

Annual Report 2013/2014

SAFE FLIGHT FOR SOCIAL CONNECTIONS AND ECONOMIC BENEFITS

Why the work of the New Zealand Civil Aviation Authority is important

Approximately **60,993** international flights in or out of New Zealand in 2013 carrying **2.8 Million** international visitors.

We contribute to the New Zealand Aviation Industry which is estimated to be valued at **\$15 Billion** by 2015.¹

We enabled **\$6.5 Billion** of exports to be flown efficiently from New Zealand airports in 2013 representing 13% of our Total Value of Exported Goods.



4,836

Aircraft were registered to operate in New Zealand's airspace as at 30 June 2014.



Approximately **10,330** Pilots are licensed to operate in New Zealand's civil aviation system.



On average **834** Aviation Accidents or Incidents are reported to the Authority each year that we investigate.

10^M

Approximate number of passengers screened through our domestic and international airport security screening points each year.

612

Approximate number of audits and inspections carried out each year to ensure safety and security standards are maintained.

99%

of International Visitors arrive in New Zealand by air each year (as at 28 February 2014).

¹ Source: New Horizons: A Report on New Zealand's Aviation Industry. Knotridge Limited, on behalf of New Zealand Trade and Enterprise. Published June 15, 2010, Executive Summary, p.6)



137 secs

is the average passenger queue time at airport international departure screening points.



57 secs

is the average passenger queue time at airport domestic departure screening points.

Explosive Detector Dog Unit Handler Phil Brook on the job with Nitro for the Aviation Security Service at Auckland airport

31.8^M

items of carry-on and hold baggage were screened in 2013/14 for dangerous or prohibited goods.

10.1^M

passengers travelled safely on over 300,000 Domestic Flights within New Zealand in 2013.

648

Safety and Regulatory Investigations, on average, have been conducted each year, since 2009, to learn lessons that will help prevent further incidents.

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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 2013 to 30 June 2014.



Nigel Gould

Chairman of the Civil Aviation Authority of New Zealand
20 October 2014

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



Mark Wheeler

General Manager, Aviation Security Service
20 October 2014

Note: Further copies of this document can be downloaded in colour from: www.caa.govt.nz and www.avsec.govt.nz

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Contents

The year in review	2
Part A	5
The Civil Aviation Authority	
Section 1	5
The Civil Aviation Authority at a glance	5
Board & Senior Management Profile.....	8
The Sky is the limit	10
Secure foundations	12
Section 2	14
Financial highlights for 2013/14	14
Section 3	16
Delivering on our strategy.....	16
Improving the overall effectiveness of the aviation system.....	18
Improving sector safety performance	21
Becoming a more responsive and results-driven organisation	23
Section 4	28
Risk, Quality and Assurance	28
Section 5	29
Managing organisational health and capability.....	29
Part B	34
Statements of Service Performance and Financial Statements	
Statement of responsibility.....	34
Auditor's report.....	35
Section 6	38
Statements of Service Performance	38
Section 7	54
Financial Statements.....	54
Notes to the Financial Statements	58
Additional Financial Information	86
Part C	90
Appendices	
Appendix 1: Organisation Chart	91
Appendix 2: Governance and Accountability	92
Appendix 3: Operating Environment	94
Appendix 4: Safety Data	95
Appendix 5: Rules Development Programme	102
Appendix 6: Change Programme Benefits	103
Appendix 7: Impacts of our work	106



Nigel Gould

Graeme Harris

The year in review

The Authority has made significant strides towards becoming a truly world-class aviation regulator and security service provider in what has been another year of major change.

What we have achieved over the past year will help us to continue to meet our objective for the civil aviation system of safe flight for social connections and economic benefits.

These achievements will enable us to improve the already high standards of aviation safety and security that New Zealanders and a growing number of international visitors benefit from. Importantly, they will also position us to respond effectively to the many opportunities and challenges that growth and change in domestic and international aviation are bringing.

Evolution of Regulation

The Civil Aviation Act 1990 (the Act) underpins all our activities.

Aviation has changed significantly since the Act was introduced in 1990. While fundamentally sound, the Act merits review and the Ministry of Transport is currently leading work to consider whether it would benefit from change. We will continue to support the Ministry until the conclusion of the review, which we expect will be in late 2015.

The Authority has made good progress in transforming its regulatory model from one that requires minimum safety standards to be met, to one where operators proactively manage risk. A risk-based approach to safety management is internationally recognised as a key determinant of better aviation safety outcomes and is expected to significantly improve the safety of flying in New Zealand.

Part of the Authority's strategy to implement a risk-based approach is the introduction of a requirement that certificated operators put in place an effective Safety Management System (SMS).

Cabinet's approval of our proposal to make SMS a mandatory requirement for certificated operators was an endorsement of our approach and an important step towards introducing a risk-based approach to aviation regulation in New Zealand.

Over the next year we expect to make more progress in enhancing our capabilities, develop new rule amendments for mandatory implementation of SMS and to work more closely with industry so we can help them transition to a risk-based approach to aviation safety.

New security threats and technology horizons

The rapid pace of emerging aviation technologies and constant change in security threats, is challenging aviation safety and security regulators and security service providers across the globe. This includes working hard to ensure their systems remain fit for purpose to protect these aviation systems.

Globally aviation remains a high value target for terrorist groups. Emerging threats have seen the introduction in other parts of the world of new security standards in relation to screening of personal electronic devices. The Authority remains alert to such developments. In response to changing threats and standards, the Aviation Security Service has completed its upgrade of hold-stow baggage screening systems for international flights and over the next year will commence replacing its cabin baggage screening equipment.

New passenger airliners that feature advanced avionics provide opportunities for better navigation and surveillance, and better safety, if regulators take advantage of this technology.

Our plan to enable such technologically advanced aircraft to realise their safety and commercial potential, is the culmination of several years of planning and preparation. New Southern Sky, the National Air Space and Air Navigation Plan, was officially launched by the Minister of Transport in June 2014.

