the Security Function's ACC classification. Other contributors were additional interest income, seminars hosted by the Authority, and gains on disposals of fixed assets.

Expense

Expenditure for the year ended 30 June 2017 of \$137.1 million was higher than the budget of \$131.3 million by \$5.8 million (4%). The significant variances are as follows:

Personnel costs

Personnel costs of \$106.4 million were higher than the budget of \$101.0 million by \$5.4 million (4%). \$4.9 million of this variance occurred in the Security Function, with contributing factors including higher overtime and accrued leave costs relating to additional domestic screening activity along with the costs of security screening the higher than budgeted passenger volumes. The Authority also recognised historic liabilities in respect of the Security Service's compliance with the Holidays Act 2003.

The additional \$0.6 million of personnel costs in the Regulatory Function included the transfer of personnel from the Security Function in respect of Pacific security work as well as some minor restructuring costs and increased costs arising from the actuarial valuation of long service leave entitlements.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$3.8 million was lower than the budget of \$4.1 million by \$0.3 million (7%). This was due to small savings being achieved on some projects, and for timing reasons, other projects being moved into the 2017/18 financial year.

Other expenses

Other expenses of \$26.7 million were higher than the budget of \$26.1 million by \$0.6 million (3%). Contributing to this were costs associated with the November 2016 earthquake, together with additional expenditure to increase the Authority's resilience to future natural disaster events, particularly to improve the ability of staff to work remotely in the event of business disruption.

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

Additional Financial Information

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2017

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

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET
2016 ACTUAL		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE									
27,823	Levies revenue	30,101	29,283	-	-	-	-	30,101	29,283
80,089	Passenger security charges	-	-	86,427	77,588	-	-	86,427	77,588
12,786	Revenue from other services	7,730	8,584	4,548	4,024	(26)	(252)	12,252	12,356
2,832	Crown funding revenue	3,389	3,390	145	145	-	-	3,534	3,535
1,514	Ministry contract revenue	2,051	1,874	13	198	-	-	2,064	2,072
1,809	Other revenue	886	474	2,392	849	(227)	-	3,051	1,323
126,853	Total revenue	44,157	43,605	93,525	82,804	(253)	(252)	137,429	126,157
EXPENSE									
97,822	Personnel costs	34,259	33,681	72,160	67,279	-	-	106,419	100,960
3,543	Depreciation and amortisation expense	857	981	2,993	3,160	-	-	3,850	4,141
181	Finance costs	9	-	143	174	-	-	152	174
24,388	Other expenses	9,223	9,441	17,772	16,881	(253)	(252)	26,742	26,070
125,934	Total expenses	44,348	44,103	93,068	87,494	(253)	(252)	137,163	131,345
919	Net Surplus/(Deficit)	(191)	(498)	457	(4,690)	-	-	266	(5,188)
919	Total comprehensive revenue and expense	(191)	(498)	457	(4,690)	-	-	266	(5,188)

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EQUITY									
Opening balance of equity at 1 July									
21,165	General funds	11,382	10,608	10,837	10,760	-	-	22,219	21,368
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
14,353	Passenger security charges and other fees and charges reserves	-	-	14,218	13,283	-	-	14,218	13,283
36,264	Total opening balance of equity at 1 July	11,382	10,608	25,801	24,789	-	-	37,183	35,397
919	Net surplus/(deficit) for the year	(191)	(498)	457	(4,690)	-	-	266	(5,188)
-	Capital contributions from the Crown	-	-	2,700	-	-	-	2,700	-
919	Total changes in equity during the year	(191)	(498)	3,157	(4,690)	-	-	2,966	(5,188)
Closing balance of equity at 30 June									
22,219	General funds	11,191	10,110	14,277	11,235	-	-	25,468	21,345
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
14,218	Passenger security charges and other fees and charges reserves	-	-	13,935	8,118	-	-	13,935	8,118
37,183	Total closing balance of equity at 30 June	11,191	10,110	28,958	20,099	-	-	40,149	30,209

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET
2016 ACTUAL		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS									
3,596	Cash and cash equivalents	1,623	536	9,538	762	-	-	11,161	1,298
13,123	Debtors and other receivables	4,939	4,274	9,813	9,873	(698)	(1,027)	14,054	13,120
462	Services work in progress	178	147	-	-	-	-	178	147
31,000	Investments – term deposits	8,500	7,000	16,000	12,000	-	-	24,500	19,000
48,181	Total Current Assets	15,240	11,957	35,351	22,635	(698)	(1,027)	49,893	33,565
NON-CURRENT ASSETS									
12,786	Property, plant and equipment	2,409	2,854	13,641	13,089	-	-	16,050	15,943
953	Intangible assets	75	347	477	760	-	-	552	1,107
262	Investment property	-	-	143	139	-	-	143	139
14,001	Total Non-Current Assets	2,484	3,201	14,261	13,988	-	-	16,745	17,189
62,182	Total Assets	17,724	15,158	49,612	36,623	(698)	(1,027)	66,638	50,754
CURRENT LIABILITIES									
6,466	Creditors and other payables	3,690	2,806	3,801	3,151	(698)	(1,027)	6,793	4,930
10,173	Employee entitlements	2,190	1,781	9,175	6,502	-	-	11,365	8,283
146	Provisions	200	-	145	144	-	-	345	144
16,785	Total Current Liabilities	6,080	4,587	13,121	9,797	(698)	(1,027)	18,503	13,357
NON-CURRENT LIABILITIES									
7,059	Employee entitlements	371	384	6,580	5,827	-	-	6,951	6,211
1,155	Provisions	82	77	953	900	-	-	1,035	977
8,214	Total Non-Current Liabilities	453	461	7,533	6,727	-	-	7,986	7,188
24,999	Total Liabilities	6,533	5,048	20,654	16,524	(698)	(1,027)	26,489	20,545
37,183	Net Assets	11,191	10,110	28,958	20,099	-	-	40,149	30,209
EQUITY									
22,219	General funds	11,191	10,110	14,277	11,235	-	-	25,468	21,345
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
14,218	Passenger security charges and other fees and charges reserves	-	-	13,935	8,118	-	-	13,935	8,118
37,183	Total Equity	11,191	10,110	28,958	20,099	-	-	40,149	30,209

