

CIVIL AVIATION AUTHORITY

Annual Report

2017 - 2018

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 2017 to 30 June 2018.



Nigel Gould

Chair of the Civil Aviation Authority of New Zealand

26 October 2018

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



Mark Wheeler

General Manager, Aviation Security Service

26 October 2018

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SECTION

1





Introduction

FOREWORD

The Civil Aviation Authority's operating environment has been dominated by record passenger numbers, evolving aviation security threats, the challenges of new technologies, and the transition to risk-based regulations.

SECURE SKIES IN THE FACE OF INCREASINGLY CREATIVE THREATS

Throughout the year the international aviation security environment has continued to evolve. Around the world, dedicated and adaptive offenders continually try to identify and exploit vulnerabilities in aviation security systems. In such a dynamic and constantly evolving environment the challenge for New Zealand, like other countries, is to stay one step ahead to protect the travelling public. The global nature of the international aviation system, and the manner in which aviation threats can cross national and regional boundaries, serves to remind us that we cannot rely singularly on our geographic isolation to protect us. Consequently, we have focused on improving security processes to ensure they are effective; and as we look ahead, we try to make sure we are taking appropriate steps now to have an effective regulatory framework and aviation security service in the future.

The Aviation Security Service (Avsec) screened a record number of passengers this year. It has also upgraded screening equipment at Auckland International Airport, equipped frontline staff with tools to enhance efficiency, and ran an advanced imaging (body scanning) technology trial at Wellington International Airport — a little surprisingly, passengers actually asked to have a go!

Our objective remains constant: we want to ensure New Zealanders benefit from a globally connected safe and secure civil aviation system.

Nigel Gould (left)
Chair

Graeme Harris
Chief Executive and
Director of Civil Aviation



Undertake safety, security, and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system.

MODERNISATION MILESTONES

We're halfway through the New Southern Sky (NSS) programme – a 10-year plan to modernise New Zealand's airspace and navigation systems using global satellite systems. The programme is now helping operators and individuals move to new air navigation systems. The second New Southern Sky conference held in May 2018 was an invaluable opportunity for aviators to learn about, and get an update on, all aspects of the programme, share their concerns and have their questions answered. A line-up of speakers and panellists from a range of New Zealand and international aviation agencies made for a successful two days.

New Southern Sky roadshows, held at various locations around the country each year, are an important opportunity for participants to find out exactly what the changes mean for them and what they need to do to reap the benefits. The roadshows also provide a great opportunity for the Authority to connect with participants and understand the things that matter to them.

KEEPING CONNECTED INTERNATIONALLY

The Authority continued our significant role in a range of forums around the Pacific and the world. A particular highlight was the conference for Asia Pacific Director-Generals of Civil Aviation in Ulaanbaatar, Mongolia, in August 2017.

We contributed to changes in the approach being taken to strengthen regional cooperation and build regulatory capability that can cope with risk-based regulation, and the rapid introduction of disruptive technologies, such as Unmanned Aerial Vehicles (UAV) — often referred to as drones.

FOCUS ON THE FUTURE

Aviation regulators around the world are increasingly focused on UAV and the safe integration of a diverse range of these aircraft into the aviation system. The Authority, in conjunction with other agencies, carried out a lot of work related to UAV this year.

Research we commissioned found there are around 281,500 New Zealand drone users, and six out of every 100 overseas visitors who come to New Zealand will fly a drone while here: this equates to around 200,000 overseas visitor drone users per year. They are clearly a significant proportion of the aviation community and it's imperative that we find effective ways to communicate with them.

In May we began a year-long public education and awareness campaign using digital channels to better inform typical drone users.

Other activities, together with other agencies include exploring technologies to detect and deter UAV around aerodromes. We have also reviewed the effectiveness of the existing regulatory rules, expanded our safety promotion activities advising tourists of our UAV rules, and focused our education efforts to increase the public's knowledge of their responsibilities as a 'pilot' if they fly a drone.



HELPING NEW ZEALAND FLY — SAFELY

The statutory objective of the Authority is to undertake “safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system.”¹ We believe that Safety Management Systems (SMS) requirements, introduced in 2016, will improve the safety performance of the civil aviation sector. This year the Authority has focused on certification of Group 2 participants — the smaller aviation operators. We appreciate that SMS certification and implementation is a challenge for many Group 2 operators and we commend them for rising to that challenge.

SMS is a critical part of the risk-based regulatory approach the Authority is moving to. It has significant implications for how we work and engage with the aviation community as a regulator. To enable staff to become professional, risk-based regulators, we began an internal transformation project called the Regulatory Craft Programme (RCP). RCP will transform the organisation's skill and tool sets so they are aligned to the requirements of being a risk-based regulator. Crucial foundational work has been completed this year. International forums continue to provide valuable opportunities to learn from other aviation regulators who are ahead of us on the risk-based regulation journey.

THE NEXT STEPS...

So while the year has contained many significant and ongoing challenges, we are confident the Authority is meeting them innovatively and competently. As we move into a new financial year we also look to how we align our activity with the Sustainable Living Framework and support the governments transport sector outcomes framework which aims to identify the impacts, contributions, and outcomes of agencies that influence sustainable living. Our work in support of this framework will show how we will influence the ongoing development and delivery of...

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

¹ Civil Aviation Act 1990, Section 72AA

THE AUTHORITY

We are a Crown Entity established under the Civil Aviation Act 1990 (the Act). The Authority's objective is to:

Undertake its safety, security, and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system.

Led by the Director of Civil Aviation and Chief Executive, the Authority (as it is collectively referred to) meets this intent through two primary functions:

- The **Civil Aviation Authority (CAA)** – performs safety and security regulatory functions; and
- **Avsec** – delivers aviation security services at New Zealand's five security-designated airports – Auckland, Wellington, Christchurch, Dunedin, and Queenstown.

Maintaining safety and security is critical to avoiding harm. A safe and secure aviation system also promotes travel, trade, and the enjoyment of aviation as a sport and recreational pursuit for New Zealanders and visitors alike. Aviation is critical to New Zealand's economy, through the global connections it enables, and the reputation it has. Ninety-nine percent of people arriving in New Zealand do so by air; and \$8 billion of our exports are flown out of the country.

The CAA and the Director of Civil Aviation have a range of functions focused on maintaining and enhancing aviation safety and security. They include:

- Promotion of aviation safety and security in New Zealand and beyond, in accordance with New Zealand's international obligations;
- Investigating and reviewing civil aviation accidents and incidents in its capacity as the responsible safety and security authority;
- Exercising control over entry into the civil aviation system through granting aviation documents under the Act;
- Acting in the public interest to enforce the provisions of the Act, Civil Aviation Rules, and other related regulations; and
- Monitoring adherence within the civil aviation system to relevant regulatory requirements.

The Ministry of Transport also funds the Authority to perform some elements of its process for the development of Civil Aviation Rules on behalf of the Minister of Transport.

Avsec is jointly responsible, with the New Zealand Police, for the prevention of offences against the Aviation Crimes Act 1972 at security-designated airports. It does this by:

- Screening and searching passengers and bags on all international flights and on domestic flights by aircraft with a certificated seating capacity of greater than 90 passengers;
- Screening and searching people/passengers and things entering the security-enhanced or sterile areas at security-designated airports; and
- Conducting airport security patrols.

Our strategic framework (Figure 1) illustrates how our day-to-day activities combine to support the outcome of 'Safe and Secure Skies' and the following pages describe our performance story.

The performance story explains the relationship between the why (our impacts and objectives), the what (our activities) and the how (the way we work).



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

Our objectives



Effective and efficient security services



A vibrant aviation system



Improved sector safety performance

Safety and security focus areas*

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 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

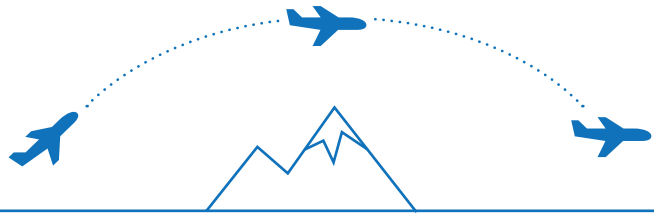
Facts & figures

2017/18

NEW SOUTHERN SKY

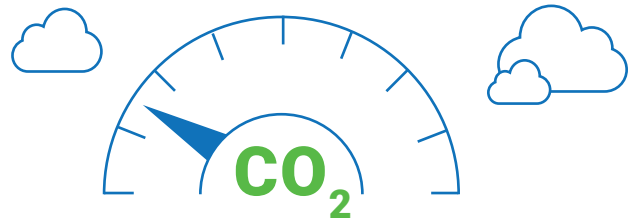
2.2
million

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



4.8
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



14.434 million
international and domestic
passengers screened



61,174 proactive
Explosive Detector
Dog Unit searches

APPLICATION/CERTIFICATION/LICENSING STATS

466

Aviation Related
Concerns investigated



704

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

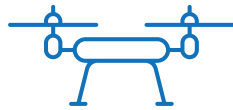
14

Air transport operating
certificates issued

INTERESTING FACTS ABOUT THE AVIATION SYSTEM

460

UAVs (drones) used in certificated operations

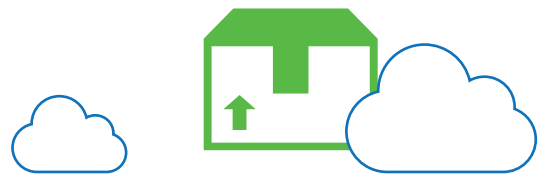


9,066

active pilots



AVIATION-RELATED ECONOMIC STATISTICS



\$9.5 billion

worth of goods exported by air



KEY DATES FOR THE AUTHORITY

July 2017

Changes to safety fees charges and levies come into force for the Authority's regulatory functions



since the formal establishment of Avsec as a government entity



August 2017



Asia Pacific Director-Generals of Civil Aviation conference held in Ulaanbaatar Mongolia



December 2017

4,173,464 bags screened in one month

February 2018

55 of 56 Group 1 operators have an approved SMS in place



May 2018

Don Huse appointed as Deputy Chair of the Board



REGISTERED AIRCRAFT UNDER THE AUTHORITY

5,215

Total aircraft

8%



are parachutes and paragliders operated by adventure aviation operators

17%



are helicopters

AVIATION SECTOR PROFILE

Aviation in New Zealand is characterised by the high number and wide variety of operations considering the size of the country and its population. The aviation sector is comprised of a variety of sub-sectors, each with unique characteristics and challenges, personnel, operators and various supporting infrastructure.

We have one of the highest rates of aircraft and pilot licences per capita in the world. This reflects the importance that aviation plays in the way we do business, the way our topography influences our domestic travel choices, and use of aviation for recreation and commerce.

AIRCRAFT OPERATED IN NEW ZEALAND

New Zealand has 5,215 aircraft on the register at present; up from 4,453 in July 2010, an increase of 17 percent.

Much of that increase has occurred in the commercial helicopter sector and sport aircraft sector, with a 32.7 percent increase. While these are generally one or two-seat aircraft, the number of people flying them privately, and being flown in them commercially has increased, particularly with the introduction of Civil

Aviation Rule Part 115 Adventure Aviation – Certification and Operations in 2011.

There are 408 UAVs registered to holders of an Air Operating Certificate issued under Civil Aviation Rule Part 102 – Unmanned Aircraft Operator Certification – holders, and numbers continue to grow.

One of the key elements of our intelligence function is to identify where the risks in the system are emerging. Accident and incident data (refer to Appendix 5) show that sport aviation is higher risk, demanding different approaches from the regulator, without stifling participation.

Another key element is identifying areas of greatest social cost.

5,215 aircraft were registered in New Zealand at 30 June 2018

 **38%** ↑
are aeroplanes (1,995)
1,976 in 2016/17

 **17%** ↑
are microlight class 2 (899)
879 in 2016/17

 **17%** ↑
are helicopters (864)
847 in 2016/17

6% ↓
amateur built
aeroplane (297)
298 in 2016/17

5% ↓
glider (283)
284 in 2016/17

6% ↑
parachute (331)
266 in 2016/17

4% ↑
microlight class 1 (208)
206 in 2016/17

2% ↓
paraglider (97)
104 in 2016/17

1% ↑
gyroplane (77)
73 in 2016/17

1% ↑
balloon (63)
61 in 2016/17

1% ↑
power glider (53)
51 in 2016/17

1% ↓
hang glider (21)
24 in 2016/17

0% –
amateur built
glider (3)
3 in 2016/17

0% ↑
amateur built
helicopter (24)
22 in 2016/17

0% –
jetpack (0)
6 in 2016/17

SAFETY PERFORMANCE

There are many different measures of safety. To illustrate the safety profile over the civil aviation sectors (refer to Appendix 5), we have focused on two measures – accidents per 100,000 flying hours and the total annual social cost² of accidents (\$M).

Public air transport has high impact as an economic measure of the cost of aviation to the nation, that is, an accident or incident involving high passenger numbers will have a high social cost. Significant controls by participants and CAA mitigate the risk. This is demonstrated in the tables below reflecting the rate of aircraft accidents per 100,000 flying hours and the annual social cost.

Industry

Number of operators:

Medium Aircraft Operators	13
Large Aircraft Operators	6

Airline transport

This sector consists of relatively few operators under two types of certificate, operating large aircraft used on scheduled regular public transport operations both internationally and domestically.

Activity

Reported flight hours have remained steady, averaging around 362,000 hours of flight per year.



Accidents per 100,000 flying hours (annually)

AVIATION SAFETY TARGET GROUPS	FOR THE CALENDAR YEAR ENDED 31 DECEMBER							AVERAGE MOVEMENT AGAINST PREVIOUS YEAR (2012-2017)
	2011	2012	2013	2014	2015	2016	2017	
PUBLIC AIR TRANSPORT								
Airline operations – large aeroplanes	0.30	-	0.58	0.89	-	0.58	0.28	(0.05)
Airline operations – medium aeroplanes	1.73	-	-	-	2.62	-	-	(0.26)

Total annual social cost of accidents (\$M)

AVIATION SAFETY TARGET GROUPS	FOR THE CALENDAR YEAR ENDED 31 DECEMBER						
	2011	2012	2013	2014	2015	2016	2017
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	0.04	0.06	1.04	2.51	0.15	1.38	0.10
Airline operations – medium aeroplanes	-	-	-	-	-	-	-

² 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 estimates of aviation activity. The social cost of an aviation accident is based on the figure established and used by the Ministry of Transport in their annual 'social cost' report.

SECTION

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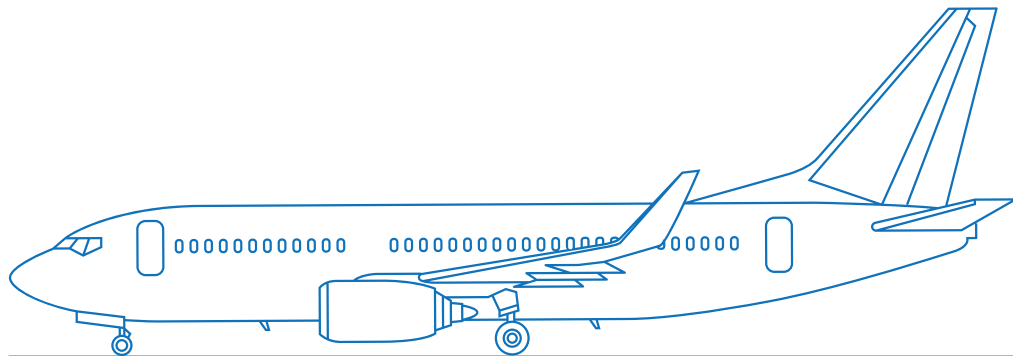


Our performance story

Continuing to effectively maintain and enhance the safety and security performance of the civil aviation system is dependent on our ability to:

- Identify risks in the system that would give rise to safety and security failure
- Identify mitigations for those risks
- Intervene in the system to mitigate those risks
- Develop our capacity and capability to work differently while continuing to discharge our core functions day-to-day
- Work in a way that also supports a transport system that improves the well-being of New Zealanders.

The Authority's work programme for 2017/18 was determined by these factors and is detailed in the following pages.



KEY INITIATIVES

The key medium-term initiatives the Authority has invested in over the year are discussed below. Each addresses critical issues within the civil aviation system, or with respect to the Authority's capability and capacity.

NEW SOUTHERN SKY PROGRAMME (NSS)

Led by the Authority and supported by Airways and the Ministry of Transport, NSS is a 10-year benefits-led programme to implement the National Airspace and Air Navigation Plan, which is focused on modernising New Zealand's air navigation system. The programme will be completed in 2023.

Critical to the success of NSS is its ongoing engagement with the aviation community — ensuring the community is aware of and able to comment on proposals, required changes, timeframes and implications. Throughout 2017/18, NSS has reached out to the aviation community through working groups, a national roadshow and an annual conference. Twenty-five projects are under way; all of which have high levels of stakeholder engagement and commitment.

An independent assessment undertaken in 2017/18 of the benefits accruing from the NSS programme identified direct economic benefits of \$128m and wider economic benefits of \$904m over a twenty-year period. This used real data from the air traffic management system.

SAFETY MANAGEMENT SYSTEMS (SMS) – ENHANCING SAFETY CULTURE

Implementing Safety Management Systems (SMS) across the civil aviation system is an example of the regulatory system becoming risk-based; and ensuring New Zealand's regulatory system aligns with international requirements mandated by the International Civil Aviation Organization (ICAO).

For aviation businesses, the SMS rule³ that came into effect on 1 February 2016, formalises a significant change in risk management. SMS combines elements of quality assurance and risk management into an integrated system that helps organisations:

- Identify the hazards and associated risks that affect the whole organisation
- Control, monitor, communicate, and review those risks
- Assure the quality of products and services while complying with standards
- Continually improve products and services.

³ Civil Aviation Rule Part 100 – Safety Management.



SMS is required to be implemented by operators in stages over a 5-year period through to February 2021:

- **Group 1 Operators** (larger operations), as required, have an approved SMS in place from 1 February 2018⁴
- **Group 2 Operators** (smaller operations), as required, have submitted implementation plans by 31 July 2018⁵
- All **Group 2 Operators** are required to have implemented their SMS by 1 February 2021.

Guidance materials have been made available, along with SMS implementation workshops held around New Zealand, to assist operators with their implementation.

AUTHORITY FUNDING REVIEWS

In 2017/18, the Authority implemented changes to its regulatory fees, charges and levies as a result of a review completed in 2016/17. A key outcome of the review was that costs of inspection are recovered by levies rather than direct charges. The benefits of this change are a more equitable and appropriate distribution of regulatory costs across the aviation sectors, and the ability for the CAA to conduct inspection activities within a risk-based regulatory framework. The cost recovery mechanisms are now better aligned to the CAA's risk-based intervention logic of our monitoring and inspection activities.

Hourly charges were maintained for certification, and were introduced for follow-up inspection. Other changes were the reduction in medical fees and the introduction of operator safety levies.

In August 2017, the Authority initiated a review of Avsec's cost recovery framework and regulated charges (international and domestic passenger security charges). The objective is to ensure Avsec appropriately recovers the costs of its operations, and is adequately resourced.