Led by the Authority, it is an ambitious, multi-agency programme that will modernise New Zealand's aviation system over the next decade. Through coordinating the introduction of new technologies and changes to the aviation system, it will bring the greatest possible benefits.

For more than 10 million air travellers every year it will mean shorter journeys, improved safety and lower carbon emissions. Over two decades it will contribute to nearly \$2 billion in national economic benefits through fuel savings, lower aircraft operating costs, and reduced capital costs.

One of the aircraft that will benefit from New Southern Skies is the Boeing 787 Dreamliner.

Its lightweight construction means the 787-9 can fly with greater fuel efficiency while its advanced avionics and navigation capabilities enable it to operate with improved safety.

This year the Authority approved Air New Zealand to operate the 787-9, the first of the long haul version of this aircraft type to be introduced anywhere in the world.

The rapid development of Remotely Piloted Aircraft Systems (RPAS) technology is encouraging many new participants to enter the aviation system, some of whom have little or no knowledge of Civil Aviation Rules.

RPAS are able to fly further, faster and higher than traditional model aircraft and can be purchased on-line by members of the public for a few hundred dollars.

We have been working with other key stakeholders in the industry, such as the Airways Corporation, to ensure both traditional and non-traditional aviation users are aware of the relevant Civil Aviation rules to ensure safety outcomes for RPAS are maintained.

Keeping our house in order

We are pleased to report the Authority is in a sound financial position, due largely to recent reviews of funding and initiatives to improve efficiency while still maintaining a focus on effectiveness.

Our statements of service performance in Part B of this report record our standards of delivery performance achieved for each class of our outputs. We are pleased to report that we have delivered well against these standards while also progressing our key focus areas that drive our strategy.

We are confident that the triennial funding review processes being used in both parts of the Authority, and which involve significant and ongoing industry and stakeholder consultation, are an effective mechanism for ensuring value for money.

Operational expenditure has recently been reduced by sub-leasing the space formerly occupied by the Aviation Security Service in Wellington's Asteron Centre. Aviation Security Service staff moved to sit alongside their colleagues in the regulatory part of the organisation in a move that is not simply providing financial benefits but is also improving productivity and information sharing.

The consolidation of the Authority shared support service model is improving accountability, effectiveness and efficiency.

The Aviation Security Service continues to evolve into a modern, progressive organisation under the leadership of Mark Wheeler, who was appointed General Manager in October 2013. Mark has led significant changes in the Service's operations and management.

The introduction of risk-based regulation signals a significant change for industry and also for the Authority, because it means we need to transform our internal systems, processes and organisational culture. We have made good progress in building these capabilities and improving our understanding of risk-based regulation.

By ensuring we apply our regulatory operating model consistently, it will help improve interactions between the Authority and aviation sector participants and ensure we target our resources.

Industry connections

Staying connected to industry gives us the opportunity to inform, be informed and influence.

We have worked hard this year to get alongside industry so we can understand their concerns and communicate regulatory changes that will affect the way they conduct operations.

Ongoing consultation through the triennial funding reviews for the security service and the regulatory function have given opportunities for participants to express their views and for us to explain our position.

We have been successful in communicating the benefits of SMS to industry, which has resulted in many certificated operators introducing them ahead of the introduction of mandatory requirements.

This is a particularly satisfying result, as it means that industry will be much better positioned to respond to the mandatory requirement to introduce SMS.

On the horizon

As we continue to make advances, the coming year promises to be another year of change.

New rules for SMS and RPAS will introduce regulatory changes that will require us to be more effective, and to develop new capability. We will continue the transition to meet emerging security threats, upgrading all cabin baggage screening systems and improving our airport communications systems. We will complete a major refresh of Aviation Security Service's workforce planning and analytical capability and improve the national Airport Identity Card System.

The implementation of New Southern Sky will continue, and a key aspect of the plan, the establishment of Performance Based Navigation (PBN), will be bedded in.

We will also continue to build capability to ensure we have the right people with the right skills, as we continue the transition to leading a world-class, risk-based aviation safety and security system. This will include consulting with industry over the fees, charges and levies of the regulatory function during 2014/15.

We would both like to publicly acknowledge the efforts of Authority staff who have made important contributions during what has been another year of change and progress.

We are now well placed to meet the challenges ahead as we strive to enhance safety and security in what is a key component of New Zealand's transport infrastructure.

There is still work to be done but we are confident the Authority is on the right path.



Nigel Gould
Chairman



Graeme Harris
Chief Executive and Director of Civil Aviation

PART A

The Civil Aviation Authority

SECTION 1

The Civil Aviation Authority at a glance

Who are we?

The Civil Aviation Authority of New Zealand was established in 1992 as a Crown entity under the Civil Aviation Act 1990 (the Act). We are responsible to the Minister of Transport and are governed by a five-member board appointed by the Minister to represent the public interest in civil aviation (s72A of the Act).

Our primary objective, mandated in the Act, is safety and security.

We carry out 'safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system' (s72AA of the Act).

We do this within the two divisions of the Authority, the regulatory function and the Aviation Security Service. Through these two divisions we deliver five core outputs.

Note: An organisational chart is attached at appendix 1.

Division: Regulatory Function

The aviation safety and regulatory function (the regulatory function), under the Chief Executive and Director of Civil Aviation, delivers four core outputs:



Policy and regulatory strategy

We work to ensure that New Zealand's civil aviation system is robust and responsive to the continually changing aviation community, respected internationally, and provides an appropriate level of safety and security for the New Zealand public.

Civil aviation in New Zealand has minimum safety and security standards that must be met by civil aviation participants. Standards are developed in consultation with the aviation community and the Ministry of Transport. The standards are detailed in the Civil Aviation Rules, which are made by the Minister of Transport.

Our regulatory toolkit for interventions includes promoting education and safety, certifying aviation participants, monitoring and investigating, taking administrative action, and taking law enforcement action. We use these interventions to achieve the desired safety and security outcomes.



Outreach

We support civil aviation participants with aviation safety publications, courses, seminars and advice. Our safety education is focused on the greatest safety concerns. Our aim is to influence attitudes, change behaviour and encourage aviation participants to operate above safety minimums.