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET	2017 ACTUAL	2017 BUDGET
2016 ACTUAL		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES									
27,434	Receipts from levies	29,983	29,266	-	-	-	-	29,983	29,266
92,921	Receipts from passenger security charges and other services	7,970	8,559	90,406	81,414	(17)	(252)	98,359	89,721
4,503	Receipts from Crown funding and Ministry contracts	5,440	5,264	158	343	-	-	5,598	5,607
2,640	Interest and other sundry revenue received	847	474	2,919	849	(227)	-	3,539	1,323
(89,283)	Payments to employees	(31,404)	(33,742)	(68,075)	(67,276)	-	-	(99,479)	(101,018)
(30,533)	Payments to suppliers	(12,047)	(9,345)	(21,278)	(16,889)	244	252	(33,081)	(25,982)
-	Interest paid	-	-	-	-	-	-	-	-
34	Goods and Services Tax (net)	(26)	(100)	109	(150)	-	-	83	(250)
7,716	Net Cash Flows from Operating Activities	763	376	4,239	(1,709)	-	-	5,002	(1,333)
CASH FLOWS FROM INVESTING ACTIVITIES									
-	Maturity of investments	500	-	6,000	5,000	-	-	6,500	5,000
190	Sale of property, plant and equipment	30	-	80	-	-	-	110	-
(4,500)	Placement of investments	-	-	-	-	-	-	-	-
(3,816)	Purchase of property, plant and equipment	(317)	(632)	(6,219)	(2,727)	-	-	(6,536)	(3,359)
(163)	Purchase of intangible assets	(14)	(222)	(197)	(123)	-	-	(211)	(345)
(8,289)	Net Cash Flows from Investing Activities	199	(854)	(336)	2,150	-	-	(137)	1,296
CASH FLOWS FROM FINANCING ACTIVITIES									
-	Capital contributions from the Crown	-	-	2,700	-	-	-	2,700	-
-	Net Cash Flows from Financing Activities	-	-	2,700	-	-	-	2,700	-
(573)	Net increase/(decrease) in cash and cash equivalents	962	(478)	6,603	441	-	-	7,565	(37)
4,169	Opening cash and cash equivalents at 1 July	661	1,014	2,935	321	-	-	3,596	1,335
3,596	Closing Cash and Cash Equivalents AT 30 June	1,623	536	9,538	762	-	-	11,161	1,298

SECTION

6

Appendices

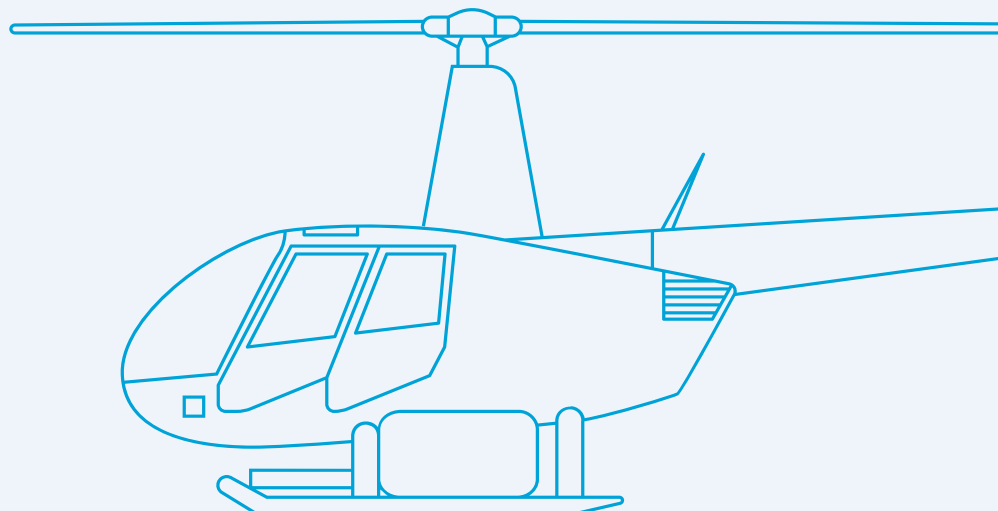
ION
SECURITY SERVICE



A P P E N D I X 1

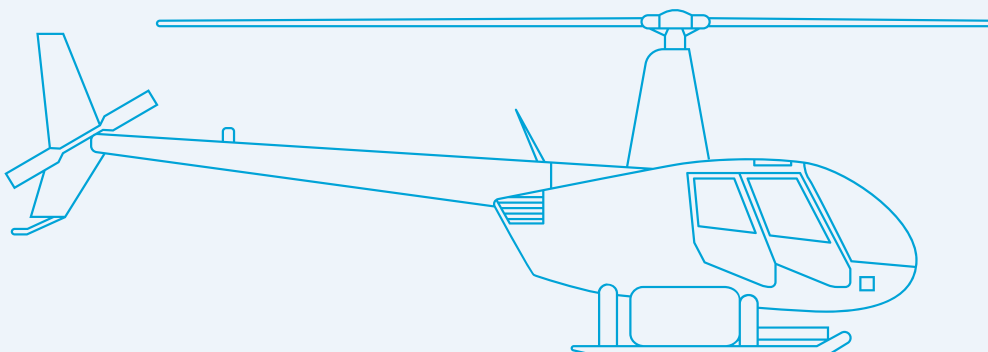
Our progress against the safety and security focus area work programme