The Authority is proposing to change Avsec's cost recovery framework in order to meet the reviews objectives. Consultation on the proposals was conducted in the 2018/19 year. Any changes are expected to be implemented in 2019/20.

MAINTAINING OUR EFFECTIVENESS AS A REGULATOR

As aviation regulation becomes risk-based, the cultural change required to implement and support it is as great for the regulator as it is for those subject to it. To ensure we are able to remain effective in this changing environment, we are focused on:

- Being better able to effectively use all of the information available to us by creating new tools and resources such as risk profiles; and
- Building internal capacity and capability in response to evolving regulatory practices.

The Authority's Regulatory Craft Programme (RCP) is focused on ensuring that our regulatory workforce is equipped to regulate effectively in a risk-based environment. The RCP has three inter-dependent work streams: people, guidance (operational policy), and technology (business systems that support and enable the actual work).

To prepare our people to adapt to our changing environment, we undertook a number of initiatives:

- We defined the leadership qualities and traits that support our future way of working, and embarked on a leadership capability-building programme
- Began development and implementation of a new talent and succession programme to identify high-potential individuals and prepare them for progression into leadership roles
- We reviewed the tools and processes in our recruitment approach to ensure we bring in people with the right competencies and capabilities

4 55 of 56 operators certificated by 1 February 2018, with one operator granted an exemption from some requirements.

5 Of the approximately 300 operators, one was issued a finding for failing to submit a plan by the required date.

- We reviewed our Regulatory Operating Model which will provide guidance about how we work to both our regulatory staff and the sector⁶
- We conducted a trial of a potential new information technology platform for our future business systems to inform decisions yet to be made about the replacement of our current obsolescent business system.

UNMANNED AERIAL VEHICLES

Unmanned Aerial Vehicles (UAVs) — which include Remotely Piloted Aircraft Systems (RPAS) and Unmanned Aircraft Systems (UASs) — are becoming more prominent as the technology develops. These aircraft have the potential for significant economic, safety, and social benefits, and are being used in increasingly innovative ways. In 2015, New Zealand introduced Civil Aviation Rule (CAR) Part 102 allowing for any operation of UAV, providing the operator can prove appropriate mitigation of risks associated with their operation. Rule Part 102⁷ has attracted international interest, including from start-up UAV companies based offshore wanting to exploit the flexibility of the Rule due to the pragmatism of the CAA's approach to regulation.

Over the past 12 months the Authority has worked with participants wanting to develop and operate complex UAV in New Zealand. High-profile overseas companies are focusing on New Zealand as a location for conducting developmental testing and initial commercial operations.

These companies present challenges with respect to the regulatory framework, and to the Authority in relation to the certification of advanced technologies and airspace management. Many are not traditional

aviation companies, and bring with them different cultures and understanding of the aviation regulatory system. That in itself poses a number of issues in relation to expectations and understanding of the regulatory processes and procedures.

The Authority has adopted a cross-functional approach to certification activities to best assess the risks inherent in these new types of operation. We are also working collaboratively with other government agencies who are tasked with attracting to New Zealand, innovative and new high-tech businesses.

To keep abreast of the changes in regulatory approaches to this rapidly evolving sector, we engage with regulatory agencies and industry forums here and overseas. In particular during 2017/18 we have engaged with JARUS⁸, and have exchanged staff with TRAFI⁹. We have received additional funding from government to assist in providing the capability and capacity necessary to facilitate the assessment and safe introduction of these new technologies.

The Ministry of Transport is developing a strategic framework for a future aviation system where UAV are integrated fully in the New Zealand civil aviation system. The CAA has recommended the need to move quickly to align with the new EASA regulatory framework for the regulation of UAV and in the meantime is working to update the current interim UAV Rules with another incremental change.

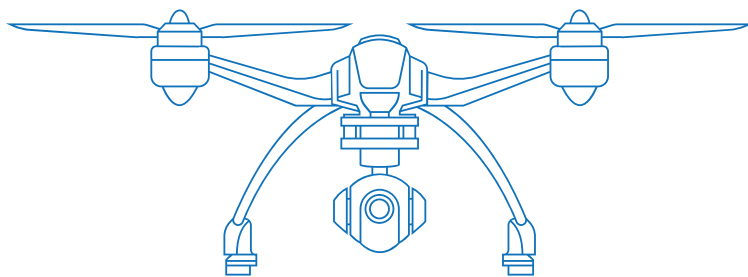
Further, we continue to engage with other international partners, in particular the European Aviation Safety Agency (EASA), the Federal Aviation Administration (FAA) in the USA, and Transport Canada, to learn from their experiences.

⁶ We expect to publish the Regulatory Operating Model in the 2018/19 year.

⁷ CAR Part 102 — Unmanned Aircraft Operator Certification.

⁸ JARUS — Joint Authorities for Rule Making on Unmanned Systems, which comprises 55 countries.

⁹ TRAFI is the Finnish Transport Safety Agency.



Drones

The ready availability of small RPAS, often referred to as drones, has resulted in an influx of new participants into the aviation system. These participants have little if any knowledge and awareness of the fact that there is an aviation system, with rules and associated requirements. Finding ways of informing these new participants of their obligations (that is the rules) is a significant challenge for the CAA. Traditional methods of education and safety promotion, such as aviation magazines and websites fail to reach these new participants. Consequently, the CAA has diversified its traditional safety promotion and education activities, including using non-aviation language and other pictorial forms of communication. Initiatives such as the targeted use of social media; engaging with retailers and distributors of UAV to encourage the distribution of easy-to-access information (e.g. pamphlets, website links, etc.); and engaging with the tourism sector (e.g. airlines introducing information on arrivals videos about safe drone operation) have been launched during the year.

AVIATION SECURITY SERVICE ENHANCEMENTS

Avsec has developed and is implementing its 'Future 2022 and Beyond' strategy. At the heart of the strategy is a focus on working in smarter and better ways to meet future demands of passenger volumes and the security environment; while ensuring it is effective and efficient. Core elements of the strategy include the deployment of new technologies, streamlining systems, and maintaining and enhancing the capability of staff.

Examples of the changes Avsec is making include the installation of 'smart lanes' at the new Auckland International Airport departures area screening point. 'Smart lanes' improve both the effectiveness and efficiencies of screening operations. Six 'smart lanes' are now operational at Auckland International Airport.

Avsec has also invested significantly in its training capability, as its frontline staff numbers grow to meet increasing passenger volumes. It has invested in its Explosive Detector Dog (EDD) programme, and increased the number of EDD teams deployed at some security-designated aerodromes.

OTHER ACTIVITY

The key initiatives are just one snapshot of the Authority's work programme. The following pages discuss other elements of the Authority's performance in the context of the Government's priorities identified for the transport sector for 2017/18.

GOVERNMENT PRIORITY

LIVEABLE CITIES AND THRIVING REGIONS

Civil aviation plays an important role in social connection both internationally and domestically. Demonstrating a direct link between the work of the Authority and this priority is best achieved by our focus on the impact of a safe and secure civil aviation system that is resilient and enables social and economic connection. Effectively engaging stakeholders – users of the civil aviation system such as passengers, or participants in the system – is critical to gaining trust and building confidence.

WORK PROGRAMME

PURPOSE	ACTIVITY	BENEFIT
Performance-Based Communications and Surveillance (PBCS)		
To ensure more reliability and integrity of aircraft position reporting and communications.	Working with Airways New Zealand and Air New Zealand by matching performance of aircraft communications equipment with the separation being provided by Air Traffic Control.	Expectations of ICAO and industry met with regard to implementing PBCS capability.
Interaction with other regulators onshore and offshore		
Building links with other regulators with whom we have a lot in common builds our understanding of international aviation trends, skills, and focus.	Engagement with: <ul style="list-style-type: none"> • Finnish transport regulator TRAFI • Australian aviation safety regulator, CASA • Transport Canada • Federal Aviation Authority - USA (FAA) • European Aviation Safety Agency (EASA) 	Improving relationships and sharing of experiences and observations allows us to modernise safety systems and to support safety improvement initiatives.

PURPOSE	ACTIVITY	BENEFIT
Sector Risk Profiling (SRP)		
Examines underlying influences on safety within a particular aviation sector and enables the Authority to target its resources further towards aviation system safety risks.	Sector risk profile report – Air Operations – Helicopters and Small Aeroplanes (CAR Part 135) - completed and published the final report in conjunction with industry in June 2018.	An integrated systematic approach to managing safety risk. Optimised processes and systems for hazard identification risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education. Safety is scaled to the complexity and size of the organisation. CAA can focus on reviewing the participant's SMS, with confidence it addresses major risks.
Outreach into the sector: <i>International Meteorological Panel</i>		
Development and introduction of innovative approaches to providing pre-flight meteorological planning information.	The Authority's nominee, as Chairman of the ICAO Meteorology Panel, led the expert development of the new ICAO Space Weather Advisory system, due to be operational by the end of 2018.	The information provided by this system on the expectation of various solar phenomena affecting communications and satellite-based navigation will underpin the increasing use of GNSS and satellite communications by all aviation sectors.
Pacific Island States (funded by Ministry of Foreign Affairs and Trade (MFAT))		
To improve Pacific Island States' compliance with ICAO standards and recommended practices (SARPs) by helping build capability and capacity and providing advice on technical issues regarding New Zealand Civil Aviation Rules already adopted.	As part of the 2014 Memorandum of Understanding with MFAT, detailed gap analyses have been completed for Tonga, Samoa, the Cook Islands and Vanuatu. Each analysis identifies priority areas to help these States improve the effective implementation of ICAO SARPs.	Pacific Island States become more capable and effective civil aviation regulators, with consequent improvements in the performance of their civil aviation systems in future.
Pacific Aviation Safety Office (PASO)		
Improve PASO's capability and capacity to provide technical assistance to member Pacific Island States, thus facilitating improved regulatory oversight by those States.	Assist with the recruitment of a new general manager and operations manager. Assist with the development of a business plan and strategic plan. Assist with the identification and provision of technical specialists.	States grow their confidence in the ability of PASO to provide sound technical advice in discharging safety oversight functions.
Aviation security in the Pacific		
Improved aviation security service delivery that enables Pacific Island States to meet all international and individual regulations.	Assisted the States with their procurement processes for updated security equipment including new security screening equipment, upgrade of airport identify card systems, and specialist operational, developmental training, and succession planning activities.	An improvement in aviation security service delivery in the Pacific.



GOVERNMENT PRIORITY

A RESILIENT TRANSPORT SYSTEM

We ensure that New Zealanders have convenient and reliable access to air transport and airspace. We do this by supporting high reliability and availability of airspace, and working towards a stable aviation system responding quickly to disruptions, and safety and security threats.

WORK PROGRAMME

PURPOSE	ACTIVITY	BENEFIT
Transport Sector Strategic Resilience Project (led by the Ministry of Transport)		
A Transport Sector Leaders’ priority to strengthen the strategic resilience of the New Zealand transport sector’s operations and infrastructure for the future, and to maintain the economic and social benefits enabled by the New Zealand transport system.	Supporting the Ministry of Transport in the development of the Transport Sector Strategic Resilience Project.	A transport system that meets future needs, and endures shock.
Transport Sector Regulatory Stewardship Programme		
This programme involves the adoption of a whole-of-system, life-cycle view of regulation, and takes a proactive, collaborative approach to monitoring and care of the transport regulatory system.	Supporting the Ministry of Transport in the development of the Transport Sector Regulatory Stewardship Programme.	Aviation regulatory/legislative framework remains fit-for-purpose, forward-focused, and sustainable in the long term.
New Southern Sky – Refer key initiatives on page 16		
Responding to the evolving threat environment		
The ongoing engagement with international partners helps us to understand and support trends in the wider international security environment and for New Zealand.	We worked closely with domestic and international partners in response to evolving threat environments to maintain appropriate levels of safety for the public.	Ensure New Zealand remains part of a concerted international response to trends and challenges to security.
Security service enhancements – Refer key initiatives on page 19		



GOVERNMENT PRIORITY

A SAFE
TRANSPORT
SYSTEM

Our work aims to ensure the New Zealand civil aviation system is robust, and responsive to technological, environmental and human change, is respected internationally and provides an appropriate level of safety and security to the New Zealand public.

WORK PROGRAMME

PURPOSE	ACTIVITY	BENEFIT
Regulatory framework: Appropriate regulatory action		
Taking appropriate regulatory action to ensure safe and secure skies to help New Zealand fly.	Worked with the European Aviation Safety Agency and the US Federal Aviation Administration on Airworthiness Directives (ADs) affecting Boeing 787 aircraft with Rolls Royce Trent 1000 'Package C' engines. Ten of Air New Zealand's 11 B787 aircraft are affected. Some inspections resulted in the engine being found unserviceable and the aircraft being grounded.	Recent FAA directive placed operational limitations on affected aircraft preventing them from operation on routes beyond 140 minutes flying time from a diversion aerodrome.
Regulatory framework: Enabling new types of aviation activity		
Regulation of the UAV, a new and more prominent sector in aviation.	The Authority worked with participants wanting to operate complex UAV in New Zealand. A strategic framework was developed by the Ministry of Transport for a future aviation system where UAV are integrated alongside traditional, piloted aircraft. The Authority is supporting this work by providing our technical and regulatory expertise.	UAV have the potential for huge economic, safety and social benefits but need to be regulated to ensure safer airways for all aviation participants.
Regulatory framework: Working with non-traditional participants		
The ready availability of small UAV, such as drones, has resulted in an influx of non-traditional participants into the aviation system. These participants have no aviation experience or background. However they are required to operate their UAV under either CAR Part 101 or 102.	The Authority educates the non-traditional participants operating an aircraft through outreach programmes. Targeted social media initiatives were launched, with a focus on plain language rather than aviation terms to ensure the audience's understanding of the material.	Educating non-traditional participants on how to operate their aircraft in a safe manner that complies with CAR Part 101 or 102.
Safety Management Systems implementation – Refer key initiatives on page 16		
Operational intervention: Rules and policy changes to improve safety in the future system – Refer Rules Development Programme at appendix 4		

GOVERNMENT PRIORITY

VALUE FOR MONEY

In accordance with the Civil Aviation Act 1990, the Authority has a primary focus on ensuring the safety and security of civil aviation. In doing this, however, it is mindful that it should, as much as possible, balance being an effective regulator with providing an enabling environment for the New Zealand aviation sector, and demonstrate value for money.

WORK PROGRAMME

PURPOSE	ACTIVITY	BENEFIT
Putting the right money in the right place – benchmarking exercise		
To determine whether the costs and resourcing of the Authority are reasonable.	A benchmarking exercise was undertaken (through Benchmarking of Administrative and Support Services), comparing the Authority against similar organisations and functions, domestically and internationally.	The review provided the Authority with an assessment of the efficiency and economy with which the organisation carries out its regulatory and security service functions. The Authority was rated overall, as an efficient regulator in a complex aviation system.
Authority funding reviews – Refer key initiatives on page 17		
Regulatory Craft Programme (RCP) – Refer to key initiatives on page 17		
Investment to keep the organisation on top of its game		
The anticipated increase in Avsec’s volume of work over the next three years results in an associated increase in the number of personnel and thus in personnel costs. The additional personnel are critical to the support and implementation of Avsec’s activities to achieve desired aviation security outcomes.	The implementation of ‘smart lanes’, as part of ‘smart security’, increases screening point capacity.	This delays the need for additional lanes, reducing the need for lease space, improves health and safety outcomes, and provides the capability for networked screening systems across airports, improving cost effectiveness.



OUR PROGRESS IN THE SAFETY AND SECURITY FOCUS AREA WORK PROGRAMME

Improved sector safety performance means the Authority targets areas of risk in the aviation system; central to this is the annual work programme of our eight safety and security focus areas.

The safety performance of the civil aviation system is variable. It ranges from excellent in the large aircraft (airline) sector to quite poor in the commercial helicopter and private recreational aviation areas. The helicopter sector is a particular concern given the growth of the sector in recent years and the use of the aircraft in the burgeoning tourism industry.

SAFETY AND SECURITY FOCUS AREAS

To improve the overall safety performance of the New Zealand aviation system, the Authority has identified eight safety and security focus areas, based on analysis of safety performance data.

The current focus areas are:¹⁰

1. **Loss of control in flight** – the risk of aircraft divergence from normal flight parameters or paths, for any reason. Contributing factors can include (but are not limited to) weather, equipment malfunction, crew error.
2. **Runway excursions** – these occur when an aircraft veers off the runway surface. This can be an overrun on landing, or failure to take off before reaching the end of the runway.
3. **Airborne conflicts** – increasing concerns over reported airspace incidents in controlled and uncontrolled airspace where aircraft are not sufficiently and safely separated. Airborne conflicts can result in mid-air collisions.
4. **The helicopter sector** – various indicators suggest that the commercial helicopter industry has a higher rate of incidents and accidents (including fatalities) than comparable sectors in New Zealand and other countries.

5. **Queenstown operations** – Queenstown airspace has a variety of flying activities, mountainous terrain, changeable weather, and high density traffic – all of which create a challenging operational environment with increased potential for accidents to occur.

6. **Security threat level and responses** – we must be able to respond to changes in threat levels with clear decision pathways and responsibilities, and mechanisms for implementing new or additional security controls.

7. **International air cargo security** – air cargo security depends on a robust and trusted supply chain system. Informed and targeted interventions will sustain compliance throughout the entire air cargo supply chain, and retain wide stakeholder assurance as to the level of security applied to international air cargo.

8. **‘Smart security’** – we must be informed, agile thinkers, capable of evaluating options in response to changing situations. Resilience must be built in to our current system to meet future demands. We must think smarter to improve security outcomes, enhance passenger facilitation and optimise utilisation of equipment and staff, for example using ‘smart lanes’ to process passengers at airports.

These focus areas drive annual planning and day-to-day work, and serve to focus existing regulatory interventions that maintain safe and secure skies and improve sector safety performance.

Resources and action plans have been organised around each focus area to monitor their progress and outcomes.

Refer to Appendix 1 for the detailed activity of what we accomplished in 2017/18.

¹⁰ More information: https://www.caa.govt.nz/publicinfo/focus_areas_2016-2019.pdf

SECTION

3



Our organisation



We are constantly developing the way we work and how we deliver our regulatory and security functions. Our organisation has its people at the centre of all we do, and we are committed to having a safe, healthy and inclusive environment where our people are empowered to do their best. In this section, we describe how we support our people to perform in this complex system. This includes developing capability, providing tools, processes, and the technologies that drive improved effectiveness, and ensuring that all our employment practices are underpinned by good employer principles.