Certification and licencing

We use certification and licencing to control entry and exit to the New Zealand civil aviation system. To operate within the civil aviation system, an individual or organisation must be granted an aviation document. These include, but are not limited to, a pilot licence, operating certificate, aircraft registration, engineer licence, air traffic control licence, or aerodrome certificate.

New Zealand has a high rate of participation in aviation per capita relative to other countries. The numbers of active aviation document holders are:

	At 30 June 2014	At 30 June 2013
Organisations	750	775
Individuals (Individuals with active medical certificates and licensed aircraft maintenance engineers)	13,477	13,373
Aircraft	4,836	4,851



Surveillance and investigation

We monitor compliance with safety and security standards, investigate and analyse accidents and incidents, and carry out our corrective action and enforcement.

Our monitoring role includes inspecting and auditing participants in the civil aviation system. We assess the level of risk that each operator poses to aviation safety. We use this level of risk to decide the degree of surveillance and monitoring attention we give the operator.

We also administer the provisions of the Health and Safety in Employment Act 1992 for aircraft in operation. We provide information and guidance, conduct workplace inspections, audit health and safety management systems and investigate workplace accidents and concerns.

At 30 June 2014, the regulatory function employed 217 full-time equivalent staff (FTEs). Most are technical experts responsible for certifying and monitoring aviation participants. Staff are based in Wellington, Auckland, and Christchurch.

We operate to a consistently applied Regulatory Operating Model, which is founded in the Act. This model outlines the principles that underpin our regulatory approach.

Division: Aviation Security Service

The Aviation Security Service, under the General Manager Aviation Security Service delivers the following core output:



Security service delivery

The Aviation Security Service is jointly responsible with the New Zealand Police for security at security-designated airports and air navigation facilities.

All departing international passengers are screened for prohibited items and dangerous goods. All departing domestic passengers on aircraft with 90+ seats are also screened.

We screen airport workers, provide access control to restricted areas and undertake perimeter patrols to intercept any persons unlawfully in security areas. This includes protecting places and equipment used to aid air navigation.

We provide a maritime security response and work in conjunction with other government agencies on high-profile events that could be targets for terrorism.

We also provide a leadership role in the Pacific in conjunction with the Ministry of Foreign Affairs and Trade to improve aviation security services.

At 30 June 2014, the security service employed 712 FTEs. Of these, 95 percent are front-line service delivery staff based in airports around the country, with a small management team based in Wellington.

The Aviation Security Service was re-certified in 2013/14 under Civil Aviation Rule Parts 140 (*Aviation Security Service Organisations – Certification*) and 141 (*Aviation Training Organisations – Certification*) of the Act to provide aviation security services in New Zealand over the next five years.

Our operating environment

Economic factors

The aviation industry is highly dynamic. Air passenger traffic always reflects economic cycles, environmental incidents, and geopolitical events (for example terrorism). Traffic growth is aligned to a country's economic growth, and travellers from Asia are largely responsible for growth in passenger numbers in New Zealand.

Global connections

Through global cooperation, regulators are able to share aviation safety and security information and to cooperate in certifying civil aviation aircraft and aviation organisations. This is achieved through membership of the International Civil

Aviation Organization (ICAO), and through a series of bilateral aviation agreements between New Zealand and other countries. Risk-based regulation, in conjunction with Safety Management Systems, is emerging as the global standard in the aviation industry. It is seen as the next step in the evolution of aviation safety and security, and is used increasingly in managing other critical areas.

New technology horizons

Advances in aircraft technology are changing the priorities of aviation regulators. Because of rapid technological advances in aviation, the Authority has had to enhance our existing skill-set base, and build relationships with participants in emerging technology. Regulatory function staff are trained, in New Zealand and overseas, to maintain and enhance their skills to international levels.

Dynamic security environment

As the global marketplace continues to grow, millions of international travellers and tonnes of freight are exposed to various types of aviation-related security risks. The global civil aviation industry is subject to enormous change and volatility, and we must keep track of these changes to ensure that New Zealand's civil aviation system meets international expectations. The Authority is regarded as a world-class provider of aviation security services.

Sustaining industry growth

Aviation fuel efficiency continues to improve as advances in aircraft manufacture, technology, operations, and infrastructure are applied.

ICAO sets international aviation goals, works on market-based measures and promotes sustainable biofuels in aviation. The Authority takes part in ICAO forums working on these and other issues.

Our strategic framework

Government goal

The Government's overall objective for transport is expressed as 'an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our country's economy, to deliver greater prosperity, security and opportunities for all New Zealanders.' This is stated in the policy direction document for transport, "Connecting New Zealand".

New Zealand has some of the safest skies in the world, but keeping the number of air accidents trending downwards is getting harder. The Authority has to manage the same broad scope of aviation activities as regulators in much larger countries. It has to do this while keeping up with continuing growth in the numbers of participants and passengers, as well as advances in aviation technologies and international standards.

The Authority has three key focus areas:



Improving the overall effectiveness of the aviation system;



Improving sector safety performance;



Becoming a more responsive and results-driven organisation.

These three key areas link our core inputs and outputs to the Government's overall goal and outcomes for the broader transport sector.

Our goal

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



'Safe flight for social connections and economic benefits' (Safe Flight)

'Safe Flight' is demonstrated through low and reducing numbers of accidents, reducing social cost of accidents (death, injury, and property loss valuation), and no airside or in-flight security incidents that compromise safety.

We measure how well the civil aviation system is performing, aiming for a continued reduction in the incidence and consequence of safety and security failure.

Appendix 4 illustrates the current trends in New Zealand across many of these measures. Where failure rates are already nil or very close to nil, and where residual risk is at an acceptable level, safety performance is unlikely to improve further. However, in these areas we work to ensure that safety performance remains at current levels.

The Authority is looking for opportunities to index our performance against other countries to provide comparative safety information.

Impacts of our work

Our work has long-term effects on the civil aviation system, contributing to our overall outcome: 'Safe Flight'. Safe Flight has two aspects: 'being safe' and 'feeling safe'.