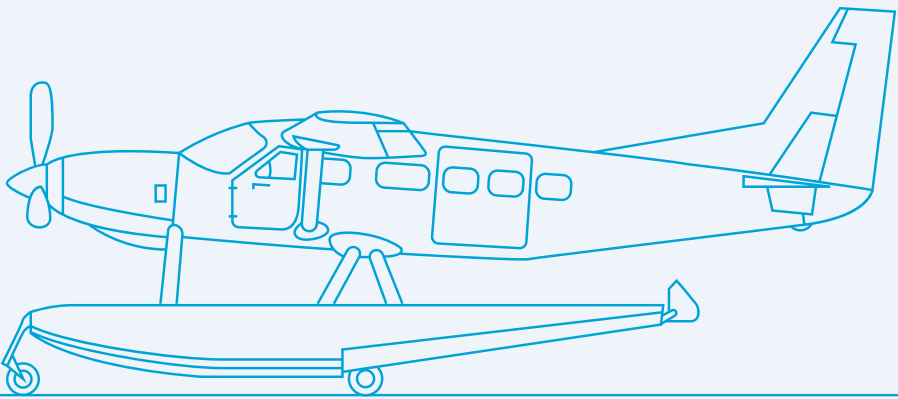
Improved sector safety performance means the Authority targets areas of risk within the aviation system; central to this is the annual work programme of our eight safety and security focus areas. We provide the progress made against the work programme for 2016/17 below. Highlights of what we accomplished in 2016/17 are provided on pages 24-25.



STATUS: ● Achieved ● Some slippage ● Not achieved ● Completed

FOCUS	LOSS OF CONTROL IN FLIGHT	RUNWAY EXCURSIONS	AIRBORNE CONFLICT	THE HELICOPTER SECTOR
Description of risk	<p>There are multiple reasons for loss of control in flight and often accidents in this area are complex and a result of multiple factors. These can be categorised under three main causal categories:</p> <p>Technical</p> <p>Non-technical (human factors)</p> <p>Environmental.</p>	<p>Many factors contribute to runway excursions including weather, aerodrome/ runway design, runway condition, aircraft technical, aircraft performance, operator procedures, instrument procedures, crew handling or errors etc. Given the wide range of factors, this focus area requires a multidisciplinary approach.</p>	<p>Previous interventions to airspace incidents have generally been ad-hoc and reactive with a traditional focus on tactical and operational responses. The development and implementation of a longer term sustainable and coordinated intervention strategy is needed, based on all available data and information.</p>	<p>Helicopters are an important part of aviation activity in New Zealand and are used in a variety of roles – from agriculture, to tourism and emergency services.</p> <p>A number of recent indicators, including fatal and serious injury accidents, wire strikes, training and CAR Part 135 (Air Operations – Helicopters and Small Aeroplanes) and Sector Risk Profile findings are causing concern.</p>
Activity for 2016-2017	<p>Engagement with stakeholders will be conducted through the Sector Risk Profile work</p> <p style="text-align: right;">●</p>	<p>Risk management tools and Sector Risk Profile (include review of findings of the completed 135 Sector Risk Profile) will help define the risk precisely to target solutions or interventions appropriately</p> <p style="text-align: right;">●</p>	<p>Accurate risk identification</p> <p style="text-align: right;">●</p>	<p>Define the risk precisely in collaboration with the sector, including reviewing the Part 135 (Air Operators – Helicopters and Small Aeroplanes) and Part 137 (Agricultural Aircraft Operations) Sector Risk Profile and other intelligence</p> <p style="text-align: right;">●</p>
	<p>Risk management tools and Sector Risk Profile will help define the risk precisely, to target solutions or interventions appropriately</p> <p style="text-align: right;">●</p>		<p>Strategic development including determining the appropriate measures</p> <p style="text-align: right;">●</p>	
	<p>Causes will be established to determine how to measure impact of interventions, so that periodic monitoring, review and adjustment can occur</p> <p style="text-align: right;">●</p>	<p>Causal factors occurrence set will be established to determine how to measure impact of interventions, so that periodic monitoring, review and adjustment can occur</p> <p style="text-align: right;">●</p>	<p>Strategy implementation</p> <p style="text-align: right;">●</p>	
				<p>Conduct a gap analysis of the effectiveness of the current controls</p> <p style="text-align: right;">●</p>
				<p>Devise a risk management strategy and plan</p> <p style="text-align: right;">●</p>
				<p>Identify relevant causes so that appropriate measurement tools can be established</p> <p style="text-align: right;">●</p>



QUEENSTOWN OPERATIONS	SECURITY THREAT LEVELS AND RESPONSES	INTERNATIONAL AIR CARGO SECURITY	SMART SECURITY
<p>The Queenstown airport is vital in terms of the region's economy and New Zealand's reputation as a tourist destination. The complexities need to be well managed to provide the travelling public with a high level of confidence and that they feel safe. The mountainous terrain, changeable weather, and high and constricted density of traffic make Queenstown a challenging area to fly. As such there is increased potential for accidents to occur.</p>	<p>The dynamic nature of the domestic and international security environment demands an aviation security system that is agile, and able to continue to respond to changes in threat levels in a focused, timely and coordinated manner. A review of response mechanisms to support continued and ongoing assurance in these areas is appropriate.</p>	<p>The security of the international air transport system and the continued facilitated flow of high value export cargo by air to international markets depend on the continued existence of a robust and trusted air cargo security system.</p>	<p>Smart Security is an umbrella focus area, leveraging off a global joint initiative between International Air Transport Association (IATA) and Airport Council International (ACI). The concept is based on thinking smarter to improve security outcomes, improve passenger throughput and make best use of equipment and staff.</p> <p>The programme ensures:</p> <ul style="list-style-type: none"> Alignment with International Standards and New Zealand Civil Aviation Rules. An operational response to Focus Area 6 (NASP) Readiness to support Government / Border Trials, e.g. One Stop Security, Trusted Boarder Programme.
<p>Conduct a gap analysis of the effectiveness of the current controls</p>	<p>Review relevant contents of the National Aviation Security Programme and any changes needed</p>	<p>Current state identification</p>	<p>Empowered Frontline Leadership embedded with a programme of development for the leaders that will run over two or three years</p>
<p>Identify and create a stakeholder engagement plan</p>		<p>Planning of intervention to address risks identified</p>	
<p>Define the risk precisely in collaboration with those stakeholders</p>		<p>Determine appropriate measures</p> <p>Devise and implement a plan following the risk definition stage that will include making deliberate interventions to target the identified aviation safety risk. That action may be led by the Authority, or by industry participants, or as a partnership approach</p>	<p>Explosive Detector Dog Unit enlarged</p>
<p>Devise a risk management strategy and plan</p>			<p>Bag opening delivered</p>
<p>Identify relevant causes so that appropriate measurement tools can be established</p>			<p>Smart Lane trial and implementation planning work on track against this fiscal year delivery schedule. Implementation of first Smart Lanes at Auckland International Airport Ltd International Departures by September 2017</p>
			<p>Advanced Imaging Technology trial and demonstration planning work began</p>
	<p>The current system for the Airport Identify Card Information System improved</p>		
	<p>Future system assessed</p> <p>Covert testing expanded and test pieces re-developed</p>		