OUR ORGANISATIONAL HEALTH AND CAPABILITY

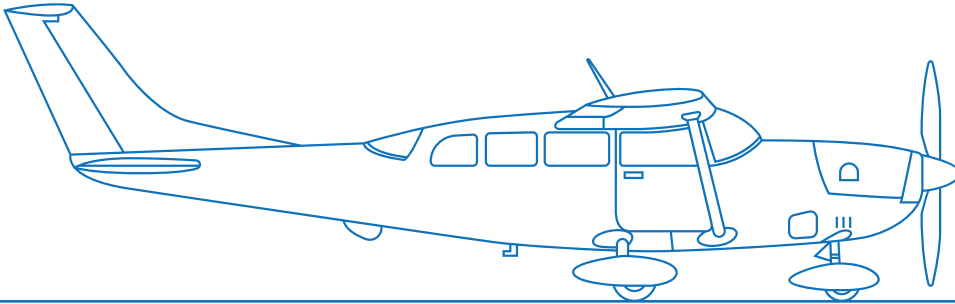
Our workforce profile demonstrates an increasingly diverse organisation. While our focus this year was initially on diversity, there is now also a strong emphasis on inclusion initiatives. The average Authority employee is younger and chooses to stay longer than the average public service employee.

Our enhanced focus on diversity and inclusion has the potential to have a huge impact on our work environment here at the Authority. Inclusion is about our people feeling supported to bring their whole selves to work, feel valued, and make a greater contribution because they are heard. This helps us better identify ways we can perform, improve, and innovate.

We are working towards new ways of working with our Regulatory Craft Programme, Avsec's Future 2022, New Southern Sky and Safety Management Systems programmes well under way. As we face an ever-evolving aviation safety and security environment we need people who are agile and can quickly adapt to change.

Technology will assist us, but it's not the only answer. We are empowering our people to be well prepared to respond in an increasingly complex environment. Our new attraction and selection tools and processes will ensure that those we recruit can see the big picture and can work in an intelligence-led and risk-based way.

We have defined our leadership qualities and traits and have embarked on a leadership capability building programme with our core behaviours at its heart. The Avsec 'Smartway' programme has enhanced the capability of our frontline leadership.



A new structured talent and succession programme, underpinned by our core leadership capabilities, will provide us with a better understanding of our talent. We will identify high potential individuals and prepare them well for progression into leadership roles.

We continue to invest in our people by offering internal learning and secondment opportunities, professional qualifications (such as the Certificate in Regulatory Compliance) and support for graduate and postgraduate qualifications.

We are committed to improving the health, safety, and well-being of our people. This year we established the Board Health and Safety Committee with defined targets for 2018/19 and frameworks for determining and managing our risks. We have developed the Authority Health and Safety Strategy and work-plan which sets clear organisational direction and expectations. We run well-being programmes which provide information and advice to support our employees at work and at home.

Our quality management systems are providing us with the visibility we need to know how well we are doing and where we can identify areas for improvement. This assures us of the performance and effectiveness of our work, while also ensuring we are constantly striving to improve what we do and how we do it. Our quality management system allows us to link all the programmes and initiatives across the Authority to ensure we deliver outcomes and ultimately, achieve safer skies.

Our workplace policies, practices, tools, and programmes are regularly reviewed to ensure they remain current and drive improved effectiveness. We run an employee engagement survey biennially and pulse surveys more regularly to track employee engagement levels.

OUR GOOD EMPLOYER PROGRAMME

Leadership, accountability and culture

Our leadership framework – ‘Leadership Now and for Tomorrow’ – has been implemented and aligns to the State Services Commission’s Leadership Success Profile. This framework comprises traits, behaviours and qualities that will underpin our recruitment, talent management and succession planning practices, as well as our leadership development programme. We hold quarterly leadership forums for our people leaders to develop their leadership capability.

Our core behaviours underpin our recruitment, performance and development systems to ensure all align to support our desired culture. We place a particular emphasis on coaching to enable our leaders to effectively support their people.

We have a diversity and inclusion strategy that has been informed by our people. The diversity and inclusion working group provides input into the organisation’s efforts towards building a more diverse and inclusive workforce. We have a range of active diversity and inclusion initiatives and support networks.

Recruitment, selection and induction

Our commitment to building a diverse organisation where difference is valued is evident in our attraction and selection practices. We use gender-neutral language and non-discriminatory selection practices, which are reviewed regularly to ensure they remain non-discriminatory. 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. Candidates are able to be accompanied through the selection process by a support person. A comprehensive and structured induction programme for every new employee is co-led by their manager and our HR Services team, with regular review and check-in points to ensure it is meeting the employee’s needs.

Employee development, promotion and exit

We are continually working to enhance our learning programmes. Our leadership development programme for frontline leaders is providing positive outcomes, and we are also rolling out a leadership development programme for all our leaders. With the full support of the organisation, all regulatory staff are able to attain the New Zealand Certificate in Regulatory Compliance. We support and encourage our people to develop beyond their core role and take up secondment and promotion opportunities. Our new talent management framework will further build on these activities.

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. These policies and guidelines are regularly reviewed and have been successfully adopted across the organisation. Our investment in technology continues to enable people in different locations to link and collaborate with colleagues, and staff are helped to identify and act on opportunities to improve work practices. We provide active support to our people to assist them in maintaining a healthy work-life balance.

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 recognition initiatives. We are introducing an enhanced recognition programme in 2018 recognising our people, formally and informally, for their exceptional achievements and service to the organisation.

We now calculate and monitor our gender pay gap on a monthly basis. The gender pay gap is currently low – 1.2 percent as at 30 June 2018.

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. As part of our broader employee development programmes, we have rolled out a 'Professional Behaviours' programme to build awareness and to clearly define acceptable behaviour.

Safe and healthy environment

Keeping our people safe matters to us and so does the environment we provide for our people. We do this by having a structured network of national and local level engagement forums and committees focussing on creating a safe and healthy work environment.

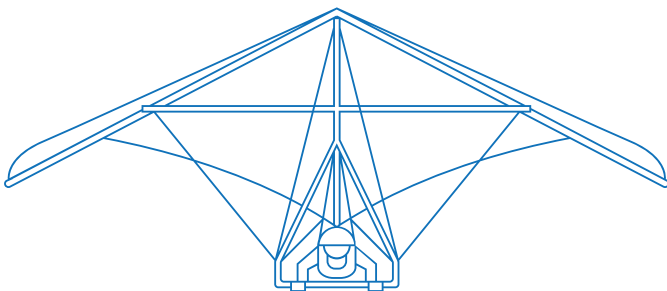
Our people are engaged in the design, implementation and ongoing review of our health and safety system. Our engagement approach provides a voice for our people and to drive a healthy safe work environment.

We support our leaders and our employees to work together on programmes and initiatives creating a workplace where our people are at their best, engaged and productive. We invest in developing and empowering our people to ensure they are equipped to identify and respond to risk, have the tools, knowledge and understanding to be safe and feel comfortable reporting issues.

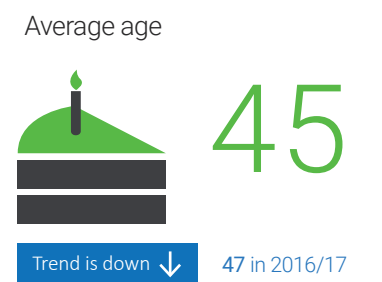
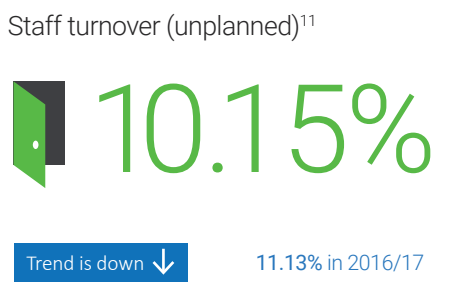
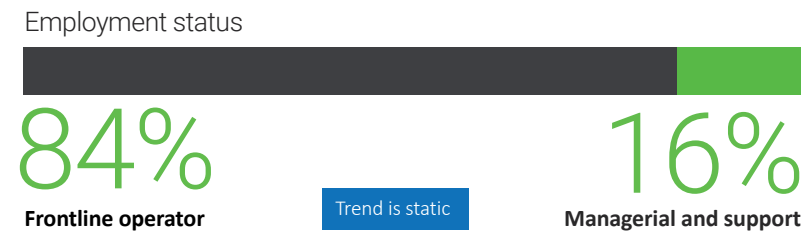
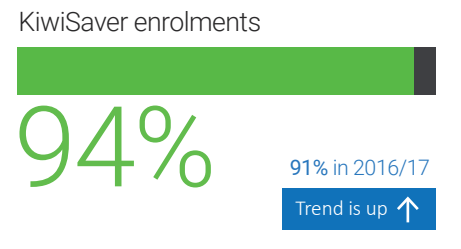
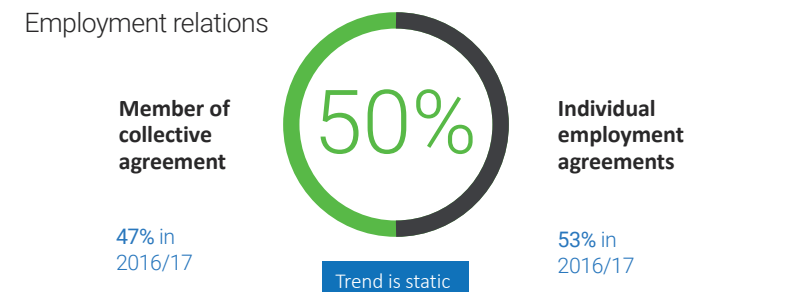
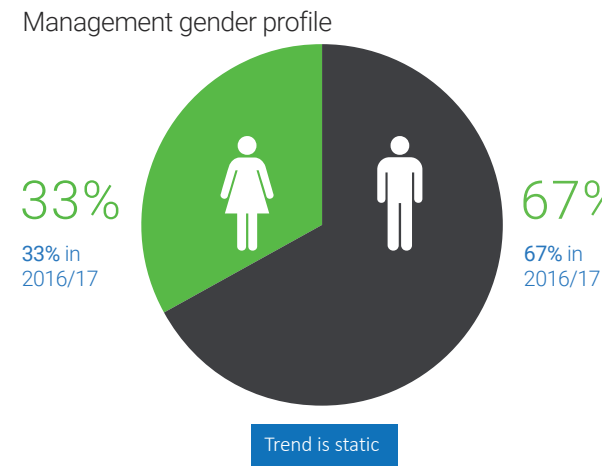
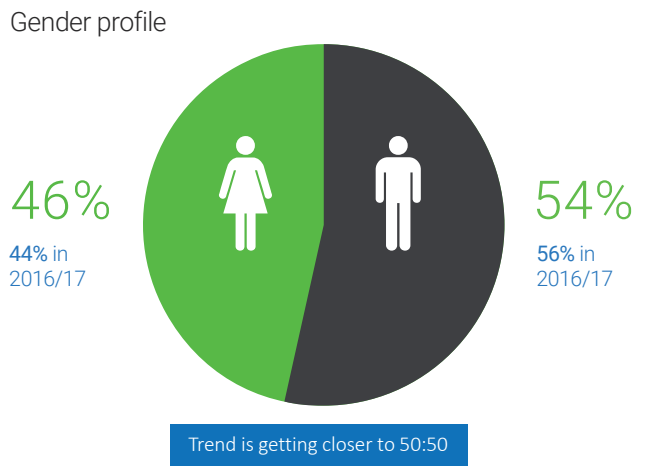
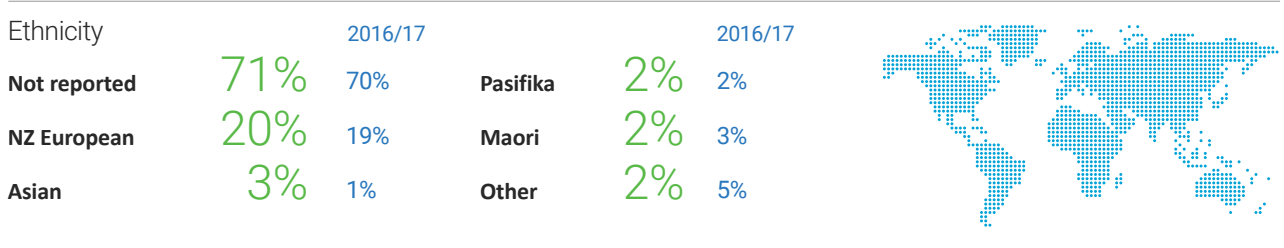
Our employees are supported through targeted well-being programmes including annual flu vaccinations, health checks and work station assessments. We encourage our people to access Employee Assistance Programmes when additional support is required.

Equal employment opportunities programme

We are committed to the principles and practices of equal opportunity, and reflect these in our good employer programmes. We have introduced a diversity and inclusion strategy which will continue to drive our efforts to build a diverse workforce and foster an inclusive culture. We advertise vacancies internally and externally to ensure we meet our equal 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.



OUR PEOPLE



¹¹ Unplanned turnover is primarily due to resignations but also includes retirements and deaths. It includes fixed-term staff who resign before the expiry of their fixed-term contract but not those that leave on the planned completion date of the contract.

The Board has continued its efforts to drive efficiency through the organisation, whilst continuing to invest strategically in its capabilities. This is particularly in responding to the evolving aviation security environment, facilitating and managing changes to the technologies being used in the aviation sector, maintaining our effectiveness as a regulator and managing the security response to the increasing passenger volumes passing through the security-designated aerodromes.

OUR FINANCIAL HIGHLIGHTS

It is also committed to minimising the impost on the aviation sector and the travelling public, which has been actively considered during the review of Avsec's cost recovery framework and regulated charges (international and domestic passenger security charges) that was initiated this year.

The financial results are summarised in figure 2 and reflect the continued focus by the Board on achieving a sustainable funding baseline for the Authority. They also reflect an environment where revenue is primarily derived from levies and charges paid by airlines on the basis of departing passengers and where passenger volumes are quite volatile.

In 2018, the Authority recorded a deficit of \$1.3 million compared to a budgeted deficit of \$0.7 million. This outcome is the net of offsetting variances in the Authority's two functions - the Regulatory Function delivered a \$0.5 million deficit compared to a budgeted deficit of \$2.0 million, whilst the Security Service recorded a deficit of \$0.8 million compared to a budgeted surplus of \$1.4 million.

HIGHLIGHTS

Regulatory Function

For the Regulatory Function, the 2018 year produced an operating deficit of \$0.5 million, a variance of \$1.5 million from the budgeted \$2.0 million deficit. Of this variance, revenue was \$2.0 million higher than budgeted, largely reflecting:

- Higher than budgeted passenger volumes
- Additional hourly charge revenue, primarily driven by additional Safety Management Systems certification activity, some of which had previously been expected to take place late in the 2016/17 financial year
- Additional Crown funding to support the certification of innovative aviation technologies.

Expenses were also unfavourable to budget by \$0.5 million, primarily arising from costs incurred relating to the additional Crown funding and a provision recorded for an information technology project that carries uncertainty in relation to its future continuation.

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

- The "New Southern Sky" programme that is implementing fundamental changes to the way in which airspace and air navigation will be managed in the future that has wide-ranging financial benefits to the aviation community
- The Regulatory Craft Programme, which is an internal transformation project focused on ensuring that our regulatory workforce is equipped to regulate effectively in a risk-based environment.



The Regulatory Function incurred lower than budgeted capital expenditure of \$0.2 million, driven by some small savings being achieved on some projects and for timing reasons, other projects being moved into the 2019 financial year.

Security service

The 2018 year produced a deficit of \$0.8 million, compared to a budgeted surplus of \$1.4 million. This \$2.2 million adverse variance was driven by favourable revenue of \$1.0 million, offset by higher expenditure of \$3.2 million.

The improved revenue was achieved primarily as a result of:

- Favourable passenger volumes
- Partially offset by reduced third party contracted services work.

The higher than budgeted level of expenditure primarily arose from costs incurred in response to changes required by the Director of Civil Aviation relating to changes in the wider international security environment.

Capital expenditure was \$2.1 million below budget for the year, largely due to the deferral of planned expenditure into the 2018/19 financial year, and the completion of a significant capability project for a lower than budgeted amount.

Financial health

The Board is comfortable with the progress being made with the financial health of the organisation. This is in the context of changes approved by Cabinet to the Regulatory Function's regulatory fees, charges and levies that came into effect on 1 July 2017; but having regard to the financial pressures faced by the Security Service in response to changes in the wider international security environment. The latter, as disclosed in the Authority's Statement of Performance Expectations for the 2018/19 financial year, is planned to be addressed through the three-yearly review of the Security Service Function's passenger security charges in 2018/19. Both the Regulatory Function's and Security Service's cash and equity reserve levels are currently in compliance with the Authority's Reserves and Funding Policies.

The key financial indicators are provided in Figure 2.

GROUP FINANCIAL RESULT AND ORGANISATION FINANCIAL HEALTH INDICATORS

	REGULATORY FUNCTION 2018		SECURITY SERVICE 2018		GROUP 2018		REGULATORY FUNCTION 2017		SECURITY SERVICE 2017	
	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M
COMPREHENSIVE REVENUE AND EXPENSE										
Revenue	46.1	44.1	100.8	99.8	146.7	143.7	44.2	93.5		
Expense	46.6	46.1	101.6	98.4	148.0	144.4	44.4	93.0		
Surplus / (Deficit)	(0.5)	(2.0)	(0.8)	1.4	(1.3)	(0.7)	(0.2)	0.5		
Note that Group Revenue and Expense includes inter-entity eliminations of \$0.2m (Budget \$0.3m).										
EQUITY										
General funds	10.7	10.2	14.3	14.3	25.0	24.5	11.2	14.3		
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	-	-	12.2	12.6	12.2	12.6	-	13.2		
Domestic passenger security charge	-	-	0.5	2.2	0.5	2.2	-	0.8		
Other fees and charges	-	-	0.4	0.5	0.4	0.5	-	-		
Sub-total passenger security charges and other fees and charges reserves	-	-	13.1	15.3	13.1	15.3	-	14.0		
Total equity	10.7	10.2	28.1	30.3	38.8	40.5	11.2	29.0		
LIQUIDITY										
Working capital	9.1	7.6	20.6	22.7	29.7	30.3	9.2	22.2		
Bank and investments	10.4	8.5	25.0	24.1	35.4	32.6	10.1	25.5		
CAPITAL EXPENDITURE										
Capital expenditure	0.2	0.8	4.5	6.6	4.7	7.4	0.3	6.4		
PASSENGER NUMBERS (000'S)										
International	6,658	6,581	6,658	6,581	6,658	6,581	6,335	6,335		
Domestic	13,384	13,057	7,525	7,242	13,384	13,057	12,631	7,059		

CAPITAL AND ASSET MANAGEMENT

The table below shows comparative actual capital expenditure against budget:

	ACTUAL 2017/18 (\$000)	BUDGET 2017/18 (\$000)	% OF BUDGET SPENT	VARIANCE COMMENT
REGULATORY FUNCTION				
Computer hardware	57	236	24%	Delay in the purchase of equipment due to a global shortage, expected late 2018/19.
Computer software	88	442	20%	A software upgrade was postponed until the 2018/19 financial year.
Plant & equipment	31	0	-	Unbudgeted replacement of equipment.
Furniture & fittings	25	50	50%	Not material.
Motor vehicles	42	90	47%	The scheduled replacement of a vehicle was no longer required.
Leasehold improvements	1	30	3%	Office improvements delayed because of changes to requirements.
TOTAL	244	848	29%	
SECURITY SERVICE				
Computer hardware	26	0	-	Unbudgeted purchase of specialist computer equipment.
Computer software	105	170	62%	Budgeted software development did not proceed.
Plant & equipment	3,562	5,571	64%	A combination of delays to screening enhancements, lower than expected equipment costs, and reduced replacement requirements.
Furniture & fittings	5	14	36%	Not material.
Motor vehicles	794	605	131%	Additional motor vehicles were purchased.
Leasehold improvements	40	207	19%	Minor budgeted improvements at two airports were unable to be completed in the current year.
TOTAL	4,532	6,567	69%	



Strong governance is key to our strategic framework. This includes proactive risk management policies and having a diverse Board.