'Being safe' means that air passengers arrive at their destinations safely and securely. Our aim is that aviation participants act safely and actively manage risks, and that a safe airspace environment is maintained for all aviation activities.

However, the benefits of a safe and secure civil aviation system will only be fully realised if aviation participants experience 'feeling safe'. Our aim is that New Zealand has a positive international reputation for air safety and security, and that people have confidence in the safety and security of air transport. We have included a table showing the progress we have made towards these impacts at appendix 7.



Mark Wheeler

John Bartlett

Graeme Harris

Board & Senior Management Profile

General Manager Aviation Security Service **Mark Wheeler**

The General Manager Aviation Security Service administers the powers and functions of the service under section 80 of the Civil Aviation Act 1990. Mark has a team of 712 full time equivalents (FTE's) working within the service on a 24/7 basis, 365 days a year providing airport security and screening services. The Aviation Security Service screens more than 10 million passengers annually at the six largest airports across the country.

Chief Executive & Director of Civil Aviation **Graeme Harris**

The Director of Civil Aviation is the Chief Executive of the Civil Aviation Authority. In these roles Graeme is accountable to the board of governors and responsible for the day-to-day operation of the Authority. As the Director Graeme exercises functions and powers under the Civil Aviation Act 1990, including controlling entry into the civil aviation system, and the monitoring of adherence to safety and security requirements.



Nigel Gould

Grant Lilly

James (Jim) Boulton

Peter Griffiths

Board Member John Bartlett

John has strong aviation industry experience spanning 45 years, particularly in the area of strategy and development. He has held senior executive positions in Ansett New Zealand, Virgin Group and the Civil Aviation Authority. John was appointed to the Board of the Authority in 2010.

Chairman Nigel Gould

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

Board Member Grant Lilly

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

Board Member James (Jim) Boulton

Jim Boulton was Chief Executive of Christchurch International Airport Ltd and a Crown appointee to the CIAL board for six years before that.

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.

Deputy Chairman Peter Griffiths

Peter Griffiths is an experienced business leader with a particular interest in strategy and the delivery of commercial performance. Peter is currently a Director for Z Energy Ltd, New Zealand Oil and Gas Ltd and Northland Port Corporation Ltd. Peter was appointed as Deputy Chairman of the Board of the Authority in 2010.

The Sky is the limit

Modernising New Zealand's Aviation System

The Authority is one of many regulators around the world seeking to take advantage of rapid developments in technology to modernise aviation infrastructure and bring wide ranging safety and economic benefits.

The last few years have seen the rapid development of policy designed to initiate and support the modernisation of New Zealand's aviation system over the next decade. This work culminated in the publication by the Ministry of Transport of the National Airspace Policy Statement in 2012. The policy enables us to adopt emerging technologies that can facilitate benefits in aviation safety and provide economic and environmental benefits to industry. The Authority led the development of the National Airspace and Air Navigation Plan, in conjunction with representatives of the wider aviation sector, including general aviation and recreational aviators.

New Southern Sky

The implementation of the National Airspace and Air Navigation Plan will, over the next 10 years, enable the introduction of solutions that will mean shorter journeys, improved safety and lower carbon emissions. New Southern Sky is the programme designed to implement the Plan.

The Plan was launched by the Minister of Transport in Wellington in June, 2014. It was developed in conjunction with representatives of the wider aviation sector.

The plan sets out a path for progress across eight key areas. These are set out on the following page. Over two decades the New Southern Sky programme will contribute to nearly \$2 billion in national economic benefits through fuel savings, lower aircraft operating costs and lower capital expenditure for airline operators.

It outlines how the government and aviation industry will manage: the transition from ground-based to satellite-based navigation; surveillance technologies; digital information and communication systems; and improved streamlining of air traffic control.

This work builds on the ICAO Global Air Navigation Plan and the international framework to improve safety and efficiency through the use of new technologies and practices. While New Zealand's aviation system is small compared to other countries, our reach is global and we have the ability to demonstrate leadership and innovation.

New Zealand has the advantage of strong working relationships with other countries, allowing us to learn from their experiences and to work with them to develop inter-operable systems that fully realise the safety and efficiency benefits that are the drivers of technological change in aviation.

WHO IS LEADING IT?

New Southern Sky will be led by Stephen Hunt, General Manager of Air Transport and Airworthiness for the Authority.

Steve Smyth, the Director of New Southern Sky, will oversee the programme management.

KEY PARTNERS

The Ministry of Transport and Airways Corporation are our key partners. Together the three organisations comprise the [New Southern Sky](#) strategic governance group.

Other agencies with programme delivery roles are members of the operationally-focused New Southern Sky Working Group.



FOR MORE INFORMATION

Visit our website www.nss.govt.nz
Follow us on Twitter [@newsouthernsky](https://twitter.com/newsouthernsky)

June, 2014

The National Airspace and Air Navigation Plan was launched by the Minister of Transport in Wellington. It will be operationalised through the New Southern Sky programme.

Graeme Harris, Chief Executive and Director of Aviation presents at the launch (opposite)

\$2^B

Estimated contribution in national economic benefits through fuel savings, lower aircraft operating costs, and lower capital expenditure for airline operators.

PATH FOR PROGRESS:

Navigation – getting from A to B

From: mixed mode in 2014 *To:* full performance based navigation in 2023

Surveillance – Who is where in the sky

From: planning for mandatory Automatic Dependent Surveillance-Broadcast (ADS-B) progressive implementation in 2014 *To:* ADS-B mandatory in all controlled airspace in 2023

Communications – Aircraft talking to other aircraft and the ground

From: transition from Aeronautical Fixed Telecommunication Network to Aeronautical Message Handling System in 2014 *To:* satvoice for primary communications in 2023

Aeronautical Information Management – Information for pilots and crew

From: going digital in 2014 *To:* real time availability of data into aircraft in 2023

Air Traffic Management – Efficient and safe use of airspace

From: development towards trajectory-based management in 2014 *To:* Trajectory-based management in place in 2023

Airspace Design – Who can fly where

From: develop methodology and triggers for future reviews in 2014 *To:* ongoing review of airspace impacts from new technologies in 2023

Aerodromes – International airports to grass strips and everything in between

From: establishing collaborative decision-making forums in 2014 *To:* all Aerodrome master plans reflect the objectives and action of the New Southern Sky Plan in 2023.