A P P E N D I X 2

Measuring our outcome

Demonstration of our achievement against our outcome is through low and reducing numbers of accidents, the reducing social cost of accidents, no security incidents that compromise safety and reducing risk profiles in aviation document holders.

Low and reducing numbers of accidents

Achieved – The three-yearly accidents for 100,000 hours for all sectors of New Zealand aviation is shown below - see Appendix 5(c).

THE THREE-YEARLY ACCIDENTS FOR 100,000 HOURS FOR ALL SECTORS OF NEW ZEALAND AVIATION



Reducing social cost of accidents

Not able to measure – Social cost is a measure very sensitive to the nature and character of occurrences in the aviation system. The over-all level of safety failure in the aviation system is low, meaning that an event can cause dramatic shifts or fluctuations in the metrics used by the Authority. The ability to accurately determine statistically meaningful trends overtime is thus difficult. Consequently, while the Authority is of the view that the safety performance of many of the safety target groups is improving through time, the longitudinal data variability does not demonstrate clear trends.

No security incidents that compromise safety

Achieved – Nil incidents - see Appendix 5(e).

Decreasing risk profiles in aviation document holders

Achieved – 70 percent of activity types show a reduction from 2010 to 2017 - see Appendix 5(d). Risk profiles respond to change in the output of participant assessments. A significant increase may reflect a specific risk with a participant that then prompts focussed monitoring until the risk is resolved and the participant reassessed.

APPENDIX 3

Measuring our impacts

Similar to measuring our outcome, there is no single measure that shows if we are achieving our impacts. We use a business scorecard to measure a number of different elements in activity to determine the success of our work through a series of measures. The results are provided below.

MEASURE	TARGET	RESULT	COMMENT
Maintaining our domestic and international reputation	Maintenance of our international accreditation through the ICAO safety audit	Achieved	Overall Effective Implementation score is 84.86 while the OECD average is 84.24 (we aim to be equal to or better than the OECD average). See Appendix 7 for details.
Confidence that the safety and security of the aviation system is maintained	Improvements demonstrated in a confidence survey	Maintained	Confidence has been maintained as there is no significant change since 2014 across all summary measures in the Feel Safe Survey conducted in May 2017.
Safe flight is demonstrated	Low and decreasing number of accidents and incidents	Achieved	See Appendix 5 (a), (b), (c), (g) and (l).
Value for money to Government, participants and users is evidenced.	Value for money to Government, participants and users is evidenced.	Achieved	Refer to the foreword from the chair and chief executive - section headed 'Financial statements and value for money'.
Aviation security services are delivered effectively	The achievement of all non-financial measures in the Statement of Performance Expectations	8 out of 14 measures achieved	See Output Class 5.1 and 5.2 in Section 5.
The ability of the New Zealand Civil Aviation to operate internationally and domestically is supported	No restriction on New Zealand airlines operating internationally	Achieved	New Zealand airlines continue to operate internationally, including expansion of B787 routes and operations in Australia under the ANZA agreement.
Economic benefits are considered and supported where possible in the delivery of our functions	Consideration of economic benefits in the delivery of our functions, evidenced through analysis in policy papers, uptake of all of government options or other	Achieved	Performance against non-financial performance measures in Output Class 1.3-1.5 was largely achieved.

A P P E N D I X 4

Rules development programme

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

STATUS: ● Steady and positive progress – on track ● Minor delay/issues identified – should be delivered by agreement period ● Major impediments – delivery unlikely within agreement period ● Project removed from programme

RULE NO.	PROJECT TITLE	LATEST MILESTONE ACHIEVEMENT	PROGRESS STATUS AND COMMENT	NEXT MILESTONE/ EXPECTED DELIVERY DATE	TARGET QUARTER FOR THE MINISTER TO SIGN ²¹
Various	Small Issues 2016/17	Consultation period closed on 20 March 2017.	● Final rules sent to the Ministry of Transport (MoT) for approval. Project is on track as agreed with MoT.	Final rule packaged agreed with the Ministry of Transport	2017/18 – Q1
Various	ICAO Alignment 2017/18	Minister accepted rule project onto Transport Rules Programme	● Currently drafting the Notice of Proposed Rule Making (NPRM) covering the 6 issues identified in the policy investigation stage. Project is on track as agreed with the MoT.	Publish NPRM Expected in August	2017/18 – Q3
Various	New Southern Sky – Mandate ADS-B above FL 245	Minister accepted rule project onto Transport Rules Programme	● Currently finalising the NPRM together with the Ministry, which includes a new Notice. The nature and complexity of this project has required additional technical input to ensure the proposed Rules, Notice and Advisory Circular are used appropriately and accurately drafted.	Publish NPRM Expected in August	2017/18 – Q3
Part 91, 121 & 129	Post-Accident Emergency Location of Aircraft	Minister accepted rule project onto Transport Rules Programme	● Currently drafting the NPRM, which includes a new Notice. Project is on track as agreed with the MoT.	Publish NPRM Expected in August	2017/18 – Q3
Part 66	Part 66 Aircraft Maintenance Engineers – Licences and Ratings	Minister accepted rule project onto Transport Rules Programme	● Currently drafting the NPRM. Project is on track as agreed with the MoT.	Publish NPRM Expected in December	2017/18 – Q4
Various	Omnibus 2017/18	Minister accepted rule project onto Transport Rules Programme	● Currently drafting the NPRM. Project is on track as agreed with the MoT.	Publish NPRM Expected in October	2017/18 – Q4