GOVERNANCE

Having strong governance helps ensure we are on track: our strategy and business plans are robust, our financials reflect our activities and areas of focus, and our 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 ensure that the Authority performs well, manages risks prudently, and is sustainable over the longer term through a well-structured strategy.

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 2018, we welcomed Don Huse to the Board as Deputy Chairman, replacing Peter Griffiths, who resigned in September 2017. Don is a very experienced executive manager and board member, and will bring considerable value to the Authority.

BOARD COMPOSITION

As at June 2018, 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 business skills and experience, in such disciplines as accounting, law, and commercial performance.

HOW THE BOARD OPERATES

The Board has eleven statutory functions directing the operation of the Authority to achieve 'safe and secure skies to help New Zealand fly'.

The Board operates with three statutes – 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 (GM) of Avsec, by a formal delegation. Day-to-day management is delegated to the CE, the General Manager of Avsec 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 overseeing 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.

The Health and Safety Committee assists the Board in ensuring oversight of all matters relating to the health, safety and well-being of workers and those that come in contact with our workplaces.

The Committee's areas of focus, and work programme is driven by the Board Health and Safety Charter.

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

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. Anna was appointed to the Board of the Authority in 2017.

Nigel Gould / Chair

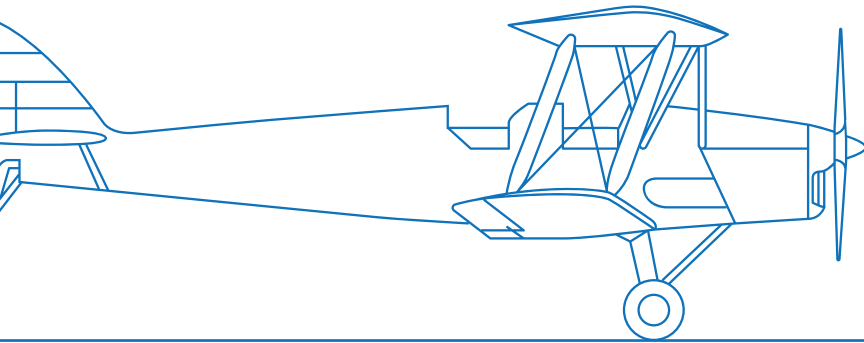
A qualified chartered accountant, Nigel has had a career in finance and establishing businesses in information technology, farming, and more recently, tourism. Nigel holds several governance positions in the private sector, and in 2011 was appointed Chair of the Board of the Authority.

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.

Don Huse / Deputy Chair (term started May 2018)

Don is a professional director. He is Chair of OTPP New Zealand Forest Investments Limited and a Director of Precinct Properties New Zealand Limited. His previous roles include Chair of Crown Irrigation Investments Limited; Deputy Chair of Transpower New Zealand Limited; and a Director of Cavalier Corporation Limited, Sydney Airport Corporation Limited and TransAlta New Zealand Limited; and Chief Financial Officer of Sydney Airport Corporation Limited.



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 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 Avsec, both have statutory functions.

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

The Authority Leadership Team (ALT) is made up of senior managers from both operational functions. It works with the Board to set the strategic direction for the Authority. This involves deciding 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 Puryer

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 2018.

Signed on behalf of the Board:



Nigel Gould

Chair of the Civil Aviation
Authority of New Zealand

26 October 2018



Grant Lilly

Board Member of the Civil Aviation
Authority of New Zealand

26 October 2018



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 2018.

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

OPINION

We have audited:

- The financial statements of the Authority on pages 65 to 95, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- The performance information of the Authority on pages 44 to 63, 104 to 105, 107 to 117, and 119.

In our opinion:

- The financial statements of the Authority on pages 65 to 95:
 - Present fairly, in all material respects:
 - Its financial position as at 30 June 2018; 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; and
- The performance information of the Authority on pages 44 to 63, 104 to 105, 107 to 117, and 119.
 - Presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2018, 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 26 October 2018. 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 Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

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

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

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

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

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

and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 3 to 41, 96 to 103, 106, and 118 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

INDEPENDENCE

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

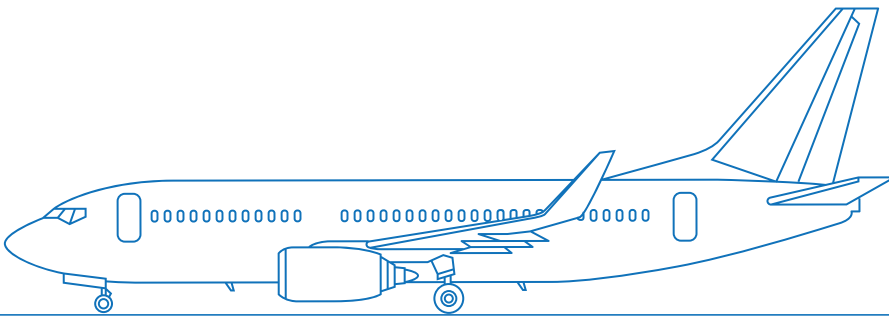
In addition to the audit we have performed a review of the Authority's response to the Office of the Auditor-General's 2010 performance audit on improving certification and surveillance, which was compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the Authority.



Kelly Rushton

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand



OUR PERFORMANCE DURING 2017/18

Performance measures contained in the Authority's Statement of Performance Expectations 1 July 2017 - 30 June 2018 are divided into the following five output classes:

OUTPUT CLASS 1 – Policy and Regulatory Strategy

OUTPUT CLASS 2 – Outreach

OUTPUT CLASS 3 – Certification and 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 ICAO Obligations, Ministerial Servicing, Policy Advice (all delivered in Output Class 1: Policy and Regulatory Strategy), and Health and Safety at work activities (delivered in 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 to a high level threat 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 Organisation Obligations ¹²	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 in the civil aviation environment allows us to develop minimum safety and security standards for aviation participants directly contributing 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.

¹² 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 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
1.1 International Relations and International Civil Aviation Organisation (ICAO) obligations					
Quality: *International engagement is undertaken meeting New Zealand's role and obligations as a member state of the International Civil Aviation Organisation, by participation on ICAO regional and global forums and initiatives, and with demonstrated contribution to outcomes of those forums.	*Achieved	*Achieved	✓	New measure	
International engagement is undertaken to contribute to the achievement of the Authority's statutory functions and objectives, with demonstrated contribution to the achievement of the Authority's objectives.	Achieved	Achieved	✓	New measure	
ICAO compliance					
Timeliness: Respond to incoming ICAO State letters by due date as set by ICAO.	100%	100%	✓	94%	
Maintain the currency of the Annex compliance checklists in accordance with ICAO timeframes.	100%	100%	✓	100%	
Quality: Facilitate the completion of planned safety audit of New Zealand by ICAO for the 2017 year resulting in compliance for New Zealand to at least the average of OECD countries or better.	No ICAO audit activity occurred in 2017/18.	The ICAO safety audit results in compliance for New Zealand to at least the average of OECD countries or better.	✗	Met	(a)
Significant Safety Concerns raised by ICAO.	Nil	Nil	✓	Nil	
*ICAO coordinated validation mission (ICVM) carried out as a result of a Significant Safety Concern.	*Nil	*Nil	✓	*Nil	
1.2 Ministerial Servicing – Civil Aviation					
Quality: *Reports, correspondence and parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of 'exceeded expectations', 'met expectations' or 'requires improvement'.	*Met expectations	*Met or exceeded expectations	✓	*Met expectations	
Quality and timeliness: Percentage of reports and responses delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in its correspondence tracking system.	100%	100%	✓	95%	

VARIANCE COMMENT

(a) Planned audit activity by ICAO did not occur. Refer Appendix 6 for detail.

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
1.3 Policy Advice – Civil Aviation					
Quality: *Percentage of policy advice provided to other government departments and agencies consistent with the scope guidance set out in section 3.2 of “Reorganisation of Appropriations for Policy Advice – Guide for Departments (Treasury 2011)”.	*100%	*100%	✓	*New measure	
Timeliness: All policy advice provided to other government departments and agencies delivered within the timeframes requested by those departments and agencies.	100%	100%	✓	New measure	
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 across government.	Significant emerging issues directly impacting on civil aviation environment are proactively briefed to the Minister of Transport including mitigating strategies.	Significant emerging issues directly impacting on the civil aviation environment are proactively briefed to the Minister of Transport including mitigating strategies.	✓	Significant emerging issues directly impacting on the civil aviation environment are proactively briefed to the Minister of Transport including mitigating strategies.	
All new issue assessments impacting on the aviation regulatory system completed according to the Authority’s issue assessment procedures.	100%	100%	✓	100%	
1.5 Rules and Standards Development					
Quantity: Number of rules under development agreed on between the Authority and the Ministry of Transport.	7	6-10	✓	7	
Number of rules completed, agreed on between the Authority and the Ministry of Transport.	3	3-5	✓	1	
Quality and timeliness: Documentation provided to the Ministry of Transport as assessed by the ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan and Regulatory Development and Rule Production Handbook.	100%	100%	✓	100%	

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
1.6 Pacific Support					
<p>Quality:</p> <p>The provision of regulatory assistance and advice to eight Pacific Island Countries (PICs) to further develop and enhance aviation regulatory safety and security requirements across the South West Pacific region, delivered in accordance with the objectives of the 'Principal Aviation Regulatory Advisor (Pacific Islands)' project (1 July 2016 - 30 June 2019).</p> <ul style="list-style-type: none"> Percentage of Evaluation Reports provided to the Pacific Security Coordination Committee meeting the project objectives and deliverables. 	100%	100%	✓	New measure	(b)
<p>Assisting PICs in improving aviation security requirements where they will be in a position to achieve and maintain appropriate levels of compliance with national and international standards, and recommended practices in accordance with the objectives of the 'Pacific Island Aviation Security Coordination' project (1 July 2015 - 30 June 2018).</p> <ul style="list-style-type: none"> Percentage of Evaluation Reports provided to the Pacific Security Coordination Committee meeting the project objectives and deliverables. 	100%	100%	✓	New measure	

VARIANCE COMMENT

(b) Project funded through the Pacific Security fund maintained by MFAT.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 1: Policy and Regulatory Strategy				
Crown funding (Vote Transport: Policy advice)	2,079	1,780	299	1,779
Ministry of Transport contract revenue (rules development & Pacific)	1,842	2,098	(256)	2,051
Levies	1,370	2,054	(684)	1,530
Fees and charges	16	-	16	85
Other revenue	-	-	-	-
Revenue	5,307	5,932	(625)	5,445
Expense	(5,307)	(5,932)	625	(5,445)
Net Surplus/(Deficit)	-	-	-	-

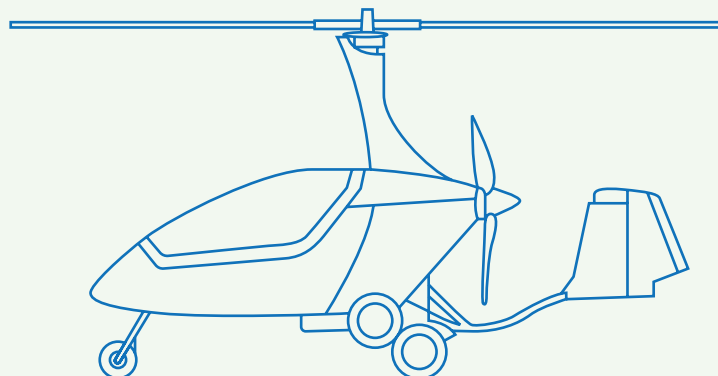
OUTPUT CLASS 2



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.



	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
Reports and Publications					
Quantity: Number of regular publications released including quarterly safety summary data reports, six-monthly aviation safety reports, and bi-monthly Vector magazines.	11	12	✗	6 Vector magazines 30 other publications	(c)
Number of other targeted publications.	19	2-8	✓	New measure	
Timeliness: Percentage of reports and publications produced in accordance with the Authority's procedures ¹³ .	100%	100%	✓	100%	
Education					
Quantity: Number of educational units (seminars, workshops and courses) delivered to 30 June 2018.	10	20-30	✗	31 Avkiwi 5 Maintenance Controller Courses 4 Aviation Safety Coordinator Courses	(d)
Quality: Percentage of educational units rated by participants as a 3 or higher ¹⁴ in their overall rating of the seminar and the benefit provided.	100%	100%	✓	100%	

VARIANCE COMMENT

- (c) The final aviation safety report was delayed by 12 days due to a staff vacancy (published 12 July 2018).
- (d) Avkiwi seminars scheduled in 2018 that make up the variance for this metric were cancelled to support the Group 2 SMS Implementation plan: a priority for the Civil Aviation Authority.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 2: Outreach				
Levies	5,238	4,988	250	5,252
Fees and charges	-	-	-	-
Other revenue	84	46	38	116
Revenue	5,322	5,034	288	5,368
Expense	(5,370)	(5,301)	(69)	(5,399)
Net Surplus/(Deficit)	(48)	(267)	219	(31)

13 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. Other publications in accordance with agreed process for delivery.

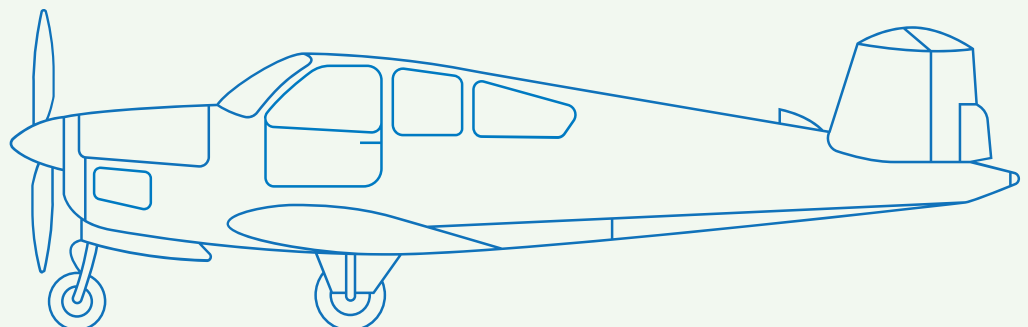
14 Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar? How would you rate the seminar overall?

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’.



	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
3.1 Certification and licensing					
Quality:					
Number of certification tasks carried out (demand-driven volumes are provided for contextual information):					
• Organisation	1,288	1,200 -1,600	✓	1,111	
• Aircraft	721	930 - 1,130	✗	765	(e)
• Service providers.	115	35-45	✓	90	
Number of licensing procedures carried out.	5,963	5,000-7,000	✓	6,254	
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 ¹⁵).					
	Met	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.	✓	Met	

VARIANCE COMMENT

(e) Lower than target range figures are a result of certification activity being dependent on the number of applications submitted by industry.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 3: Certification and licensing				
Levies	17,168	15,036	2,132	14,650
Fees and charges	6,876	5,594	1,282	6,490
Other revenue	385	191	194	466
Revenue	24,429	20,821	3,608	21,606
Expense	(24,656)	(21,923)	(2,733)	(21,733)
Net Surplus/(Deficit)	(227)	(1,102)	875	(127)

¹⁵ The Regulatory Operating Review Policy (RORP) 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. Refer to the ROR summary following the output tables.

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 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'.

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
4.1 Surveillance and investigation					
*Health and Safety at Work Act 2015					
Quantity: Number of Health and Safety at work investigations, audits, and inspections.	28	30-55	✗	9	(f)
Number of aviation-specific good practice guides and guidance material developed and maintained.	2	2-5	✓	New measure	
Quantity 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 Regulatory Operating Review Policy).	Not Met	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	✗	New measure	(g)
Timeliness: Percentage of health and safety at work types ¹⁶ completed ¹⁷ within six months.	10%	60%	✗	New measure	(h)
Percentage of health and safety at work types completed within 12 months.	33%	100%	✗	New measure	(h)

VARIANCE COMMENT

- (f) In addition to the 28 activities shown, 12 Aviation-Related Concerns (ARCs) relating to the Health and Safety at Work Act were completed and are reported elsewhere. Twenty helicopter operators were also visited to educate and promote Health and Safety at Work Act obligations. At the end of the reporting period there were 36 health and safety investigations under action, three of which involve fatal accidents, and six of which have proceeded to criminal prosecution.
- (g) Of three reviews undertaken, none related to regulatory investigations under the Act.
- (h) Due to a resignation the Health and Safety Unit has been at 80 percent strength. The unit is back to 100 percent establishment and in capability build mode. This combined with the investigation of fatal accidents and the need to dedicate full-time resource to these high-priority work types resulted in lower priority investigations being placed on hold.

¹⁶ All work types includes assessment and audits as well as investigations. A review was carried out of the health and safety activity which identified a number of cases that can be closed but were not identified in time for this report.

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

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
Civil Aviation Act 1990					
Quantity:	427	500-600	✗	586	(i)
Number of audits, inspections and spot checks.					
Number of safety and regulatory investigations:					
• Safety Investigations (demand-driven)	318	300-390	✓	309	
• Enforcement Investigations (demand-driven)	33	20-40	✓	41	
• Aviation Related Concerns (ARC) Investigations.	392	300-360	✓	354	
Percentage of total occurrences investigated or reviewed (based on historical averages of 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 investigation.	41%	>50% classified as minor	✗	52%	(j)
	50%	>35% classified as major	✓	40%	
	9%	>15% classified as critical	✗	8%	(j)
Number of Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).	6	5-10	✓	4	
Number of hours spent on targeted safety analysis reporting by sector:					
• Airline Sector	1,089	1,200	✗	1,535	(k)
• Helicopter and agricultural	1,330	1,200	✓	1,304	
• Other.	1,152	1,200	✗	1,384	(k)

VARIANCE COMMENT

- (i) Audits and inspections are risk-based. Prioritisation of activity and resource to cover resource constraints affected this result for 2017/18.
- (j) This metric relies on historical averages being similar to the current reporting year and does not account for the move to focus areas. Focus areas influence the decision-making around investigations. Safety Investigations are commenced when there is a potential to derive a safety benefit for the aviation system. This metric has subsequently been adjusted for future reports to align to the new approach.
- (k) Actual resource dedicated to this activity for 2017/18 was lower than expected due to staff vacancies.