Meteorological Services – Weather information for aviation

From: develop IWXXM format (ICAO meteorological Information Exchange Model) for weather in 2014 *To:* weather into the cockpit in real time in 2023.



Secure foundations

It has been a year of significant change and improved performance for the Aviation Security Service. Under the auspices of new General Manager Mark Wheeler, the service is maintaining its world-class operational focus while developing a strong business outlook and an emerging culture of innovation and continuous improvement.

While the New Zealand threat level remains low, the service is very conscious of an increased global threat level. The Service is well positioned to adapt to a new security environment should the need arise.

The change process

The change process began with the Aviation Security Services Review approved by Cabinet on 9 December 2013 which enabled the service to introduce a balanced funding model that ensures revenue is gathered from those who use services. One of the outcomes of the review allowed a 30% reduction in the security charge for domestic passengers.

Industry was consulted over the proposed changes to fees, charges and levies which ensures the model is not only financially robust but also fair and equitable.

With a solid financial foundation secured, management was able to embark on significant organisational change, enabling the service to more effectively pursue and achieve its objectives.

Bringing added momentum to the process, an aviation security service senior leadership team restructure, which will be completed in late 2014, consolidates the senior managers in Wellington alongside the regulatory function and the Authority support services.

Securing the future

A dynamic global situation, combined with continued rapid and variable expansion of international aviation operations suggests many challenges lie ahead.

But a year of significant achievements has given management the confidence that the Aviation Security Service is on track to continue to be a world-class security provider with improved standardisation and an enhanced passenger experience.

SECURING CONNECTIONS

A collaboration between Customs, the State Services Commission, Auckland International Airport and the Service has seen the establishment of an International Departures Continuous Improvement Programme. This programme has brought customer service enhancements for departing passengers and operational efficiencies that will be replicated at other international airports.

By working together on a long term basis, the partners are pooling resources and information, which will result in lower costs, more effective security screening and an improved customer service for passengers.

PARTNERING WITH THE PACIFIC

The Aviation Security Service secured \$750,000 in funding from the Ministry of Foreign Affairs and Trade (MFAT) to assist in enhancing security development in Pacific Island countries including Samoa, Tonga, Kiribati, the Cook Islands, Solomon Islands, Niue and Vanuatu through the Pacific Security Fund.

Several highlights in 2013/14 were:

- Closer partnering with, and training of, a number of Aviation Security staff
- Replacement walk through metal detectors in the Cook Islands, Samoa, Tonga, Niue, Vanuatu and the Solomon Islands
- The provision of Aviation Security Service replacement vehicles in Vanuatu
- Targeted technical training in air cargo security, use of detection equipment and screening.

The Aviation Security Service was also active with ICAO in training aviation security officials in Laos and Cambodia.

Sustaining excellence

Several key outputs mean the Aviation Security Service is well positioned to sustain and enhance the quality of its services.

A successful re-certification for the provision of aviation security services in New Zealand over the next five years (under Rule Parts 140 (*Aviation Security Service Organisations – Certification*) and 141 (*Aviation Training Organisations – Certification*) of the Act) was one such achievement.

The introduction of a new funding model setting domestic and international passenger charges from 1 April 2014 also added new charges for temporary and permanent airport identity cards.

The international passenger security charges are now capped for the next three years, with a stepped 30% reduction in domestic passenger charge. The Cabinet approved funding model also confirmed airport companies as being responsible under Rule Part 139 (*Aerodromes – Certification, Operation and Use*) for managing gatehouse security unless the airport companies contract the provision of the service to the Aviation Security Service.

Significant upgrades to the workforce management and planning IT application Quintiq, have enabled the Aviation Security Service to ensure workforce planning is more efficient and better aligned to business needs. Improvements to the Airport Identity Card Information System introduced operational efficiencies with the use of technology.

By meeting international requirements before February 2014 for modernising hold baggage screening systems at all six security designated New Zealand airports, the aviation security service has saved approximately \$15 million and achieved compliance with international requirements through to 2020. The next year will see the services cabin baggage screening systems replaced. This replacement programme will start a long-term programme to address the number one passenger dissatisfaction of screening for Liquids, Aerosols and Gels.

The Aviation Security Service is confident it is well positioned to meet a changing global and domestic aviation environment and ensure a safe and secure aviation experience that enhances New Zealand's reputation.

Royal Tour

Thanks to a close collaboration with MFAT, the 2014 Royal Tour of New Zealand ran smoothly when the Duke and Duchess of Cambridge toured the country with their infant son Prince George.

30%

Stepped reduction
in domestic passenger
charges.



SECTION 2

Financial highlights for 2013/14

Introduction

In 2014, the Authority incurred a surplus of \$3.0 million, an improvement against budget by \$2.8 million. This is summarised in figure 1. The result reflects the continued focus by the Authority on achieving a sustainable funding baseline for both the regulatory function and security service. In an environment where revenue is primarily derived from the third party levies and from charges paid by airline passengers and aviation participants, the Authority has persisted with challenging operational drivers to achieve a justifiable cost structure. It is also committed to establishing a prudent pricing framework that seeks to minimize the impost on the aviation industry and the travelling public.

Highlights

Regulatory Function

For the regulatory function, the 2014 year marked the first full financial year following the implementation of the Cabinet-approved Funding Review in November 2012.

The 2014 year produced a slightly better year than budget. Factors which contributed to this included higher passenger numbers than expected, offset by lower levels of other services provided. Staffing levels were close to expectations and savings in project expenditure were used to fund the write-down of minor assets to improve alignment with accounting practice.