²¹ Dates are subject to Ministerial approval of the project

APPENDIX 5

Safety data

5(a) MEASURE: ACCIDENTS AND INJURIES BY AVIATION SECTOR

Number of Civil Aviation Accidents, Fatalities, and Serious Injuries

AVIATION SAFETY TARGET GROUPS	2015/16			2016/17		
	ACCIDENTS	FATALITIES	SERIOUS INJURIES	ACCIDENTS	FATALITIES	SERIOUS INJURIES
PUBLIC AIR TRANSPORT						
Airline operations — large aeroplanes	1	-	-	2	-	3
Airline operations — medium aeroplanes	-	-	-	-	-	-
Airline operations — small aeroplanes	-	-	-	1	-	-
Airline operations — helicopters	3	7	-	2	-	1
Adventure aviation transport operations	11	-	2	14	-	8
OTHER COMMERCIAL OPERATIONS						
Other commercial operations — aeroplane	8	-	-	3	-	1
Other commercial operations — helicopter	4	-	-	5	1	2
Other commercial operations — sport	-	-	-	2	-	1
Agricultural operations — aeroplanes	2	-	-	7	2	-
Agricultural operations — helicopters	3	-	1	5	2	1
NON-COMMERCIAL OPERATIONS						
Private operations — aeroplanes	12	-	-	9	-	2
Private operations — helicopters	4	1	1	4	1	-
Private operations — sport aircraft	53	2	14	40	7	13
Other ²²	-	-	-	1	-	-

²² The category "other" is applied to non-New Zealand registered aircraft operating in New Zealand.

5(b) MEASURE: SOCIAL COST OF AVIATION PER UNIT OF PASSENGER EXPOSURE

Social cost per seat hour by aviation safety group (\$)

AVIATION SAFETY TARGET GROUPS	FOR THE YEAR ENDED 30 JUNE							AVERAGE MOVEMENT AGAINST PREVIOUS YEAR (2012-2017)
	2011	2012	2013	2014	2015	2016	2017	
PUBLIC AIR TRANSPORT								
Airline operations – large aeroplanes	-	-	-	0.01	0.02	0.02	0.01	-
Airline operations – medium aeroplanes	0.02	0.02	-	-	-	-	-	-
Airline operations – small aeroplanes	2.40	2.26	2.93	5.05	26.12	20.15	12.77	1.73
Airline operations – helicopters	10.60	5.30	17.03	43.25	58.38	109.23	85.32	12.45
Adventure aviation transport operations	65.47	156.59	180.27	162.01	6.68	15.66	20.95	(7.42)
OTHER COMMERCIAL OPERATIONS								
Other commercial operations – aeroplane	58.81	58.83	54.15	12.61	16.37	21.40	1.16	(9.61)
Other commercial operations – helicopter	59.82	98.72	103.03	62.80	94.87	94.60	103.75	7.32
Agricultural operations – aeroplanes	53.31	12.46	38.61	46.15	59.88	17.93	73.49	3.36
Agricultural operations – helicopters	7.22	22.31	29.84	59.84	69.27	83.13	81.21	12.33
Agricultural operations – sport aircraft	-	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS								
Private operations – aeroplanes	59.12	99.73	54.29	82.30	170.17	155.78	148.26	14.86
Private operations – helicopters	96.33	77.96	141.25	112.62	153.29	138.38	121.39	4.18
Private operations – sport aircraft	91.39	105.78	373.00	77.95	54.06	53.51	80.71	(1.78)

Social cost per unit of person exposure is defined as an economic measure of the cost of aviation to the nation. It assigns values to any deaths, rehabilitation costs from injuries, cost of property damaged or lost, and other specific external costs. The gross social cost calculated is pro-rated over the volume of aviation activity in any specified sector of the aviation community. The volume of aviation activity, the unit of person exposure, is per seat flying hour. For target groups that are not predominantly passenger carrying, a surrogate of 500 kg of aircraft weight assessed as being the equivalent of an occupied seat. For sport groups, calculation of social cost is based on Civil Aviation Authority estimates of aviation activity. The social cost of an aviation accident is based on the figure of established and used by the Ministry of Transport in their annual 'Social Cost' report.

5(c) MEASURE: ACCIDENTS PER 100,000 FLYING HOURS (ANNUALLY)**Target – Low and decreasing number of accidents and incidents**