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
Civil Aviation Act 1990 continued					
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 RORP ¹⁸).	Met	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	✓	Met	
Quality and timeliness: Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines.	100%	100%	✓	100%	
Percentage of regulatory investigations 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%	✓	100%	

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

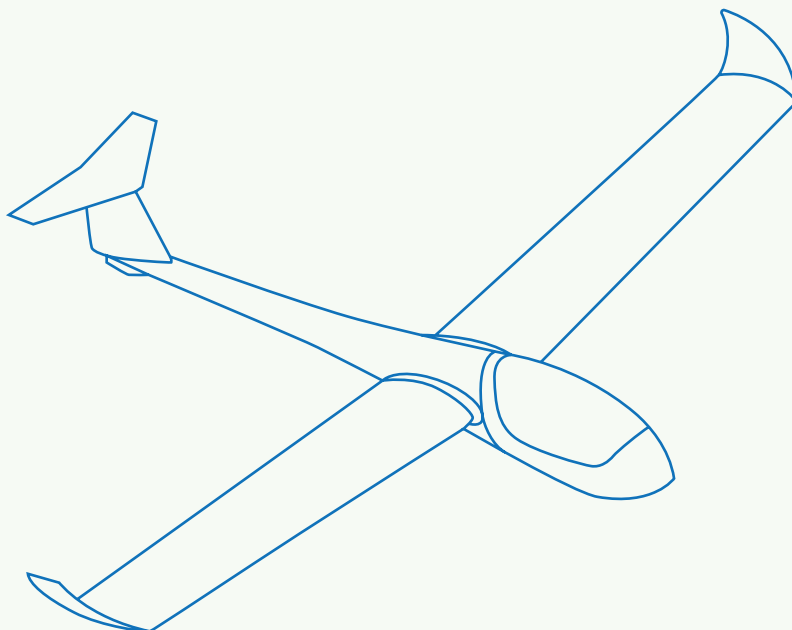
	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 4: Surveillance and investigation				
Crown funding (Vote Transport: Health and safety in employment)	1,275	1,275	-	1,610
Levies	9,480	10,604	(1,124)	8,669
Fees and charges	108	73	35	1,207
Other revenue	177	403	(226)	252
Revenue	11,040	12,355	(1,315)	11,738
Expense	(11,305)	(13,009)	1,704	(11,771)
Net Surplus/(Deficit)	(265)	(654)	389	(33)

¹⁸ 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.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output classes 1 - 4				
Crown funding	3,354	3,055	299	3,389
Ministry of Transport contract revenue	1,842	2,098	(256)	2,051
Levies	33,256	32,682	574	30,101
Fees and charges	7,000	5,667	1,333	7,782
Other revenue	646	640	6	834
Revenue	46,098	44,142	1,956	44,157
Expense	(46,638)	(46,165)	(473)	(44,348)
Net Surplus/(Deficit)	(540)	(2,023)	1,483	(191)



OUTPUT CLASS 5



SECURITY SERVICE DELIVERY

- 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 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’.

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
5.1 Screening activity					
Quality and Timeliness:					
Number of flight delays attributable to screening activities (due to security system failure ¹⁹).	19	Nil	✗	2	(l)
Average passenger wait times at international departure screening points for operational efficiency and customer satisfaction.	2 mins 55 sec	≤ 3 mins	✓	Met (2 mins 23 sec)	
Average passenger wait times at domestic departure screening points for operational efficiency and customer satisfaction.	2 mins 42 sec	≤ 3 mins	✓	Met (1 min 47 sec)	
Number of verified unauthorised or prohibited items discovered post-screening points (due to security system failure).	0.96 per million items screened	<3.4 items per million screened	✓	Met (1.397 items per million screened)	
Number of verified dangerous goods discovered post-screening points (due to security system failure).	0.47 per million items screened	< 3.4 items per million screened	✓	Met (.277 items per million screened)	
Number of substantiated complaints against security officers involved in the screening function.	0.64 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened	✓	Not met (57 substantiated complaints: 1.072 per 250,000 passengers screened)	
Time for Explosive Detector Dog teams to respond to reactive calls ²⁰ on or in the vicinity of the Tier 1 airport environs ²¹ .	4 mins 18 sec average	< 5 mins	✓	New measure	
Quantity:					
Percentage of passengers screened against an optimum screening capability of 270 people/passengers per hour, per screening lane:					
• Metro-domestic airports (Auckland, Wellington, Christchurch).	78.11%	>67.5%	✓	Met (78.28%)	
• Metro international airports (Auckland, Wellington, Christchurch).	61.77%	>64%	✗	Not met (60.33%)	(m)
• Regional combined (domestic and international airports) (Queenstown and Dunedin).	57.79%	>57.5%	✓	Not met (57.15%)	
Unproductive productivity percentage of staff undertaking rostered duties (rostering surplus ²²).	6.9%	<12%	✓	Met (8.2%)	
Explosive Detector Dog teams undertake proactive patrols ²³ in and around the Tier 1 airports within which they operate.	61,174	50,000-70,000	✓	New measure	

(l) Two major events contributed to the delay of 13 aircraft. Each event has been investigated and additional processes have been put in place to prevent similar incidents from occurring. A nil target for security impacts to the timely departure of aircraft is maintained to highlight these incidents as they occur and to reflect the commitment by Avsec to the maintenance of a secure environment for passengers.

(m) Performance trend remains slightly below target due to enhanced security measures taking time. Retained as a 'stretch target'.

19 Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure /malfunction or a breach of security in other areas within the security service area of operations which has the potential to compromise the security or safety of civil aviation.

20 Reactive calls are where Explosive Detector Dog teams are requested to attend, e.g. unattended bags, unattended vehicles, etc.

21 Excluding Dunedin.

22 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. When the rostering system indicates <12% rostering surplus, this is a good indication that all staff are assigned to a duty and are linked to a flight schedule to inform resourcing decisions.

23 Proactive patrols are high-visibility patrols in and around airport environs focusing on areas where there is little or no controls on access. E.g. carparks, public areas.

	ACTUAL 2017/18	TARGET 2017/18	ACHIEVED	ACTUAL 2016/17	NOTES
5.2 Audit performance; Access control; Maritime security services					
Quality:	100%	100%	✓	98%	
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.	1	Nil	✗	3	(n)
Access control: Number of corrective action requests pertaining to access control issued by the regulator.	3	Nil	✗	Nil	(o)
Maritime security services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	Nil	Nil	✓	Nil	
Customer complaints: Percentage of any customer complaints cleared within 28 days.	100%	100%	✓	New measure	

(n) Related to procedures not being followed during screening which lead to changes being implemented by management.

(o) Three passengers avoided screening due to infrastructure issues. These were corrected, and screening point access fully reviewed to prevent reoccurrence. Action at the time meant security risk was managed.

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

For the year ended 30 June 2018

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
REGULATORY FUNCTION				
Cost to deliver output class 5: Security service delivery				
Contracted services	3,590	4,649	(1,059)	4,548
Passenger security charges	95,973	94,067	1,906	86,427
Crown funding – Maritime Port Security	145	145	-	145
Other revenue	1,092	975	117	2,405
Revenue	100,800	99,836	964	93,525
Expense	(101,611)	(98,465)	(3,146)	(93,068)
Net Surplus/(Deficit)	(811)	1,371	(2,182)	457

FINANCIAL PERFORMANCE OF OUTPUT CLASSES

	2018 ACTUAL \$000	2018 BUDGET \$000	2018 VARIANCE \$000	2017 ACTUAL \$000
COST TO DELIVER OUTPUTS				
Output Class Financials:				
Policy and regulatory strategy	(5,307)	(5,932)	625	(5,445)
Outreach	(5,370)	(5,301)	(69)	(5,399)
Certification and licensing	(24,656)	(21,923)	(2,733)	(21,733)
Surveillance and investigation	(11,305)	(13,009)	1,704	(11,771)
Regulatory Function delivery total	(46,638)	(46,165)	(473)	(44,348)
Security Service delivery	(101,611)	(98,465)	(3,146)	(93,068)
Security Service delivery total	(101,611)	(98,465)	(3,146)	(93,068)

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 \$242,000 (2017: \$253,000).

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 measure across Output Classes 3 and 4.

There are three components of assessment used. These are discussed below with major findings presented under each component.

1. Plan, do, check and act (PDCA) process

This year there were 97 PDCA reviews, one internal assurance review and two intervention effectiveness measurement reviews.

ACTIVITY	NUMBER OF PDCAS COMPLETED	% OF TOTAL PDCAS COMPLETED
Certification	43	44%
Surveillance	24	25%
Licensing	7	7%
Investigation	6	6%
Other	17	18%
Total	97	100%

2. Internal assurance reviews

One internal regulatory audit, the Safety Management Systems (SMS) implementation, was conducted.

The audit made a number of recommendations to enhance the SMS implementation process planning, resourcing (including the impact on business-as-usual activities), risk management, training, communications, and lessons learned.

The recommendations have been appropriately addressed.

3. Intervention effectiveness measurement

One intervention effectiveness measurement panel review (organisation certification involving a third party organisation) was conducted. It reviewed a certification, aviation related concern, special purpose audit, and the application of certificate conditions.

The review found the certification was well coordinated, and used appropriately experienced and qualified staff. However it did not fully address the risk associated with lack of disclosure by the operator of the intended activities including third party involvement.

The follow-on activities associated with addressing the third party issues were found to be robust and effective with a resultant improvement in safety.



FINDINGS OF THE REVIEWS

RESOURCE CAPABILITY

The reviews highlighted the professional approach of staff and their ability to interact constructively with aviation industry participants. Staff routinely provide advice to participants to assist them with the application process and they displayed sound technical knowledge.

There is inconsistency in the application of the regulatory process. This aspect resulted in the introduction of certification refresher training for operational staff. To date, the training has been carried out for 45 staff from five operational units.

USE OF CROSS-FUNCTIONAL TEAMS

The value of the use of a cross-functional team approach was demonstrated in the successful completion of the Group 1 SMS certification activity. The reviews highlighted the need to ensure this model of working is applied to the Group 2 activity. This was replicated in the reviews of the exemption process, which highlighted the importance and value of using a cross-functional team approach.

PROCESS/PROCEDURE/APPLICATION

The reviews noted certification, surveillance, and investigation processes and procedures were generally followed. However, on a number of occasions procedures required amendment. Work has commenced to correct anomalies, with the regulatory processes being reviewed and updated as part of the Regulatory Craft Programme.

DOCUMENT MANAGEMENT

Documentation is generally satisfactory. The introduction of the Enterprise Content Management System, Infohub, improved the ability to save and locate information. More effort is required to ensure that all documents are appropriately stored in Infohub.

TIMELINESS

Most activities reviewed were completed in a timely manner. Some applications took longer than expected to process, in some cases due to length of time required to obtain additional information from the applicant.

SECTION

5



Annual financial statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2018

	NOTE	2018 ACTUAL \$000	2018 BUDGET \$000	2017 ACTUAL \$000
REVENUE				
Levies revenue	2	33,256	32,682	30,101
Passenger security charges	2	95,973	94,067	86,427
Revenue from other services	2	10,573	10,282	12,252
Crown funding revenue	3	3,499	3,200	3,534
Ministry contract revenue	3	1,842	2,098	2,064
Other revenue	4	1,513	1,388	3,051
Total revenue		146,656	143,717	137,429
EXPENSE				
Personnel costs	5	116,893	111,816	106,419
Depreciation and amortisation expense	12, 13	4,052	5,316	3,850
Finance costs	6	139	140	152
Other expenses	7	26,923	27,097	26,742
Total expenses		148,007	144,369	137,163
Net Surplus/(Deficit)		(1,351)	(652)	266
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(1,351)	(652)	266

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 2018

	NOTE	2018 ACTUAL \$000	2018 BUDGET \$000	2017 ACTUAL \$000
ASSETS				
Current Assets				
Cash and cash equivalents	8	5,145	5,103	11,161
Debtors and other receivables	9	14,133	15,124	14,054
Services work in progress		208	462	178
Investments – term deposits	10, 26	30,355	27,500	24,500
Investment property	14	21	-	-
Total Current Assets		49,862	48,189	49,893
Non-Current Assets				
Property, plant and equipment	12	16,776	16,956	16,050
Intangible assets	13	504	1,063	552
Investment property	14	-	23	143
Total Non-Current Assets		17,280	18,042	16,745
Total Assets		67,142	66,231	66,638
LIABILITIES				
Current Liabilities				
Creditors and other payables	15	6,529	5,786	6,793
Employee entitlements	16	12,713	11,947	11,365
Provisions	17	864	146	345
Total Current Liabilities		20,106	17,879	18,503
Non-Current Liabilities				
Employee entitlements	16	7,593	6,973	6,951
Provisions	17	645	920	1,035
Total Non-Current Liabilities		8,238	7,893	7,986
Total Liabilities		28,344	25,772	26,489
Net Assets		38,798	40,459	40,149
EQUITY				
General funds	18	24,987	24,493	25,468
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,065	15,220	13,935
Total Equity		38,798	40,459	40,149

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

The accompanying notes form part of these financial statements.

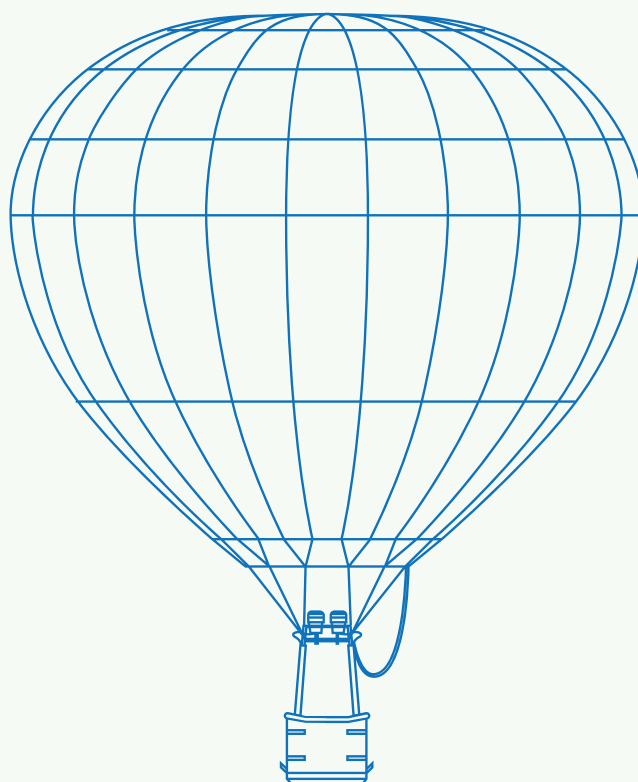
STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2018

	NOTE	2018 ACTUAL \$000	2018 BUDGET \$000	2017 ACTUAL \$000
EQUITY				
Opening balance of equity at 1 July				
General funds	18	25,468	26,116	22,219
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,935	14,249	14,218
Total opening balance of equity at 1 July		40,149	41,111	37,183
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		(1,351)	(652)	266
Owner Transactions				
Capital contributions from the Crown	18	-	-	2,700
Total changes in equity during the year		(1,351)	(652)	2,966
Closing balance of equity at 30 June				
General funds	18	24,987	24,493	25,468
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,065	15,220	13,935
Total closing balance of equity at 30 June		38,798	40,459	40,149

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 2018

	NOTE	2018 ACTUAL \$000	2018 BUDGET \$000	2017 ACTUAL \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from levies		33,313	32,790	29,983
Receipts from passenger security charges and other services		105,718	102,521	98,359
Receipts from Crown funding and Ministry contracts		5,342	5,264	5,598
Interest and other sundry revenue received		2,344	1,840	3,539
Payments to employees		(108,471)	(105,286)	(99,479)
Payments to suppliers		(34,176)	(30,922)	(33,081)
Interest paid		-	-	-
Goods and Services Tax (net)		87	(698)	83
Net Cash Flows from Operating Activities	19	4,157	5,509	5,002
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments		42,500	1,000	6,500
Sale of property, plant and equipment		103	-	110
Placement of investments		(48,000)	-	-
Purchase of property, plant and equipment		(4,583)	(6,803)	(6,536)
Purchase of intangible assets		(193)	(612)	(211)
Net Cash Flows from Investing Activities		(10,173)	(6,415)	(137)
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		(6,016)	(906)	7,565
Opening cash and cash equivalents at 1 July		11,161	6,009	3,596
Closing Cash and Cash Equivalents at 30 June	8	5,145	5,103	11,161

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 2018. The financial statements were approved by the Authority on 26 October 2018.

Section 72B (3B) of the Civil Aviation Act 1990 states that the Authority shall perform its functions in respect of Avsec 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 PBE accounting standards.

These financial statements comply with PBE accounting standards.

Measurement basis

The financial statements have been prepared on the basis of historical cost, except where modified by the revaluation of investment properties and the measurement of any derivative financial instruments at fair value.

With the exception of cash flow information which has been prepared on a cash basis, the 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.

The Treasury has decided that the Financial Statements of the Government will early adopt PBE IFRS 9 for the 30 June 2019 financial year. The Authority will also early adopt PBE IFRS 9 for the 30 June 2019 financial year to be consistent with Crown's accounting policy for financial instruments. The Authority has not yet assessed in detail the impact of the new standard. Based on an initial assessment, the Authority anticipates that the standard will not have a material effect on the Authority's financial statements.

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 volumes and domestic sectors travelled by passengers;
- 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 Avsec 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 less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The 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:

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; and
- The present value of the estimated future cash flows.

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

Post-employment entitlements

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

Restructuring

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

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.

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 2018 \$000	ACTUAL 2017 \$000
LEVIES REVENUE		
International passenger levies	10,653	8,263
Domestic passenger levies	21,334	21,290
Other levies	1,269	548
Total levies revenue	33,256	30,101
PASSENGER SECURITY CHARGES		
International passenger security charges	57,955	56,409
Domestic passenger security charges	38,018	30,018
Total passenger security charges	95,973	86,427
REVENUE FROM OTHER SERVICES		
Aviation regulatory and safety services	6,987	7,708
Other contracted aviation security services	3,586	4,544
Total revenue from other services	10,573	12,252

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 (2017: nil).

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Policy advice	963	663
International relations and International Civil Aviation Organisation obligations	685	685
Ministerial servicing	431	431
Health and safety at work activities – Civil Aviation	1,275	1,610
Total multi-class output expense appropriation	3,354	3,389
Maritime port security	145	145
Total revenue from the Crown	3,499	3,534

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 ('HSWA') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

- Conduct HSWA investigations, audits and inspections;
- Provide advice and education on HSWA in the aviation sector; and
- Fund other activities connected with HSWA 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 2018 \$000	ACTUAL 2017 \$000
MINISTRY CONTRACT REVENUE		
Rules development (Ministry of Transport)	1,096	1,194
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	746	870
Total Ministry contract revenue	1,842	2,064

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 2018 \$000	ACTUAL 2017 \$000
Interest revenue	1,109	1,036
Net gain on sale of property, plant and equipment	56	82
Net foreign exchange gains	10	37
Other revenue	338	1,896
Total other revenue	1,513	3,051

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 \$56,000 (2017: \$82,000).