Security Service

The 2014 year marked the completion of a two stage Cabinet-approved Aviation Security Services Review. This included a fundamental review of the business and funding model for the Aviation Security Service. The Review resulted in a process to restore pricing to sustainable levels, which has seen the international passenger security charge being unchanged and a significant reduction being made in the domestic passenger security charge. This reduction in charge was effective 1 April 2014.

The 2014 year produced a slightly better year than budget. Factors which contributed to this included favourable international passenger numbers, offset by lower domestic passenger numbers, and a higher level of security services being delivered than originally planned. Staffing levels were below budget and these savings were used to fund additional asset and property related costs.

Financial Health

The Authority is comfortable with the progress being made with the financial health of the organisation. The key indicators of this are also provided in figure 1.

The regulatory function's Bank and Equity levels have increased over recent years. This is in anticipation for the planned replacement of the core regulatory business systems during 2014-16 that will better support business requirements and to meet the repayment of the \$2.5 million Crown loan in June 2015. These levels of reserves may not be adequate to fund the capability investment required for the replacement of the regulatory business system. This may require the Authority to seek financial support from the Crown to fully fund the project. The regulatory function is currently meeting the Authority's requirement of maintaining \$4 million of cash reserves.

The outcome of the second stage of the Aviation Security Services Review provided an opportunity to test the appropriateness of the Authority's balance sheet. While the Aviation Security Service has adequate levels of domestic passenger security charges reserve, the international passenger security charge reserve is below the target levels set as part of the Review. However, it is expected that the level of the international passenger security charge reserve will increase towards target levels over the next couple of years. At 30 June 2014, the domestic and international security charges reserves were \$6.2 million and \$2.9 million respectively, totalling \$9.1 million, which is considered reasonable against the overall target levels of between \$10 – \$12 million. It is expected that the reserve balance will reach the target levels during the 2014/15 financial year.

Figure 1

Group Financial Result and Organisation Financial Health Indicators

	Regulatory function 2014		Security service 2014		Group 2014		Regulatory Function 2013	Security Service 2013
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Actual \$m
Comprehensive income								
Income	37.2	36.9	79.5	78.1	116.7	115.0	33.9	58.1
Expenditure	37.1	37.1	76.6	77.7	113.7	114.8	33.4	77.6
SURPLUS / (DEFICIT)	0.1	(0.2)	2.9	0.4	3.0	0.2	0.5	(19.5)
Equity								
Equity	10.2	9.5	20.2	17.5	30.4	27.0	10.1	17.3
Specific reserves								
General funds	10.2	9.5	10.4	13.9	20.6	23.4	10.1	13.9
Domestic passenger security charge	-	-	6.2	2.1	6.2	2.1	-	3.9
International passenger security charge	-	-	2.9	1.8	2.9	1.8	-	(0.1)
Other fees and charges	-	-	-	(1.0)	-	(1.0)	-	(1.1)
Property, plant and equipment revaluation reserve	-	-	0.7	0.7	0.7	0.7	-	0.7
Liquidity								
Working capital	6.6	6.9	15.4	8.8	22.0	15.7	8.1	12.1
Bank and investments	9.9	5.3	16.6	11.1	26.5	16.4	8.9	15.7
Capital expenditure								
Capital expenditure	0.3	1.3	6.5	8.3	6.8	9.6	0.5	1.8
Passenger numbers (000's)								
International	5,018	4,844	5,018	4,844	5,018	4,844	4,760	4,760
Domestic	10,500	10,424	5,965	6,096	10,513	10,424	10,379	6,006

SECTION 3

Delivering on our strategy

Valuing the Authority's contribution to outcomes for the civil aviation system is complex. Air safety is a shared responsibility and the Authority supports organisations and personnel at the front line.

The Authority's influence is through the effectiveness of the regulatory system and airspace environment, the safe behaviour of participants and its credibility with the aviation community in New Zealand and internationally. We also provide services that enhance security through deterrence and detection.

The following diagram (figure 2) and narrative detail how the Authority's strategies and outputs contribute to achieving our overall outcome.

The focus areas are:



Focus Area 1: Improving the overall effectiveness of the aviation system.

One of our key roles is enabling efficient use of the airspace without compromising safety.

We do this by:

- developing clear requirements for entering and operating within the New Zealand civil aviation system in line with international standards;
- ensuring that safety is addressed system-wide by coordinating the different elements, sharing information and best practice between participants and assessing risks at a macro level; and
- keeping up-to-date on technological developments in aviation and aviation security services.



Focus Area 2: Improving sector safety performance

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

The Authority monitors the performance of the entire civil aviation system under three main categories: public air transport, other commercial operations, and recreational aviation.

Using safety analysis data (e.g., accident and incident rates), we develop sector risk profiles. We use these to further segment the three categories, so that we identify specific safety risks and target proactive responses.

Currently, the commercial adventure aviation sector is a particular area of focus for improving sector safety performance.

Certification requirements created specifically for the adventure aviation sector is a world first and is attracting significant international interest.



Focus Area 3: Becoming a more responsive and results driven organisation

The government puts a high priority on improving performance and productivity across the public sector. To achieve this we are focused on lifting our performance and ensuring our regulatory framework and security services are fit-for-purpose (and support delivery of the results we want).