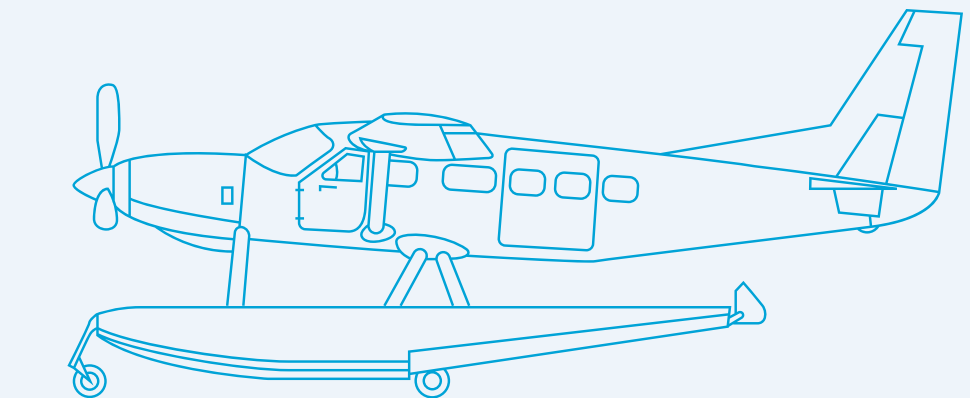
AVIATION SAFETY TARGET GROUPS	FOR THE CALENDAR YEAR ENDED 31 DECEMBER							AVERAGE MOVEMENT AGAINST PREVIOUS YEAR (2011-2016)
	2010	2011	2012	2013	2014	2015	2016	
PUBLIC AIR TRANSPORT	UNAUDITED							
Airline operations – large aeroplanes	0.62	0.30	-	0.58	0.89	-	0.58	(0.01)
Airline operations – medium aeroplanes	1.84	1.73	-	-	-	2.62	-	(0.31)
Airline operations – small aeroplanes	2.35	6.28	-	8.41	3.10	2.05	1.14	(0.20)
Airline operations – helicopters	3.48	3.42	4.97	10.87	7.19	5.32	2.19	(0.21)
Sport aviation transport operations	-	96.40	24.75	9.80	-	15.18	12.59	2.10
OTHER COMMERCIAL OPERATIONS								
Other commercial operations – aeroplane	6.41	3.42	0.92	3.76	5.20	5.18	2.04	(0.73)
Other commercial operations – helicopter	11.66	18.14	5.31	14.87	11.19	12.71	7.64	(0.67)
Agricultural operations – aeroplanes	11.56	13.63	17.07	24.08	7.25	4.53	12.12	0.09
Agricultural operations – helicopters	5.48	9.50	8.35	4.68	4.61	8.96	4.22	(0.21)
NON-COMMERCIAL OPERATIONS								
Private operations – aeroplanes	10.33	20.99	25.56	50.14	23.40	37.64	38.10	4.63
Private operations – helicopters	45.21	31.40	16.62	36.07	15.92	20.90	28.72	(2.75)
Private operations – sport aircraft	45.30	53.90	70.43	31.69	-	24.17	27.73	(2.93)

5(d) MEASURE: AVERAGE DISTRIBUTION OF RISK PROFILES FOR AVIATION DOCUMENT HOLDERS (ASSESSED PARTICIPANTS)

ACTIVITY TYPE	FOR THE CALENDAR YEAR ENDED 31 DECEMBER									REDUCTION IN RISK SCORE FROM 2010 TO 2017
	2010	2011	2012	2013	2014	2015	2016	2017		
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Privileges	2.6	-	-	2.6	2.6	n/a	n/a	n/a	n/a	n/a
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security	5.6	6.5	6.9	5.1	5.4	8.2	7.1	6.8	No	
Part 108 Security Programme	11.6	9.3	9.6	10.4	8.7	10.4	9.8	9.8	Yes	
Part 109 Regulated Air Cargo Agent	13.1	10.5	11.0	10.1	10.8	10.4	10.2	10.1	Yes	
Part 115 Adventure Aviation Operator	-	-	39.8	20.7	12.5	10.7	12.9	11.4	Yes	
Part 119 Air Operator Certificate – Pacific	9.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Part 121 Air Operator Large Aeroplanes	11.8	11.8	8.7	8.4	8.5	7.1	9.6	7.7	Yes	
Part 125 Air Operator Medium Aeroplanes	17.6	16.1	14.5	13.5	13.0	15.8	13.3	13.0	Yes	
Part 129 Foreign Air Transport Operator	8.1	10.5	8.4	8.5	5.6	6.3	10.1	12.3	No	
Part 135 Air Operator Helicopters and Small Aeroplanes	17.1	16.4	16.1	14.4	13.1	13.3	13.0	12.8	Yes	
Part 137 Agricultural Aircraft Operator	16.3	16.1	15.9	14.3	13.3	14.5	13.1	12.3	Yes	
Part 139 Aerodrome Operator	5.9	6.5	5.7	5.5	5.0	6.5	7.6	6.1	No	
Part 140 Aviation Security Service Organisation	5.1	4.6	5.0	4.9	6.6	5.6	16.0	9.0	No	
Part 141 Aviation Training Organisation	10.3	10.8	10.2	7.7	7.4	7.0	7.4	6.3	Yes	
Part 145 Maintenance Organisation	10.4	12.1	11.0	8.3	8.6	9.9	8.5	8.1	Yes	
Part 146 Aircraft Design Organisation	11.2	12.6	9.9	8.6	7.9	8.2	7.4	9.9	Yes	
Part 148 Aircraft Manufacturing Organisation	10.9	11.3	9.7	8.1	12.2	10.1	8.8	11.8	No	
Part 149 Aviation Recreation Organisation	10.2	15.9	10.8	8.0	11.5	14.5	11.9	10.4	No	
Part 171 Telecom Service Organisation	5.0	11.6	15.3	6.4	4.8	4.4	4.3	9.1	No	
Part 172 Air Traffic Service Organisation	9.6	17.1	24.0	15.0	12.7	12.6	12.6	12.6	No	
Part 173 Instrument Flight Procedure	7.2	9.1	14.2	9.8	4.4	6.5	5.1	4.1	Yes	
Part 174 Meteorological Service Organisation	11.1	11.4	11.2	7.6	4.4	5.2	5.3	5.3	Yes	
Part 175 Aeronautical Info Service Organisation	9.5	15.1	17.5	11.2	11.1	41.5	4.7	3.6	Yes	
Part 19F Supply Organisation	11.1	10.4	9.2	7.8	8.7	8.9	8.1	10.4	Yes	
Part 61 Pilot Licence (Aeroplane) Holder	2.7	2.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Part 66 Aircraft Maintenance Engineer	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Part 92 Dangerous Goods Pack Approval Holder	8.3	13.7	9.0	6.1	7.0	6.9	10.4	6.7	Yes	

5(e) MEASURE: RATE OF SECURITY INCIDENTS

	FOR THE YEARS ENDED 30 JUNE						
	2011	2012	2013	2014	2015	2016	2017
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 ²³ into aircraft screened by the Aviation Security Service.	-	-	-	-	-	-	-



23 Dangerous goods incidents means an incident associated with and related to the carriage of dangerous goods by air after acceptance, that: 1) Results in injury to a person, property damage, fire, breakage, spillage leakage of fluid or radiation, or other evidence that the integrity of the package has not been maintained or: 2) involves dangerous goods incorrectly declared, packaged, marked, or documented.