5 PERSONNEL COSTS

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Salaries and wages	104,504	96,183
Employer contributions to defined contribution plans	3,517	3,156
Other personnel expenses	6,883	5,996
Increase/(decrease) in employee entitlements	1,989	1,084
Total personnel costs	116,893	106,419

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

6 FINANCE COSTS

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Discount unwind on long-term employee entitlements	139	152
Total finance costs	139	152

7 OTHER EXPENSES

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	118	115
• Fees to Audit New Zealand for other services.	8	-
Operating lease expenses	5,837	5,560
Building operating expenses	1,188	1,157
Information technology expenses	4,817	2,763
Staff travel	3,881	3,398
Insurance	752	781
Impairment of receivables	15	38
Safety information services	3,137	2,958
Consultancy	2,940	5,440
Consumables and maintenance	2,562	2,572
Net foreign exchange losses	-	-
Net loss on disposal of property, plant and equipment & intangibles	-	5
Revaluation of investment property	(95)	133
Other expenses	1,763	1,822
Total other expenses	26,923	26,742

Fees to Audit New Zealand for other services was for a review of the Authority's response to the Office of the Auditor-General's 2010 performance audit on improving certification and surveillance.

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 2018 \$000	ACTUAL 2017 \$000
Cash at bank and on hand	3,139	4,661
Cash equivalents – short-term deposits	2,006	6,500
Total cash and cash equivalents	5,145	11,161

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 cash and cash equivalents held is 1.72% (2017: 1.45%).

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 2018 \$000	ACTUAL 2017 \$000
Debtors arising from exchange transactions	13,566	13,011
Other receivables	624	1,150
Less: provision for impairment	(57)	(107)
Total debtors and other receivables	14,133	14,054

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 2018 and 2017, 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:

	2018			2017		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
	\$000	\$000	\$000	\$000	\$000	\$000
Not past due	13,354	-	13,354	12,916	-	12,916
Past due 1-30 days	764	-	764	988	-	988
Past due 31-60 days	11	-	11	68	-	68
Past due 61-90 days	3	-	3	22	-	22
Past due over 90 days	58	(57)	1	167	(107)	60
Total	14,190	(57)	14,133	14,161	(107)	14,054

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 2018 \$000	ACTUAL 2017 \$000
Balance at 1 July	(107)	(157)
Additional provisions made during the year	(27)	(68)
Receivables written-off during the period	65	88
Provisions reversed during the year	12	30
Balance at 30 June	(57)	(107)

10 INVESTMENTS

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
CURRENT INVESTMENTS ARE REPRESENTED BY:		
Term deposits	30,355	24,500
Total current investments	30,355	24,500
Effective interest rate on term deposits	3.6%	3.5%

Term deposits are held to collect contractual cash flows, are on the usual terms operated by banks, and have been invested in low risk institutions in accordance with the Crown Entities (Financial Powers) Regulations. These term deposits are recorded using the amortised cost (face value plus accrued interest) approach.

11 DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has taken a forward exchange contract for USD 219,000 (2017: USD 230,000) to settle liability insurance cover premiums for the 2018/19 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 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
Balance at 1 July 2017	262	7,741	710	24,471	523	2,391	3,479	39,577
Additions/(Transfers)	(46)	35	30	3,594	27	860	83	4,583
Disposals	-	-	-	(992)	-	(297)	-	(1,289)
Balance at 30 June 2018	216	7,776	740	27,073	550	2,954	3,562	42,871
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
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)
Balance at 1 July 2017	-	(4,868)	(584)	(13,034)	(498)	(1,531)	(3,012)	(23,527)
Depreciation expense	-	(511)	(34)	(2,529)	(18)	(436)	(282)	(3,810)
Eliminate on disposal	-	-	-	992	-	250	-	1,242
Balance at 30 June 2018	-	(5,379)	(618)	(14,571)	(516)	(1,717)	(3,294)	(26,095)
CARRYING AMOUNTS								
At 1 July 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
At 30 June 2018	216	2,397	122	12,502	34	1,237	268	16,776

The total amount of property, plant and equipment in the course of construction is \$216,000 (2017: \$262,000). 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 2016	5,150	36	2,118	-	7,304
Additions/(Transfers)	247	(36)	-	-	211
Balance at 30 June 2017	5,397	-	2,118	-	7,515
Balance at 1 July 2017	5,397	-	2,118	-	7,515
Additions/(Transfers)	59	134	-	-	193
Balance at 30 June 2018	5,456	134	2,118	-	7,708
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
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)
Balance at 1 July 2017	(4,863)	-	(2,100)	-	(6,963)
Amortisation expense	(225)	-	(17)	-	(242)
Balance at 30 June 2018	(5,087)	-	(2,117)	-	(7,204)
CARRYING AMOUNTS					
At 1 July 2016	841	36	76	-	953
At 30 June 2017	534	-	18	-	552
At 30 June 2018	369	134	1	-	504

The total amount of intangibles in the course of construction is \$134,000 (2017: Nil). 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 2018 \$000	ACTUAL 2017 \$000
Balance at 1 July	143	262
Fair value gains/(losses) on valuation	(122)	(119)
Balance at 30 June	21	143

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 last revalued at 30 June 2017 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$143,000. Auckland Airport now require the land at the end of the current lease period in August 2018 and have agreed to take ownership of the building at this date. The value of the building has been prepared on a discounted cashflow basis.

15 CREDITORS AND OTHER PAYABLES

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS		
Creditors	3,730	4,408
Other payables	482	278
Total creditors and payables under exchange transactions	4,212	4,686
CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (GST, PAYE)	2,317	2,107
Total creditors and payables under non-exchange transactions	2,317	2,107
Total creditors and other payables	6,529	6,793

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 2018 \$000	ACTUAL 2017 \$000
CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Accrued salaries and wages	2,491	2,157
Annual leave	9,082	8,327
Current portion of long-term employee entitlements		
Sick leave	162	147
Retiring and long service leave	978	734
Total current portion	12,713	11,365
NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Long-term employee entitlements		
Retiring and long service leave	7,327	6,701
Sick leave	266	250
Total non-current portion	7,593	6,951
Total employee entitlements	20,306	18,316

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 2018 ranging from 1.78% pa to 4.75% pa (2017: ranged from 1.97% pa to 4.75% pa) and a salary inflation factor ranging between 2.8% and 3.0% pa for the year ended 30 June 2018, with a long term salary inflation rate of 3.1% (2017: 2.0% pa - 2.5% 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 close to being completed, and the Authority has previously been able to reliably estimate the likely historic liability, which was accrued for in employee entitlements in the 2016/17 financial year.

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 \$668,000 lower/\$780,000 higher respectively (2017: \$616,000 lower/\$717,000 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 \$675,000 higher/\$587,000 lower respectively (2017: \$623,000 higher/\$543,000 lower respectively).

17 PROVISIONS

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	805	145
Restructuring	-	200
Lease make-good	59	-
Total current portion	864	345
NON-CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	459	577
Lease make-good	186	458
Total non-current portion	645	1,035
Total provisions	1,509	1,380

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS \$000	LEASE MAKE-GOOD \$000	RESTRUC- TURING \$000	TOTAL
2018				
Balance at 1 July 2017	722	458	200	1,380
Additional provisions made/(reversed)	542	(213)	(200)	129
Balance at 30 June 2018	1,264	245	-	1,509
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

Onerous contracts

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

The Authority has a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 3.55% was used to calculate the present value of the cost of the onerous lease.

The Authority has also entered into a contract for the replacement of a business system, which has a commitment to a minimum level of future licence payments. Given uncertainty around the continued investment in the project, these future licence payments have been recorded as a provision.

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 had previously recognised a liability for the estimated cost to make good the leased land at Auckland Airport which has previously been occupied by the old security service operational base building. During the 2017/18 financial year Auckland Airport confirmed they required this land on expiry of the lease in August 2018, and the liability at 30 June 2018 has been adjusted to reflect the full and final commercial settlement agreement concluded between the Authority and Auckland Airport on this matter. The building is accounted for as an investment property 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. There are no further restructuring provisions in the current financial year.

18 EQUITY

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
GENERAL FUNDS		
Opening balance at 1 July	25,468	22,219
Surplus/(deficit) for the year	(1,351)	266
Transfer (to)/from specific reserves	870	283
Capital contributions from the Crown	-	2,700
Closing balance at 30 June	24,987	25,468
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	13,172	12,029
Surplus/(deficit) for the year	(656)	1,423
Transfer (to)/from general funds	(280)	(280)
Closing balance at 30 June	12,236	13,172
Passenger security charges reserve – domestic		
Opening balances at 1 July	763	2,189
Surplus/(deficit) for the year	(201)	(1,306)
Transfer (to)/from general funds	(120)	(120)
Closing balance at 30 June	442	763

Passenger security charges reserve – other fees and charges		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	46	341
Transfer (to)/from general funds	341	(341)
Closing balance at 30 June	387	-
Passenger safety reserve – fixed fees		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(2,240)	(1,179)
Transfer (to)/from levies reserve	2,240	1,179
Closing balance at 30 June	-	-
Passenger safety reserve – hourly charges		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(6,335)	(6,936)
Transfer (to)/from levies reserve	6,335	6,936
Closing balance at 30 June	-	-
Passenger safety reserve – other		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(958)	(1,062)
Transfer (to)/from levies reserve	958	1,062
Closing balance at 30 June	-	-
Passenger safety reserve – levies		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	8,346	8,152
Transfer (to)/from specific reserves	(9,533)	(9,177)
Transfer (to)/from other general reserves	1,187	1,025
Closing balance at 30 June	-	-
Passenger safety reserve – other general reserves		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	647	834
Transfer (to)/from specific reserves	(1,187)	(1,025)
Transfer (to)/from other general funds	540	191
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 2018 \$000	ACTUAL 2017 \$000
Net surplus/(deficit)	(1,351)	266
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	4,052	3,850
Impairment of receivables	(45)	(50)
Net foreign exchange (gains)/losses	(10)	(37)
Discount unwind on employee entitlements	139	152
Fair value (gains)/losses on investment property	(95)	133
Total non-cash items	4,041	4,048
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:		
(Gains)/losses on disposal of property, plant & equipment and intangibles	(56)	(77)
Total items classified as investing or financing activities	(56)	(77)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
Debtors & other receivables (increase)/decrease	(34)	(881)
Services work in progress (increase)/decrease	(30)	284
Creditors & other payables increase/(decrease)	(254)	364
Employee entitlements increase/(decrease)	1,712	919
Provisions increase/(decrease)	129	79
Net movements in working capital items	1,523	765
Net cash from operating activities	4,157	5,002

20 CAPITAL AND OPERATING COMMITMENTS

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
CAPITAL COMMITMENTS		
Plant and equipment	132	503
Total capital commitments	132	503

The Authority has entered into agreements for the acquisition of screening equipment and upgrades to existing equipment located at the main airports, equipment for new vehicles, and improvements to the explosive detector dog unit compound in Auckland.

	ACTUAL 2018 \$000	ACTUAL 2017 \$000
NON-CANCELLABLE OPERATING LEASES		
Not later than one year	5,753	5,441
Later than one year and not later than five years	10,828	12,254
Later than five years	1,736	2,860
Total non-cancellable operating leases	18,317	20,555

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 \$604,000 (2017: \$722,000) 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 \$3,078,000 (2017: \$3,739,000).

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 (2017: \$nil) existing in relation to any legal matters currently in progress.

Contingent assets

The Authority has no contingent assets (2017: \$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 2018 \$000	ACTUAL 2017 \$000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Board Members	129	147
Authority Leadership Team and senior employees	3,926	3,811
Total key management personnel compensation	4,055	3,958
	ACTUAL 2018	ACTUAL 2017
KEY MANAGEMENT PERSONNEL FULL TIME EQUIVALENT		
Board Members	1	1
Authority Leadership Team and senior employees	16	17
Total key management personnel full-time equivalent	17	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 2018 \$000	ACTUAL 2017 \$000
BOARD MEMBERS REMUNERATION		
A Adams (appointed May 2017)	24	4
J Bartlett (retired from board May 2017)	-	19
J Boulton (reappointed October 2016)	24	24
N Gould (Chairman – reappointed October 2016)	49	49
P Griffiths (resigned 14 September 2017)	5	27
D Huse (appointed 14 May 2018)	3	-
G Lilly (reappointed May 2017)	24	24
Total board member remuneration	129	147

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 2018 \$000	ACTUAL 2017 \$000
TOTAL REMUNERATION PAID OR PAYABLE		
\$100,000 - \$109,999	56	61
\$110,000 - \$119,999	33	39
\$120,000 - \$129,999	49	32
\$130,000 - \$139,999	26	18
\$140,000 - \$149,999	19	14
\$150,000 - \$159,999	12	6
\$160,000 - \$169,999	8	14
\$170,000 - \$179,999	7	4
\$180,000 - \$189,999	5	8
\$190,000 - \$199,999	9	3
\$200,000 - \$209,999	-	5
\$210,000 - \$219,999	3	1
\$220,000 - \$229,999	1	1
\$230,000 - \$239,999	-	1
\$240,000 - \$249,999	2	5
\$250,000 - \$259,999	5	1
\$260,000 - \$269,999	-	-
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	-	-
\$290,000 - \$299,999	-	-
\$300,000 - \$309,999	-	-
\$310,000 - \$319,999	-	-
\$320,000 - \$329,999	1	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
\$390,000 - \$399,999	-	-
\$400,000 - \$409,999	-	-
\$410,000 - \$419,999	-	-
\$420,000 - \$429,999	-	-
\$430,000 - \$439,999	1	-
\$440,000 - \$449,999	-	-
Total number of employees	238	215

During the year ended 30 June 2018, 5 (2017: 14) employees received compensation and other benefits in relation to cessation totalling \$247,000 (2017: \$728,000). No Authority Members received compensation or other benefits in relation to cessation (2017: 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 2018 \$000	ACTUAL 2017 \$000
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	5,145	11,161
Debtors and other receivables	14,133	14,054
Investments – term deposits	30,355	24,500
Total loans and receivables	49,633	49,715
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Creditors and other payables	6,529	6,793
Total financial liabilities measured at amortised cost	6,529	6,793

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 either the types of financial instrument held, the type of risk exposure, or the way in which these financial instrument risks are managed.

Market Risk

Price risk

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

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.

	2018	2018	2017	2017
	\$000	CONCENTRATION %	\$000	CONCENTRATION %
CONCENTRATIONS OF CREDIT RISK				
Loans & receivables				
New Zealand registered banks	35,499	71.5	35,658	71.7
New Zealand airports	110	0.3	155	0.4
Domestic and International passenger airlines	11,037	22.2	10,609	21.3
Other	2,986	6.0	3,290	6.6
Total concentrations of credit risk	49,632	100.0%	49,712	100.0%

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
2018					
Creditors and other payables (Note 15)	6,529	6,529	6,529	-	-
Total contractual undiscounted cash flows	6,529	6,529	6,529	-	-
2017					
Creditors and other payables (Note 15)	6,793	6,793	6,793	-	-
Total contractual undiscounted cash flows	6,793	6,793	6,793	-	-

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$355,000 (2017: \$357,000).

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
2018						
Revenue	57,957	38,151	3,621	99,729	98,860	92,461
Expense	(58,613)	(38,352)	(3,575)	(100,540)	(97,489)	(92,004)
Net surplus/(deficit)	(656)	(201)	46	(811)	1,371	457
Opening balance at 1 July 2017	13,172	763	-	13,935	14,249	14,219
Transfer (to)/from General Reserves	(280)	(120)	341	(59)	(400)	(741)
Closing balance at 30 June 2018	12,236	442	387	13,065	15,220	13,935
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

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	OTHER²⁴	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018							
Revenue	1,965	5,034	5,196	33,903	46,098	43,605	44,157
Expense	(4,205)	(11,369)	(6,154)	(24,910)	(46,638)	(44,103)	(44,348)
Net surplus/(deficit)	(2,240)	(6,335)	(958)	8,993	(540)	(498)	(191)
Opening balance at 1 July 2017	-	-	-	11,191	11,191	10,608	11,382
Transfer (to)/from General Reserves	2,240	6,335	958	(9,533)	-	-	-
Closing balance at 30 June 2018	-	-	-	10,651	10,651	10,110	11,191
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

24 Other (Crown and Ministry of Transport Funding).

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 2018 of \$146.7 million was higher than the budget of \$143.7 million by \$3.0 million (2%).

The significant variances are as follows:

Levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and new operator safety levies of \$33.3 million was higher than budget of \$32.7 million by \$0.6 million (2%). This favourable variance was primarily due to both domestic passenger and international passenger volumes being higher than budget expectations.

Revenue from passenger security charges

Revenue from passenger security charges of \$96.0 million was higher than the budget of \$94.1 million by \$1.9 million (2%), again reflecting higher than budgeted volumes of both domestic and international passengers.

Revenue from other services

Revenue from other services of \$10.6 million was marginally higher than the budget of \$10.3 million by \$0.3 million (3%), largely due to additional certification and medical licensing activity in the Regulatory Function, offset by reduced third party contract activity in the Security Function.

Crown funding revenue

Crown funding revenue of \$3.5 million was \$0.3 million higher than the budget of \$3.2 million due to additional funding to assist with certification work of new aviation technologies.

Expense

Expenditure for the year ended 30 June 2018 of \$148.0 million was higher than the budget of \$144.4 million by \$3.6 million (3%).

The significant variances are as follows:

Personnel costs

Personnel costs of \$116.9 million were higher than the budget of \$111.8 million by \$5.1 million (5%). Of this variance, \$4.3 million occurred in the Security Function due to changes required by the Director of Civil Aviation relating to changes in the wider international security environment.

The additional \$0.7 million of personnel costs in the Regulatory Function included the costs related to the additional funding for certification of new technologies, alongside additional costs that were budgeted for as contractor expenses but incurred as fixed term employees.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$4.1 million was lower than the budget of \$5.3 million by \$1.3 million (24%). This was due to savings being achieved on some projects, and for timing reasons other projects being moved into the 2018/19 financial year.

Other expenses

Other expenses of \$26.9 million were lower than the budget of \$27.1 million by \$0.2 million (1%).