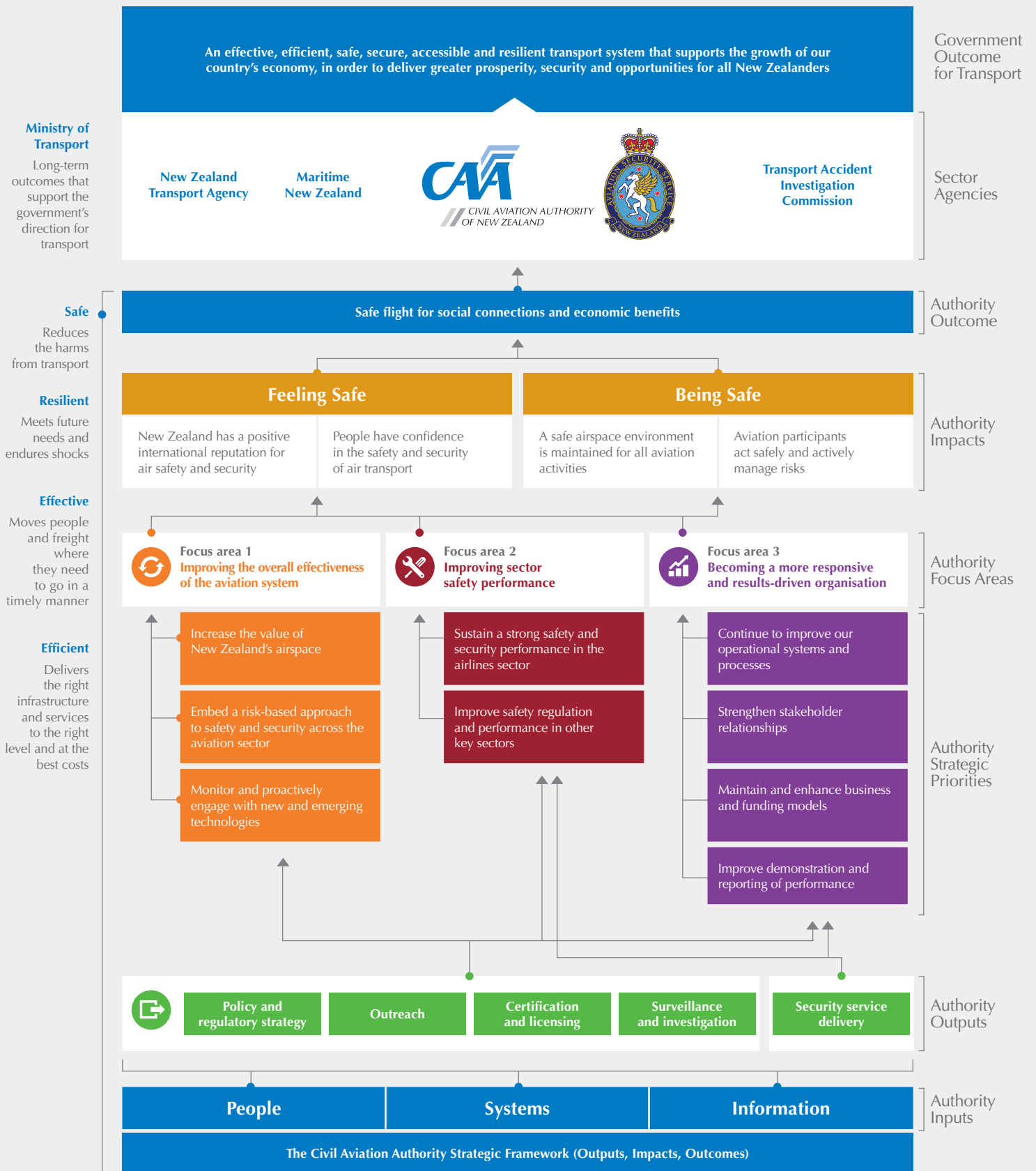
We have recently undertaken a significant change programme to better equip the organisation to deal with future challenges. These challenges include the changing nature of civil aviation activity, the technologies used and the risks and threats to security.

By keeping up to date and proactively engaging in, and influencing, relevant domestic and international issues, we position ourselves to determine the most appropriate response for New Zealand's aviation environment.

The following pages discuss our achievements in these areas.

Figure 2

The Civil Aviation Authority contribution to the transport sector outcome.



Focus Area 1

Improving the overall effectiveness of the aviation system

This will increase our effectiveness through better airspace planning, smarter standard-setting processes through our support to the Ministry of Transport and working with industry to implement systematic approaches to safety and security management.

The year in review

Key advances in 2013/14 were:

- **Safety Management Systems (SMS):** With the publication of our SMS Implementation Strategy in June 2013, we have continued with the promotion of proactive implementation by industry. To support this we have continued with our Industry Resource Kits publishing four booklets and working on four industry case studies to assist implementation.

Additionally, as a member country of the Safety Management International Collaboration Group, we have continued to attend meetings of this international forum for the purpose of promoting a common understanding of safety management principles and requirements and facilitating their implementation across the international aviation community.

Following close collaboration between the Authority and the Ministry of Transport, Cabinet agreed in June 2014 to proceed with new rule amendments to require certificated operators to have a risk management system, such as a SMS. We are now developing those amendments for public consultation in 2014/15.

- **B787-9 Dreamliner:** The Boeing B787-9 came into service with Air New Zealand in July 2014. This aircraft was the first variant of the original B787-8, which introduced a number of new technologies in both aircraft construction and systems. The aircraft makes extensive use of carbon fibre in the construction of the fuselage, resulting in significant changes to maintenance intervals and activities from what is normally expected for a large air transport aircraft. The B787 also incorporates new systems technologies like e-Enablement systems for the electronic transfer (via the internet) and uploading of aircraft software.

The Authority had to adapt its assessment process to certify these new technologies with staff from the aircraft certification, air transport maintenance, air transport flight operations, management information systems (MIS) and health and safety teams involved in the certification of the B787-9 and Air New Zealand's operation of the aircraft.

Activities included:

- type acceptance and airworthiness certification of the aircraft;
- assessment and certification of the flight operations, cabin crew, maintenance and training activities;
- assessment and approval of the full-flight and door simulators;
- assessment of health and safety issues; and
- observation and approval of proving flight activities

The teams have accrued over 4,600 hours on B787-9 related activities. There were unique challenges in the certification of a 'first-of-model' aircraft and Air New Zealand's operation of the aircraft. The process involved strong collaboration between all involved – the Authority operational and support units, Boeing, Rolls Royce, the Federal Aviation Administration (FAA), and Air New Zealand – which contributed to a safe, successful and timely certification of Air New Zealand's B787-9 aircraft and operation.

- **National Airspace and Air Navigation Plan (New Southern Sky):** Cabinet approved the National Airspace and Air Navigation Plan on 9 June 2014 and it was officially launched on 16 June 2014 by the Minister of Transport. This is a significant piece of work for the Authority now and in setting the foundation for change in the aviation environment. This is discussed in detail in the feature article on page 10.