5(f) MEASURE: NUMBER OF AIRCRAFT ACCIDENTS BY AVIATION SAFETY GROUP

FOR THE YEAR ENDED 30TH JUNE

AVIATION SAFETY TARGET GROUPS	2011	2012	2013	2014	2015	2016	2017
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	3	1	-	4	1	1	2
Airline operations – medium aeroplanes	1	1	-	-	1	-	-
Airline operations – small aeroplanes	2	1	1	1	2	-	1
Airline operations – helicopters	1	2	5	5	1	3	2
Adventure aviation transport operations	9	8	4	7	11	11	14
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplane	12	6	8	12	6	8	3
Other commercial operations – helicopter	7	8	4	4	6	4	5
Other commercial operations - sport	-	-	-	-	-	-	2
Agricultural operations – aeroplane	6	3	11	6	3	2	7
Agricultural operations – helicopter	4	7	4	4	5	3	5
Agricultural operations – sport aircraft	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	5	9	12	11	10	9	9
Private operations – helicopters	6	2	8	1	4	2	4
Private operations – sport aircraft	52	38	50	54	49	39	40
Others	1	1	1	-	-	-	1

5(g) MEASURE: TOTAL ANNUAL SOCIAL COST OF ACCIDENTS (\$M)**FOR THE CALENDAR YEAR ENDED 31 DECEMBER**

AVIATION SAFETY TARGET GROUPS	2010	2011	2012	2013	2014	2015	2016
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	-	0.04	0.06	1.04	2.51	0.15	1.38
Airline operations – medium aeroplanes	-	-	-	-	-	-	-
Airline operations – small aeroplanes	-	0.17	-	1.80	5.22	-	-
Airline operations – helicopters	-	0.79	-	14.03	9.21	32.67	2.40
Sport aviation transport operations	2.25	1.85	46.49	0.68	2.26	2.04	1.94
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplane	48.07	0.17	-	0.80	11.39	-	0.45
Other commercial operations – helicopter	8.69	26.81	0.43	0.81	5.29	9.99	0.45
Agricultural operations – aeroplane	0.77	-	5.90	0.02	2.59	0.02	9.31
Agricultural operations – helicopter	-	1.63	5.46	4.84	12.32	0.79	10.60
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	4.35	5.39	1.67	0.17	5.64	17.06	0.04
Private operations – helicopters	4.77	5.25	4.49	1.00	9.88	4.49	5.25
Private operations – sport aircraft	7.29	22.78	34.51	15.39	16.04	14.80	18.83
Other	-	-	-	8.67	-	0.43	0.55

5(h) MEASURE: NUMBER OF FATALITIES AND SERIOUS INJURIES PER 100,000 FLIGHT HOURS

FOR THE YEAR ENDED 30 JUNE

AVIATION SAFETY TARGET GROUPS	2011	2012	2013	2014	2015	2016	2017
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	-	-	-	-	-	-	0.86
Airline operations – medium aeroplanes	-	-	-	-	-	-	-
Airline operations – small aeroplanes	-	-	2.99	-	8.50	-	-
Airline operations – helicopters	-	1.67	2.06	9.55	7.78	8.73	1.12
Adventure aviation transport operations	-	-	-	22.38	32.85	12.66	53.02
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplane	5.71	-	-	5.14	-	-	0.50
Other commercial operations – helicopter	9.09	7.01	-	-	15.01	-	7.22
Agricultural operations – aeroplane	-	-	4.77	-	2.22	-	4.90
Agricultural operations – helicopter	-	1.57	-	14.83	1.44	1.66	4.00
Agricultural operations – sport aircraft	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	-	22.78	-	22.71	18.78	-	6.99
Private operations – helicopters	28.86	-	43.30	83.45	17.28	11.71	7.43
Private operations – sport aircraft	-	-	-	75.20	268.51	185.52	166.83

5(i) MEASURE: SOCIAL COST OF FATALITIES AND SERIOUS INJURIES (\$MILLIONS)**FOR THE YEAR ENDED 30 JUNE**

AVIATION SAFETY TARGET GROUPS	2011	2012	2013	2014	2015	2016	2017
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	-	-	0.05	1.23	-	-	1.40
Airline operations – medium aeroplanes	-	-	-	-	-	-	-
Airline operations – small aeroplanes	-	0.17	0.71	0.82	4.80	-	-
Airline operations – helicopters	-	0.39	5.67	4.35	5.63	28.61	2.40
Adventure aviation transport operations	1.54	41.72	0.46	2.13	1.24	0.85	3.23
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplane	41.72	-	0.22	10.34	-	-	0.45
Other commercial operations – helicopter	15.13	11.45	0.35	0.82	12.75	-	7.09
Agricultural operations – aeroplane	-	-	5.45	0.82	0.41	-	9.31
Agricultural operations – helicopter	-	3.69	-	8.28	3.98	0.43	10.60
Agricultural operations – sport aircraft	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	-	5.62	0.35	3.94	16.73	-	1.08
Private operations – helicopters	4.85	-	6.33	7.87	4.80	4.51	4.53
Private operations – sport aircraft (all)	21.91	25.21	16.54	8.46	14.17	14.13	35.52

5(j) MEASURE: NUMBER OF NON-COMPLIANCES WITH CIVIL AVIATION RULES OR EXPOSITIONS BY OPERATORS

FOR THE YEAR ENDED 30TH JUNE

FINDING CATEGORY	FY 2015				FY 2016				FY 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	143	168	303	216	202	162	121	243	180	134	161	173
TOTAL FOR THE YEAR	830				728				648			