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 2018

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	
		2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET
2017 ACTUAL		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE									
30,101	Levies revenue	33,256	32,682	-	-	-	-	33,256	32,682
86,427	Passenger security charges	-	-	95,973	94,067	-	-	95,973	94,067
12,252	Revenue from other services	6,998	5,667	3,590	4,649	(15)	(34)	10,573	10,282
3,534	Crown funding revenue	3,354	3,055	145	145	-	-	3,499	3,200
2,064	Ministry contract revenue	1,842	2,098	-	-	-	-	1,842	2,098
3,051	Other revenue	648	640	1,092	975	(227)	(227)	1,513	1,388
137,429	Total revenue	46,098	44,142	100,800	99,836	(242)	(261)	146,656	143,717
EXPENSE									
106,419	Personnel costs	36,579	35,839	80,314	75,977	-	-	116,893	111,816
3,850	Depreciation and amortisation expense	722	721	3,330	4,595	-	-	4,052	5,316
152	Finance costs	8	-	131	140	-	-	139	140
26,742	Other expenses	9,329	9,605	17,836	17,753	(242)	(261)	26,923	27,097
137,163	Total expenses	46,638	46,165	101,611	98,465	(242)	(261)	148,007	144,369
266	Net surplus/(deficit)	(540)	(2,023)	(811)	1,371	-	-	(1,351)	(652)
266	Total comprehensive revenue and expense	(540)	(2,023)	(811)	1,371	-	-	(1,351)	(652)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS									
11,161	Cash and cash equivalents	864	2,026	4,281	3,077	-	-	5,145	5,103
14,054	Debtors and other receivables	4,906	3,643	10,055	12,234	(828)	(753)	14,133	15,124
178	Services work in progress	208	462	-	-	-	-	208	462
24,500	Investments – term deposits	9,645	6,500	20,710	21,000	-	-	30,355	27,500
-	Investment property	-	-	21	-	-	-	21	-
49,893	Total current assets	15,623	12,631	35,067	36,311	(828)	(753)	49,862	48,189
NON-CURRENT ASSETS									
16,050	Property, plant and equipment	1,886	2,437	14,890	14,519	-	-	16,776	16,956
552	Intangible assets	115	532	389	531	-	-	504	1,063
143	Investment property	-	-	-	23	-	-	-	23
16,745	Total non-current assets	2,001	2,969	15,279	15,073	-	-	17,280	18,042
66,638	Total assets	17,624	15,600	50,346	51,384	(828)	(753)	67,142	66,231
CURRENT LIABILITIES									
6,793	Creditors and other payables	3,494	2,456	3,863	4,083	(828)	(753)	6,529	5,786
11,365	Employee entitlements	2,343	2,586	10,370	9,361	-	-	12,713	11,947
345	Provisions	660	-	204	146	-	-	864	146
18,503	Total current liabilities	6,497	5,042	14,437	13,590	(828)	(753)	20,106	17,879
NON-CURRENT LIABILITIES									
6,951	Employee entitlements	390	322	7,203	6,651	-	-	7,593	6,973
1,035	Provisions	86	79	559	841	-	-	645	920
7,986	Total non-current liabilities	476	401	7,762	7,492	-	-	8,238	7,893
26,489	Total liabilities	6,973	5,443	22,199	21,082	(828)	(753)	28,344	25,772
40,149	Net assets	10,651	10,157	28,147	30,302	-	-	38,798	40,459
EQUITY									
25,468	General funds	10,651	10,157	14,336	14,336	-	-	24,987	24,493
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
13,935	Passenger security charges and other fees and charges reserves	-	-	13,065	15,220	-	-	13,065	15,220
40,149	Total equity	10,651	10,157	28,147	30,302	-	-	38,798	40,459

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2018

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET
2017 ACTUAL		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EQUITY									
Opening balance of equity at 1 July									
22,219	General funds	11,191	12,180	14,277	13,936	-	-	25,468	26,116
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
14,218	Passenger security charges and other fees and charges reserves	-	-	13,935	14,249	-	-	13,935	14,249
37,183	Total opening balance of equity at 1 July	11,191	12,180	28,958	28,931	-	-	40,149	41,111
266	Net surplus/(deficit) for the year	(540)	(2,023)	(811)	1,371	-	-	(1,351)	(652)
2,700	Capital contributions from the Crown	-	-	-	-	-	-	-	-
2,966	Total changes in equity during the year	(540)	(2,023)	(811)	1,371	-	-	(1,351)	(652)
Closing balance of equity at 30 June									
25,468	General funds	10,651	10,157	14,336	14,336	-	-	24,987	24,493
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
13,935	Passenger security charges and other fees and charges reserves	-	-	13,065	15,220	-	-	13,065	15,220
40,149	Total closing balance of equity at 30 June	10,651	10,157	28,147	30,302	-	-	38,798	40,459

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2018

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2017 ACTUAL	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL	2018 BUDGET	2018 ACTUAL
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES									
29,983	Receipts from levies	33,313	32,790	-	-	-	-	33,313	32,790
98,359	Receipts from passenger security charges and other services	6,577	5,128	99,147	97,393	(6)	-	105,718	102,521
5,598	Receipts from Crown funding and Ministry contracts	5,197	5,153	145	145	-	(34)	5,342	5,264
3,539	Interest and other sundry revenue received	639	640	1,932	1,427	(227)	(227)	2,344	1,840
(99,479)	Payments to employees	(33,857)	(33,506)	(74,614)	(71,780)	-	-	(108,471)	(105,286)
(33,081)	Payments to suppliers	(11,433)	(10,769)	(22,976)	(20,414)	233	261	(34,176)	(30,922)
-	Interest paid	-	-	-	-	-	-	-	-
83	Goods and Services Tax (net)	28	119	59	(817)	-	-	87	(698)
5,002	Net cash flows from operating activities	464	(445)	3,693	5,954	-	-	4,157	5,509
CASH FLOWS FROM INVESTING ACTIVITIES									
6,500	Maturity of investments	12,500	1,000	30,000	-	-	-	42,500	1,000
110	Sale of property, plant and equipment	21	-	82	-	-	-	103	-
-	Placement of investments	(13,500)	-	(34,500)	-	-	-	(48,000)	-
(6,536)	Purchase of property, plant and equipment	(156)	(406)	(4,427)	(6,397)	-	-	(4,583)	(6,803)
(211)	Purchase of intangible assets	(88)	(442)	(105)	(170)	-	-	(193)	(612)
(137)	Net cash flows from investing activities	(1,223)	152	(8,950)	(6,567)	-	-	(10,173)	(6,415)
CASH FLOWS FROM FINANCING ACTIVITIES									
2,700	Capital contributions from the Crown	-	-	-	-	-	-	-	-
2,700	Net cash flows from financing activities	-	-	-	-	-	-	-	-
7,565	Net increase/(decrease) in cash and cash equivalents	(759)	(293)	(5,257)	(613)	-	-	(6,016)	(906)
3,596	Opening cash and cash equivalents at 1 July	1,623	2,319	9,538	3,690	-	-	11,161	6,009
11,161	Closing cash and cash equivalents at 30 June	864	2,026	4,281	3,077	-	-	5,145	5,103

SECTION

6



Appendices

A P P E N D I X 1



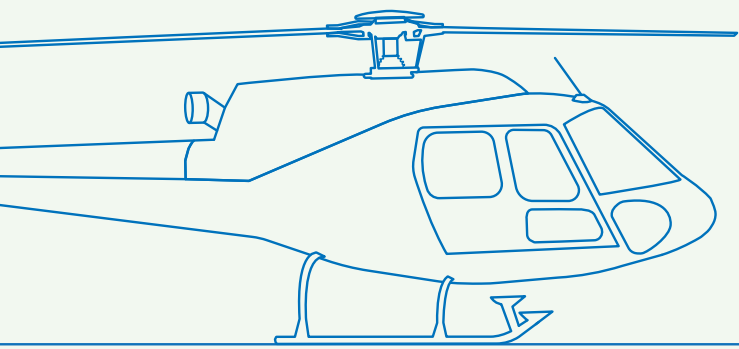
OUR PROGRESS IN THE SAFETY AND SECURITY FOCUS AREA WORK PROGRAMME

The safety and security focus areas contribute across government priorities to varying degrees of influence. For example, the Queenstown operations focus area responds directly to the ‘liveable cities and thriving regions’ priority while the security threat levels and responses focus area goes across a number of the priorities such as affecting a ‘safer transport system’ priority and ‘a resilient transport system’. International air cargo security takes into account the impacts on individuals, families, communities and the natural environment.

We provide the progress made against the work programme for 2017/18 overleaf.

STATUS: ● On target or above year-to-date target ● Some slippage ● Not achieved ● Completed

FOCUS	LOSS OF CONTROL	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: technical; non-technical (human factors), and 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. Given the wide range of factors, this focus area requires a multidisciplinary approach.</p>	<p>There is a risk that any airborne conflict safety interventions not underpinned by a full understanding of contributing factors will not target and address underlying causes. This has the potential to result in ineffective interventions on the part of the Authority, resulting in significant aviation and public safety risks remaining untreated, and increasing the potential for fatalities to occur.</p>	<p>Fatal and serious injury helicopter accidents, particularly in air transport operations, have the potential to damage New Zealand's reputation for safe and secure skies, as well as incurring unnecessary social cost.</p>
	Activity for 2017-2018	<p>Outreach programme rolled out to raise industry awareness. ●</p>	<p>Outreach programme rolled out to raise industry awareness. ●</p>	<p>Deliberate interventions to target the identified airborne conflicts risk. That action may be led by the Authority, industry participants, or as a partnership approach. ●</p>
<p>Surveillance and certification activity used to assess operator effectiveness of the management of this risk. ●</p>		<p>Surveillance and certification activity used to assess operator effectiveness of the management of this risk. ●</p>	<p>The current activity profiles defined in the Airborne Conflicts Summary document are evolving as selected interventions are implemented. There will be similar intervention activities in selected groups of the sector conforming to a consistent structure.</p>	<p>Implement the risk management strategy, including an engagement and communication plan to ensure all parties (internal and external) are aware of intended actions to target the identified aviation safety risk. ●</p>
			<p>An increasing emphasis on Part 121 and 125 large and medium Airline Operations in controlled and uncontrolled airspace. This requires a different approach to smaller general aviation operations due to size and scope of the activity, the resourcing capability of airlines and their more holistic approach to the management of risk. This will involve emphasis on stakeholder engagement before determining any intervention required. ●</p>	



QUEENSTOWN OPERATIONS

SECURITY THREAT LEVELS AND RESPONSES

INTERNATIONAL AIR CARGO SECURITY

SMART SECURITY

Aviation accidents in the Queenstown area have the potential to damage New Zealand’s reputation for safe and secure skies, and as a tourist destination, as well as incurring unnecessary social cost.

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. In an aviation security crisis, the failure to maintain timely and coordinated decision-making processes, and the ability to implement additional security controls in a timely and effective manner would adversely affect the quality of overall system responses, with resulting negative consequences for public safety.

The absence of a robust and trusted international air cargo security system will impact negatively on the security of international aviation operations from New Zealand, and New Zealand’s international reputation. It will also impact on the continued facilitated flow of high value air cargo from New Zealand to international markets, with the resulting potential for adverse economic consequences for New Zealand exporters.

To avoid exponential cost increases being required to respond to evolving threats and increasing passenger numbers, there needs to be a greater focus on how new processes, systems and technologies can be utilised to deliver security services more efficiently and effectively.

Monitor operations at Queenstown and conduct regular reviews to ensure no risks emerge (since the end of 2016/17 no risks have been identified requiring additional intervention over that currently provided by the Authority, or are subject to other focus areas, particularly Runway Excursions, Airborne Conflict, and the Helicopter Sector).



Behavioural detection trial.



Improved Airport Identity Card Information System (AICIS) implemented.



Covert testing expanded.



Ongoing review of relevant processes with stakeholders.



Make any necessary changes to the National Aviation Security Programme Reference Document and other internal Authority documentation guiding its responses in a crisis situation, noting that any changes identified as requiring earlier action during the preceding review phase will be implemented at that time.



Business Continuity Plans tested.



Informed and targeted intervention activity.



Continued facilitated air cargo flow to export markets via the presence of high levels of confidence in the effectiveness of New Zealand’s international air cargo security system.



Definition of risk based/ differentiated screening in New Zealand context.



Implementing digital mobility / Digitisation and the Paperless Frontline progressively implemented.



Performance Management System delivered.



‘Smart lanes’ progressively rolled out, starting at Auckland International Airport Ltd international terminal building.



Certified Screener programme reintroduced.



WAN Screening proof of concept, including international trials.



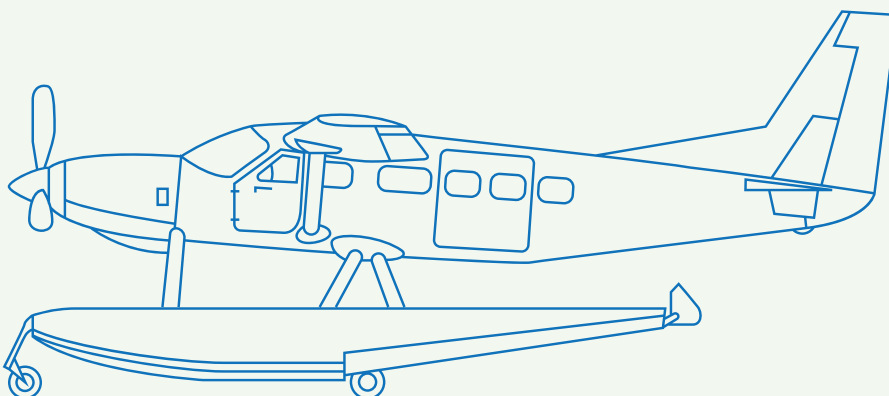
Enhancing Internal Quality Assurance.



Body scanners / Advanced Imaging Technology Trial.



Implementing changes associated with the ongoing evolving international security environment.



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 compromising 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 overall 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 over time is 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 compromising safety

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

Decreasing risk profiles in aviation document holders

Achieved – see Appendix 5(d).

APPENDIX 3

MEASURING OUR IMPACTS

Similar to measuring our outcome, there is no single measure showing 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.	Not achieved	Overall Effective Implementation score is 84.86 while the OECD average is 85.90 (we aim to be equal to or better than the OECD average). Refer to Appendix 7 for details.
Confidence that the safety and security of the aviation system is maintained.	Improvements demonstrated in a confidence survey.	Achieved	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.	Not achieved	The first three rates showed a decrease (see Appendix 5 (a, b, c) while rates depicted in Appendices (g) and (l) increased.
Value for money to government, participants and users is evidenced.	Value for money to government, participants and users is evidenced.	Achieved	Refer to priority on page 24.
Aviation security services are delivered effectively.	The achievement of all non-financial measures in the Statement of Performance Expectations.	Not achieved	See Output Class 5.1 and 5.2 in Section 5. 13 out of 17 measures achieved.
The ability of 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 achieved.

APPENDIX 4

RULES DEVELOPMENT PROGRAMME

Under the Rule Development Agreement with the Ministry of Transport, the Civil Aviation Authority develops the draft final rule package together 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 deadline ● Major impediments – delivery unlikely by agreement deadline ● 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
Various	ICAO Alignment 2017/18	Minister accepted rule project on to Transport Rules Programme.	● Currently reviewing internally the Notice of Proposed Rule Making (NPRM) covering the six issues identified in the policy investigation stage. Project is on track as agreed with the Ministry of Transport (MoT).	Publish NPRM. Expected in August 2018.	Q4 2018/19.
Various	Small Issues 2016/17	Original proposals resubmitted to MoT on 23 March 2018.	● To progress the rule project as quickly as possible in 2017, the Minister requested two adjustments to the final rules. These included removing the provisions relating to helicopters left unattended with rotors turning; and redrafting the enabling rules for Part 61 to narrow the scope of any Notices issues to be specific to Robinson helicopters only. These original proposals have been resubmitted and awaiting approval to print goatskins for presentation to the Associate Minister. Project is on track as agreed with MoT.	Final rules agreed with the Ministry of Transport.	Q1 2018/19.
Various	New Southern Sky – Mandate ADS-B above FL 245	Associate Minister for Transport (Hon Julie Anne Genter) signed the rules on 15 June 2018.	● Preparing consolidated rules and final administrative tasks for this project.	Effective date for most Parts = 20th July 2018. Part 101 effective date = 31st December 2018.	Complete.
Part 66	Aircraft Maintenance Engineers – Licences and Ratings	Minister accepted rule project on to Transport Rules Programme.	● Drafting rule amendments with SME engagement. Project is on track as agreed with MoT.	Publish NPRM. Expected in August 2018.	Q4 2018/19.
Part 108 and 109	Domestic Cargo Security Review	Consultation period closed on 11 October 2016.	● After meeting with industry, MoT have several policy issues to consider and address before progressing further. Awaiting guidance from the MoT.	Deliver final rule package to MoT. Dates difficult to predict as the policy issues sit with MoT to address.	Dates difficult to predict as the policy issues sit with MoT to address.
Various	Omnibus 2017/18	Minister accepted rule project on to Transport Rules Programme.	● Drafting the NPRM covering a number of minor omnibus issues. Project is on track as agreed with MoT.	Publish NPRM. Expected in October 2018.	Q1 2019/20.

APPENDIX 5

GOAL = LOW AND DECREASING NUMBER AND COSTS OF AIR ACCIDENTS

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

Number of civil aviation accident, fatalities and serious injuries

AVIATION SAFETY TARGET GROUPS	2016/17			2017/18		
	ACCIDENTS	FATALITIES	SERIOUS INJURIES	ACCIDENTS	FATALITIES	SERIOUS INJURIES
PUBLIC AIR TRANSPORT						
Airline operations – large aeroplanes	2	-	3	-	-	-
Airline operations – medium aeroplanes	-	-	-	-	-	-
Airline operations – small aeroplanes	1	-	-	2	-	-
Airline operations – helicopters	2	-	1	1	-	-
Adventure aviation transport operations (for all aircraft including parachutes and paragliders)	14	-	8	13	1	5
OTHER COMMERCIAL OPERATIONS						
Other commercial operations – aeroplanes	3	-	1	10	-	-
Other commercial operations – helicopters	5	1	2	5	1	2
Other commercial operations – sport aircraft	2	-	1	2	1	1
Agricultural operations – aeroplanes	7	2	-	5	-	-
Agricultural operations – helicopters	5	2	1	1	-	-
NON-COMMERCIAL OPERATIONS						
Private operations – aeroplanes	9	-	2	10	-	-
Private operations – helicopters	4	1	-	3	-	-
Private operations – sport aircraft (for all aircraft including parachutes and paragliders)	40	7	13	37	6	10
Other ²⁵	1	-	-	1	-	-

²⁵ 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
	2011	2012	2013	2014	2015	2016	2017	2018	2012-2018
PUBLIC AIR TRANSPORT									
Airline operations – large aeroplanes	-	-	-	0.01	0.02	0.02	0.01	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	0.10	(0.33)
Airline operations – helicopters	10.60	5.30	17.03	43.25	58.38	109.20	85.32	57.14	6.65
Adventure aviation transport operations	65.50	156.60	180.30	162.01	6.68	15.66	20.95	35.73	(4.25)
OTHER COMMERCIAL OPERATIONS									
Other commercial operations – aeroplanes	58.80	58.83	54.15	12.61	16.37	21.40	1.16	0.99	(8.26)
Other commercial operations – helicopters	59.80	98.72	103.00	62.80	94.87	94.60	103.75	82.13	3.19
Agricultural operations – aeroplanes	53.30	12.46	38.61	46.15	59.88	17.93	73.49	67.31	2.00
Agricultural operations – helicopters	7.22	22.31	29.84	59.84	69.27	83.13	81.21	54.46	6.75
Agricultural operations – sport aircraft	-	-	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS									
Private operations – aeroplanes	59.10	99.73	54.29	82.30	170.17	155.80	148.26	9.78	(7.05)
Private operations – helicopters	96.30	77.96	141.30	112.62	153.29	138.40	121.39	100.41	0.58
Private operations – sport aircraft	91.40	105.80	373.00	77.95	54.06	53.51	80.71	96.71	0.76

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 not predominantly passenger-carrying, a surrogate of 500 kg of aircraft weight which is assessed as being the equivalent of an occupied seat. For sport groups, calculation of social cost is based on Authority estimates of aviation activity. The social cost of an aviation accident is based on the figure established and used by the Ministry of Transport in their annual 'social cost' report.