5(k) MEASURE: ENFORCEMENT ACTIONS/PROSECUTIONS FOR NON-COMPLIANCE AND/OR BREACH WITH CIVIL AVIATION AUTHORITY RULES

YEAR	TOTAL NUMBER OF OCCURRENCES	NUMBER OF PROSECUTIONS COMMENCED	PROSECUTIONS AS A % OF OCCURRENCES	WRITTEN WARNINGS ISSUED	INFRINGEMENT NOTICES ISSUED
2001	4,787	21	0.44%	23	-
2002	4,004	22	0.54%	34	-
2003	4,131	18	0.43%	27	-
2004	4,688	19	0.40%	31	-
2005	4,707	22	0.46%	26	-
2006	5,324	23	0.43%	18	4
2007	5,007	21	0.41%	16	5
2008	5,927	19	0.32%	12	10
2009	5,275	17	0.32%	11	9
2010	5,529	24	0.43%	9	7
2011	6,071	11	0.18%	4	7
2012	5,985	18	0.30%	11	4
2013	7,325	10	0.13%	12	8
2014	6,305	10	0.16%	12	18
2015	6,488	13	0.20%	7	6
2016	6,421	12	0.19%	11	9
2017	7,841	10	0.13%	12	15

5(l) MEASURE: AIRSPACE OCCURRENCE ENVIRONMENT IS SUSTAINED FOR ALL AVIATION ACTIVITIES

		FOR THE YEAR ENDED 30 JUNE							TARGET		
		2011	2012	2013	2014	2015	2016	2017			
CLOSE PROXIMITY EVENTS											
A safe airspace environment is sustained for all aviation activities	'Near misses'/loss of separation incidents	COUNT	93	115	163	107	121	102	89	Fewer 'near misses'/loss of separation incidents through time	
		COUNT PER 100,000 HOURS	9.80	11.30	15.60	10.30	14.11	11.12	9.16		
	UNAUTHORISED AIRSPACE INCURSIONS										
	Uncontrolled incursions (into controlled airspace)	COUNT	255	370	355	300	340	389	341		Fewer uncontrolled incursions (into controlled airspace) through time
COUNT PER 100,000 HOURS		27.00	36.50	34.00	28.80	39.66	42.40	35.08			

5(m) MEASURE: 5 – 10% REDUCTION BY 2018 IN MAJOR AND CRITICAL OCCURRENCES SINCE 2007

SEVERITY OF OCCURRENCE	2007	TARGET AT 5%	TARGET AT 10%	2017	ACTUAL INCREASE/ (REDUCTION)
Critical	28	26.60	25.20	58	107.14%
Major	313	297.35	281.70	366	16.93%
Minor	4,570	n/a	n/a	7,789	n/a
Total Occurrences	4,911			8,213	

NOTE: Although the movement in occurrences between 2016/17 to 2006/07 reflects an increase of over 100%, the ratio of major and critical occurrences compared to total number of occurrences reduced by 24% from 2006/07 compared to 2016/17 (down from 1:175 to 1:141).

APPENDIX 6

Sector profile

NEW ZEALAND'S ACTIVE AVIATION DOCUMENT HOLDERS

as at 30 June 2017

ORGANISATIONS		INDIVIDUALS		AIRCRAFT	
4	Australian AOC Operating with ANZA Privileges	2,852	Part 66 Aircraft Maintenance Engineer	1,976	Aeroplane
65	Part 109 Regulated Air Cargo Agent	201	Part 66 Certificate of Inspection Authorisation	298	Amateur Built Aeroplane
29	Part 115 Adventure Aviation Operator	258	Part 66 Certificate of Maintenance Approval	3	Amateur Built Glider
174	Part 119 Air Operator	26,700	Pilot licences (3,626 with active class 1 medical certificate and 5,438 with active class 2 medical certificate including 3,872 ATPL Aeroplane licence holders, 1,197 holding active class 1 medical certificates and 935 holding active class 2 medical certificates)	22	Amateur Built Helicopter
43	Part 129 Foreign Air Operator	1,067	Air traffic and Flight service licences (626 holding class 3 medical certificates)	61	Balloon
102	Part 137 Agricultural Aircraft Operator			284	Glider
27	Part 139 Aerodrome Certification			73	Gyroplane
1	Part 140 Aviation Security Organisation			24	Hang Glider
52	Part 141 Training Organisation			847	Helicopter
53	Part 145 Maintenance Organisation			206	Microlight Class 1
12	Part 146 Design Organisation			879	Microlight Class 2
17	Part 148 Manufacturing Organisation			104	Para Glider
8	Part 149 Recreation Organisation			266	Parachute
2	Part 171 Telecommunication Service Organisation			51	Power Glider
1	Part 172 Air Traffic Service Organisation				
2	Part 173 Instrument Flight Procedure				
2	Part 174 Meteorological Service Organisation				
2	Part 175 Information Service Organisation				
46	Part 19F Supply Organisation				
61	Part 92 Dangerous Goods Packaging				
11	Synthetic Training Device (Airlines)				
29	Synthetic Training Device (General Aviation)				
743	Total	31,078	Total	5,094	Total

A P P E N D I X 7

Maintaining international credibility

INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) – Universal Safety Oversight Audit Programme (CMA Audit Cycle 2013 Onward) Level Of Effective Implementation (EI) of a Safety Oversight System

CRITICAL ELEMENTS	1	2	3	4	5	6	7	8	EI SCORE
(Elements 2 - 8 are principally attributed to the work of the Civil Aviation Authority)	Primary aviation legislation	Specific operating regulations	State civil aviation system & safety oversight function	Technical personnel qualification and training	Technical guidance, tools and provision of safety-critical information	Licensing, certification, authorisation & approval obligations	Surveillance obligations	Resolution of safety concerns	
New Zealand	84.85	83.59	83.87	80.00	84.62	87.66	88.89	79.63	84.86
Australia	93.94	80.17	90.12	53.85	91.72	88.31	87.50	90.91	85.05
OECD average	88.97	82.91	82.58	70.96	85.04	89.78	83.60	82.65	84.24
Global average	75.09	70.26	65.94	53.03	67.68	67.93	56.68	52.03	64.85

NOTES

New Zealand was to have been audited in December 2016, but the earthquake-related closure of the Authority office resulted in the scaling down of the audit to the area of accident and incident investigation (AIG) only. Most of the focus of the AIG activity was on the Transport Accident Investigation Commission, and resulted in minor changes across the eight Critical Elements. The outstanding areas will be subject to a limited off-site assessment at a time yet to be arranged. It is the Authority's objective to equal or better the OECD average following any audit activity.



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