5(c) MEASURE: ACCIDENTS PER 100,000 FLYING HOURS (ANNUALLY)

AVIATION SAFETY TARGET GROUPS	TARGET - LOW AND DECREASING NUMBER OF ACCIDENTS FOR THE CALENDAR YEAR ENDED 31 DECEMBER								AVERAGE MOVEMENT AGAINST PREVIOUS YEAR
	2010	2011	2012	2013	2014	2015	2016	2017	2012-2017
PUBLIC AIR TRANSPORT									
Airline operations – large aeroplanes	0.62	0.30	-	0.58	0.89	-	0.58	0.28	(0.05)
Airline operations – medium aeroplanes	1.84	1.73	-	-	-	2.62	-	-	(0.26)
Airline operations – small aeroplanes	2.35	6.28	-	8.41	3.10	2.05	1.14	1.59	(0.11)
Airline operations – helicopters	3.48	3.42	4.97	10.87	7.19	5.32	2.19	2.12	(0.19)
Sport transport (aeroplanes, helicopters, balloons only)	-	96.40	24.75	9.80	-	15.18	12.59	-	-
OTHER COMMERCIAL OPERATIONS									
Other commercial operations – aeroplanes	6.41	3.42	0.92	3.76	5.20	5.18	2.04	2.36	(0.58)
Other commercial operations – helicopters	11.66	18.14	5.31	14.87	11.19	12.71	7.64	25.99	2.05
Agricultural operations – aeroplanes	11.56	13.63	17.07	24.08	7.25	4.53	12.12	14.05	0.36
Agricultural operations – helicopters	5.48	9.50	8.35	4.68	4.61	8.96	4.22	4.67	(0.12)
NON-COMMERCIAL OPERATIONS									
Private operations – aeroplanes	10.33	20.99	25.56	50.14	23.40	37.64	38.10	24.74	2.06
Private operations – helicopters	45.21	31.40	16.62	36.07	15.92	20.90	28.72	38.36	(0.98)
Private operations – Sport (aeroplanes, helicopters, balloons only)	45.30	53.90	70.43	31.69	-	24.17	27.73	-	(6.47)

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

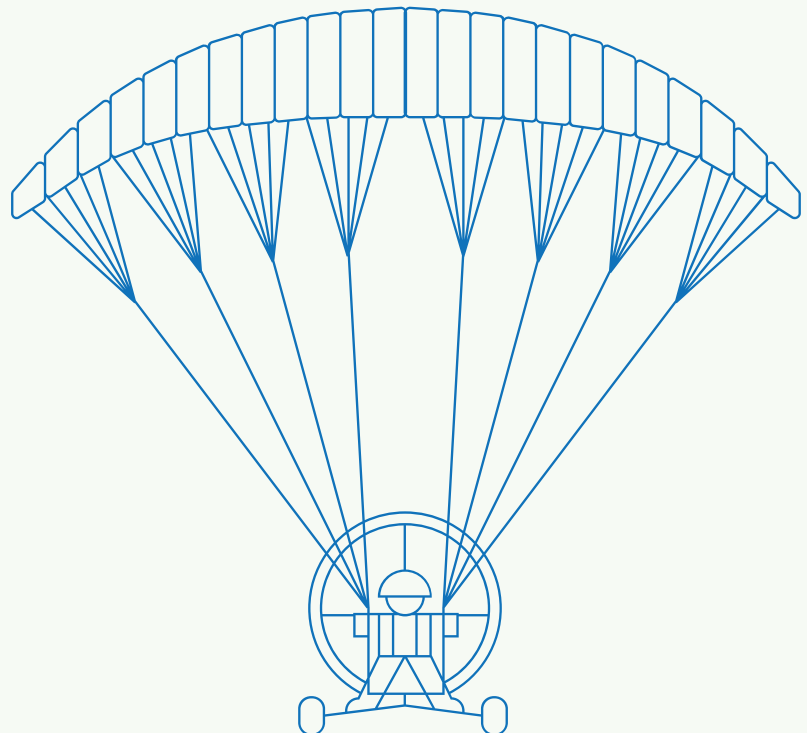
ACTIVITY TYPE	FOR THE CALENDAR YEAR ENDED 31 DECEMBER								REDUCTION IN RISK SCORE FROM 2011 TO 2018
	2011	2012	2013	2014	2015	2016	2017	2018	
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Privileges	-	-	2.6	2.6	n/a	n/a	n/a	n/a	n/a
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security	6.5	6.9	5.1	5.4	8.2	7.1	6.8	6.8	no
Part 108 Security Programme Air Operator	9.3	9.6	10.4	8.7	10.4	9.8	9.8	9.4	no
Part 109 Regulated Air Cargo Agent	10.5	11.0	10.1	10.8	10.4	10.2	10.1	10.3	yes
Part 115 Adventure Aviation Operator	-	39.8	20.7	12.5	10.7	12.9	11.4	10.6	yes
Part 119 Air Operator Certificate – Pacific n/a	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	8.7	8.4	8.5	7.1	9.6	7.7	9.2	yes
Part 125 Air Operator Medium Aeroplanes	16.1	14.5	13.5	13.0	15.8	13.3	13.0	13.3	yes
Part 129 Foreign Air Transport Operator	10.5	8.4	8.5	5.6	6.3	10.1	12.3	5.6	yes
Part 135 Air Operator Helicopters and Small Aeroplanes	16.4	16.1	14.4	13.1	13.3	13.0	12.8	14.5	yes
Part 137 Agricultural Aircraft Operator	16.1	15.9	14.3	13.3	14.5	13.1	12.3	13.8	yes
Part 139 Aerodrome Operator	6.5	5.7	5.5	5.0	6.5	7.6	6.1	6.7	no
Part 140 Aviation Security Service Organisation	4.6	5.0	4.9	6.6	5.6	16.0	9.0	22.2	no
Part 141 Aviation Training Organisation	10.8	10.2	7.7	7.4	7.0	7.4	6.3	6.8	yes
Part 145 Maintenance Organisation	12.1	11.0	8.3	8.6	9.9	8.5	8.1	9.0	yes
Part 146 Aircraft Design Organisation	12.6	9.9	8.6	7.9	8.2	7.4	9.9	9.1	yes
Part 148 Aircraft Manufacturing Organisation	11.3	9.7	8.1	12.2	10.1	8.8	11.8	8.0	yes
Part 149 Aviation Recreation Organisation	15.9	10.8	8.0	11.5	14.5	11.9	10.4	10.0	yes
Part 171 Telecom Service Organisation	11.6	15.3	6.4	4.8	4.4	4.3	9.1	9.6	yes
Part 172 Air Traffic Service Organisation	17.1	24.0	15.0	12.7	12.6	12.6	12.6	10.1	yes
Part 173 Instrument Flight Procedure	9.1	14.2	9.8	4.4	6.5	5.1	4.1	22.6	no
Part 174 Meteorological Service Organisation	11.4	11.2	7.6	4.4	5.2	5.3	5.3	5.0	yes
Part 175 Aeronautical Info Service Organisation	15.1	17.5	11.2	11.1	41.5	4.7	3.6	13.7	yes
Part 19F Supply Organisation	10.4	9.2	7.8	8.7	8.9	8.1	10.4	6.2	yes
Part 61 Pilot Licence (Aeroplane) Holder	2.9	n/a	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	13.7	9.0	6.1	7.0	6.9	10.4	6.7	5.9	yes

5(e) RATE OF SECURITY INCIDENTS

FOR THE YEARS ENDED 30 JUNE

	2012	2013	2014	2015	2016	2017	2018
Inflight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by Avsec.	-	-	-	-	-	-	-
Airside security incidents involving offences against the Aviation Crimes Act 1972 at security-designated aerodromes where Avsec operates.	-	-	-	-	-	-	-
Airside incidents involving the introduction of dangerous goods into aircraft screened by Avsec.	-	-	-	-	-	-	-

*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 30 JUNE

AVIATION SAFETY TARGET GROUPS	2012	2013	2014	2015	2016	2017	2018
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	1	-	4	1	1	2	-
Airline operations – medium aeroplanes	1	-	-	1	-	-	-
Airline operations – small aeroplanes	1	1	1	2	-	1	2
Airline operations – helicopters	2	5	5	1	3	2	1
Adventure aviation transport operations	8	4	7	11	11	14	13
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplanes	6	8	12	6	8	3	10
Other commercial operations – helicopters	8	4	4	6	4	5	5
Other commercial operations - sport aircraft	-	-	-	-	-	2	2
Agricultural operations – aeroplanes	3	11	6	3	2	7	5
Agricultural operations – helicopters	7	4	4	5	3	5	1
Agricultural operations – sport aircraft	-	-	-	-	-	-	-
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	9	12	11	10	9	9	10
Private operations – helicopters	2	8	1	4	2	4	3
Private operations – sport aircraft	38	50	54	49	39	40	37
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	2011	2012	2013	2014	2015	2016	2017
PUBLIC AIR TRANSPORT							
Airline operations – large aeroplanes	0.04	0.06	1.04	2.51	0.15	1.38	0.10
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	0.45
Sport aviation transport operations	1.85	46.49	0.68	2.26	2.04	1.94	3.81
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplanes	0.17	-	0.80	11.39	-	0.45	6.32
Other commercial operations – helicopters	26.81	0.43	0.81	5.29	9.99	0.45	1.85
Agricultural operations – aeroplanes	-	5.90	0.02	2.59	0.02	9.31	-
Agricultural operations – helicopters	1.63	5.46	4.84	12.32	0.79	10.60	0.45
NON-COMMERCIAL OPERATIONS							
Private operations – aeroplanes	5.39	1.67	0.17	5.64	17.06	0.04	1.14
Private operations – helicopters	5.25	4.49	1.00	9.88	4.49	5.25	4.61
Private operations – sport aircraft	22.78	34.51	15.39	16.04	14.80	18.83	47.91
Other	-	-	8.67	-	0.43	0.55	1.85

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

FOR THE YEAR ENDED 30 JUNE

AVIATION SAFETY TARGET GROUPS	2012	2013	2014	2015	2016	2017	2018
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	29.90
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplanes	-	-	5.14	-	-	0.50	-
Other commercial operations – helicopters	7.01	-	-	15.01	-	7.22	14.74
Agricultural operations – aeroplanes	-	4.77	-	2.22	-	4.90	-
Agricultural operations – helicopters	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	-	43.33	83.45	17.28	11.71	7.43	-
Private operations – sport aircraft	-	-	75.20	268.51	182.52	166.83	1,335.30

5(i) SOCIAL COST OF FATALITIES AND SERIOUS INJURIES (\$MILLIONS)

FOR THE YEAR ENDED 30 JUNE

AVIATION SAFETY TARGET GROUPS	2012	2013	2014	2015	2016	2017	2018
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	41.72	0.46	2.13	1.24	0.85	3.23	6.03
OTHER COMMERCIAL OPERATIONS							
Other commercial operations – aeroplanes	-	0.22	10.34	-	-	0.45	-
Other commercial operations – helicopters	11.45	0.35	0.82	12.75	-	7.09	-
Agricultural operations – aeroplanes	-	5.45	0.82	0.41	-	9.31	-
Agricultural operations – helicopters	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	-	6.33	7.87	4.80	4.51	4.53	-
Private operations – sport aircraft (all)	25.21	16.54	8.46	14.17	14.13	35.52	33.26

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

FINDING CATEGORY	FY 2015/16				FY 2016/17				FY 2017/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	202	162	121	243	180	134	161	173	198	141	206	191
TOTAL FOR THE YEAR	728				648				736			

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

FINANCIAL YEAR	OCCURRENCES	PROSECUTIONS COMMENCED	PROSECUTIONS % OCCURRENCES	WRITTEN WARNINGS	INFRINGEMENT NOTICES
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
2018	9,110	5	0.05%	9	11

5(l) AIRSPACE OCCURRENCE DATA

		FOR THE YEAR ENDED 30 JUNE									
		2012	2013	2014	2015	2016	2017	2018	TARGET		
CLOSE PROXIMITY EVENTS											
A safe airspace environment is sustained for all aviation activities	'Near misses'/loss of separation incidents	COUNT	115	163	107	121	102	89	121	Fewer 'near misses'/ loss of separation incidents through time	
		COUNT PER 100,000 HOURS	11.30	15.60	10.30	14.11	11.12	9.16	13.01		
	UNAUTHORISED AIRSPACE INCURSIONS										
	Uncontrolled incursions (into controlled airspace)	COUNT	370	355	300	340	389	341	394		Fewer uncontrolled incursions (into controlled airspace) through time
COUNT PER 100,000 HOURS		36.50	34.00	28.80	39.66	42.40	35.08	42.38			

5-10% improvement since 2007

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

SEVERITY OF OCCURRENCE	2006/07	TARGET AT 5%	TARGET AT 10%	2017/2018	ACTUAL INCREASE/ (REDUCTION)
Critical	28	26.6	25.2	75	167.86%
Major	313	297.35	281.7	534	70.61%
Minor	4,570	n/a	n/a	8,484	n/a
Total Occurrences	4,911			9,093	

APPENDIX 6

SECTOR PROFILE

NEW ZEALAND'S ACTIVE AVIATION DOCUMENT HOLDERS

as at 30 June 2018

ORGANISATIONS		INDIVIDUALS		AIRCRAFT ²⁶	
5	Australian AOC Operating with ANZA Privileges	2,901	Part 66 Aircraft Maintenance Engineer	1,995	Aeroplane
63	Part 109 Regulated Air Cargo Agent	204	Part 66 Certificate of Inspection Authorisation	297	Amateur-Built Aeroplane
27	Part 115 Adventure Aviation Operator	283	Part 66 Certificate of Maintenance Approval	3	Amateur-Built Glider
175	Part 119 Air Operator	27,385	Pilot licences (3,794 with active class 1 medical certificate and 4,909 with active class 2 medical certificate including 4,083 ATPL aeroplane licence holders, 1,150 holding active class 1 medical certificates and 1,009 holding active class 2 medical certificates)	24	Amateur-Built Helicopter
45	Part 129 Foreign Air Operator	1,098	Air traffic and flight service licences (590 holding class 3 medical certificates)	63	Balloon
105	Part 137 Agricultural Aircraft Operator			283	Glider
26	Part 139 Aerodrome Certification			77	Gyroplane
1	Part 140 Aviation Security Organisation			21	Hang Glider
51	Part 141 Training Organisation			864	Helicopter
51	Part 145 Maintenance Organisation			208	Microlight Class 1
12	Part 146 Design Organisation			899	Microlight Class 2
14	Part 148 Manufacturing Organisation			97	Para Glider
8	Part 149 Recreation Organisation			331	Parachute
2	Part 171 Aeronautical Telecommunication Service Organisation			53	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				
36	Part 19F Supply Organisation				
55	Part 92 Dangerous Goods Packaging				
8	Synthetic Training Device (Airlines)				
37	Synthetic Training Device (General Aviation)				
728	Total	31,871	Total	5,215	Total

²⁶ Part 115 operators are required to register all of their aircraft on the New Zealand Civil Register maintained by the CAA. This includes parachutes, paragliders, and hang gliders. These aircraft types are not required to be registered where they are owned and operated privately.

APPENDIX 7

MAINTAINING INTERNATIONAL CREDIBILITY

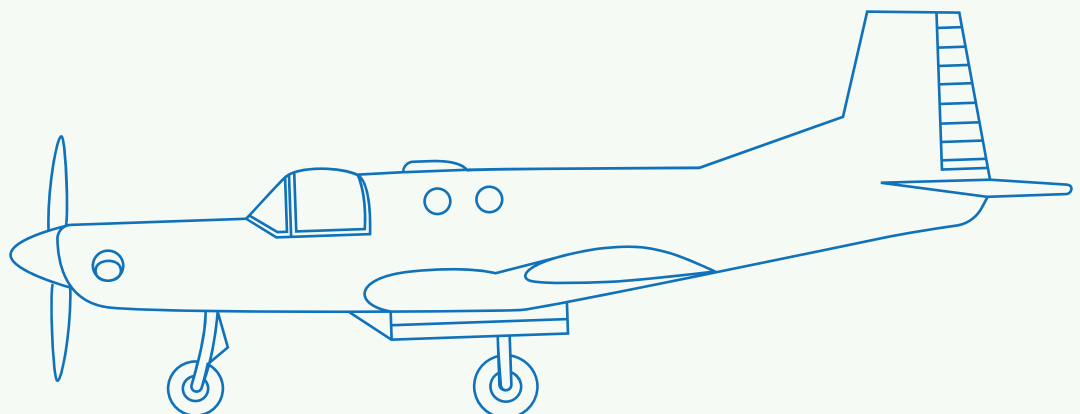
INTERNATIONAL CIVIL AVIATION ORGANISATION (ICAO) – Universal Safety Oversight Audit Programme (CMA Audit Cycle 2013 Onward) Level Of Effective Implementation (EI) of a Safety Oversight System

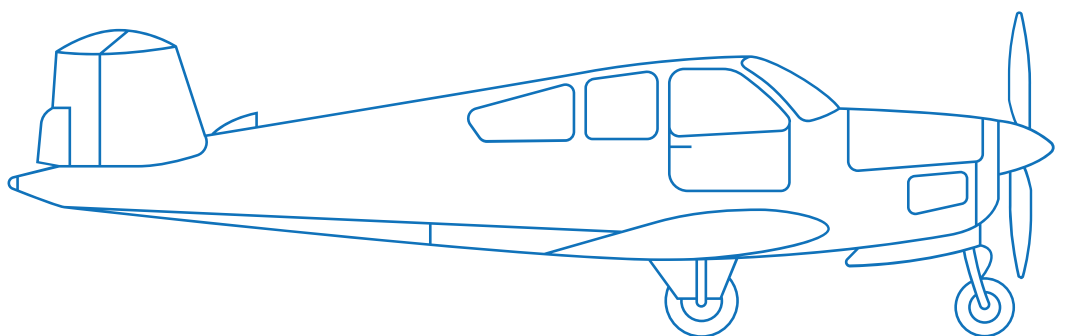
CRITICAL ELEMENTS	1	2	3	4	5	6	7	8	EI SCORE
(Elements 2 - 8 are principally attributed to the work of the Civil Aviation Authority)	Primary aviation legislation	Specific operating regulations	State civil aviation system and safety oversight function	Technical personnel qualification and training	Technical guidance, tools and provision of safety-critical information	Licensing, certification, authorisation and 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	87.07	98.77	92.31	97.24	95.97	96.25	98.19	94.98
OECD average	88.96	84.49	84.94	74.92	85.40	90.84	85.11	83.80	85.90
Global average	74.81	72.62	68.18	55.80	68.45	69.21	57.94	52.43	*66.32

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 an ICAO Coordinated Validation Mission (ICVM) at a time yet to be arranged. As at 1 July 2018, New Zealand was not scheduled for any ICAO audit activity in the 2018-19 FY.

*It is the Authority's objective to equal or better the OECD average following any audit activity.







Aviation Security Service
— Kaiwhakamaru Rererangi —

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