In addition to these key advances we delivered the following work in support of our strategic priorities:



STRATEGIC PRIORITY:
Increase the value of New Zealand's airspace

The airspace over New Zealand is a national asset and a finite resource. It's safe and efficient use is vital to the New Zealand economy.

Delivered within outputs: *This activity is funded through all five of the Authority outputs.*

Aim (Impact)

New Zealand has a positive international reputation for air safety and security and a safe airspace environment is maintained for all aviation activities.

Our success is represented by

No deterioration of New Zealand's international accreditation, no ICAO alerts raised in relation to New Zealand's Civil Aviation safety and security and, maintenance of and extension to our bilateral agreements and service contracts.

Action

Activity and Progress

Support the Ministry of Transport to develop airspace and navigation rules for 2014/15 following Cabinet approval.

- An implementation programme, New Southern Sky has been initiated, with a cross agency governance structure set up being led from the new Authority Aerospace Programmes Unit. Any policy and Civil Aviation Rule development is being developed under the programme and scoping is now underway to complete the first stage of the national Airspace and Navigation Plan, by December 2015.



STRATEGIC PRIORITY:
Embed a risk-based approach to safety and security across the aviation sector

We have a focus on implementing a risk-based approach to our regulatory and security activities. This includes strengthening risk management capability (in industry and the Authority).

Delivered within outputs: *This activity is funded through all five of the Authority outputs.*

Aim (Impact)

Aviation participants act safely and actively manage risk.

Our success is represented by

An improvement by 2018 of 5-10% in risk profiles of aviation participants since 2008.

Action

Activity and Progress

Complete consultation about a risk management approach to regulation and policy development supporting any regulatory change.

- Consultation has been completed and the consultation summary along with a draft regulatory impact statement was provided to the Ministry of Transport.
- We received positive feedback from stakeholders about the consultation process, with 69% of stakeholders supporting the concept of a risk-based approach to regulation, including a mandatory approach to industry wide implementation of Safety Management Systems.
- Cabinet agreed in June 2014 to the development of new rule amendments to require certificated operators to have a risk management system.

Support the Ministry of Transport to develop rule amendments that require implementation of SMS across all aviation sectors.

- A draft notice of proposed rule-making is under development and is expected to be consulted on in 2014/15.



STRATEGIC PRIORITY:

Monitor and proactively engage with new and emerging technologies

The aviation sector is changing rapidly. We must have the capability and be pro-active to meet technological, economic and environmental change. We must be able to certificate new aircraft technologies, configurations, and equipment, as well as be able to oversee necessary airspace and air navigation changes.

Delivered within outputs: Policy and regulatory strategy, outreach, certification and licencing, surveillance and investigation

Aim (Impact)

A safe airspace environment is maintained for all aviation activities.

Our success is represented by

Certification of new and emerging technology is enabled within existing rules as appropriate and as required.

Action

Activity and Progress

Scan for new and emerging technologies across general aviation and within specific sectors, to build an information database.

- An environmental scan paper developed through organisation wide consultation was considered by senior management as part of the overall organisational planning processes. The scan considered the environment we operate within and the potential impacts over a 20 year horizon. The results were reflected in the 2014-18 Statement of Intent through the structure of the Authority priorities.

Proactively engage with industry, both domestically and internationally, through attendance at conferences, trade shows and other industry liaison points.

Active engagement with industry to provide advice, respond to issues and influence decisions is demonstrated through:

- Attendance at ICAO security, safety and meteorological sessions throughout the year to provide New Zealand representation and input and to understand changing international standards.
- Engagement with General Aviation operators over the expectations and requirements of operating under Rule Part 115 (*Adventure Aviation – Certification and Operations*).
- Three meetings of the Aviation Community Advisory Group – set up to provide industry representative advice and feedback on the Authority policy and rule development.
- Industry meetings in Auckland and the “Top of the South” with officials from the Ministry of Transport, Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise focussed on how, collectively, the government’s agencies can enable these business to grow their export business. Further visits are being planned in 2014/15.

Focus Area 2

Improving sector safety performance

This focus area targets poorly-performing areas and assesses potential risks of emerging technologies, as well as maintaining concentration on public air transport.

The year in review

Key advances in 2013/14 were:

- **Agricultural Sector Risk Profile:** The sector risk profile report for the agricultural sector was completed and published on our website on 27 September 2013. The report identified 16 separate risks. In February 2014, the Agricultural Sector Risk Profile Steering Group, the Chairman of the New Zealand Agricultural Aviation Association (NZAAA) and the General Manager General Aviation met to agree a way forward with implementing the report recommendations. It was agreed that the first two initiatives would be the production of an operating standard and a training standard. This will address six of the remaining 14 recommendations (16 recommendations in total). The NZAAA has agreed to draft the standards and the Authority will co-ordinate consultation with non-NZAAA operators. It is envisaged that the standards will be written into an Aviation Advisory Circular.
- **Rule Part 115 re-certification:** In 2012, a requirement for commercial adventure aviation operators to be certificated was introduced under Rule Part 115 (*Adventure Aviation – Certification and Operations*). The first re-certification period was set at two years. 15 operators have been re-certificated and the Authority is focussed on re-certifying the remaining 27 operators.

In addition to these key advances we delivered the following work in support of our strategic priorities:



STRATEGIC PRIORITY

Sustain a strong safety and security performance in the airlines sector

Any accident in the airlines sector and public transport operations has the potential for multiple loss of life and a consequent reduction in confidence in New Zealand aviation. The scale of such an impact is why we emphasise the safety and security performance of the airlines sector.

Delivered within outputs: Policy and regulatory strategy, outreach, certification and licencing, surveillance and investigation

Aim (Impact)

People have confidence in the safety and security of air transport.

Our success is represented by

The confidence in safety and security of air transport is demonstrated through the results of the survey of travellers to be undertaken in 2014/15.

Action

Activity and Progress

Given the high risk associated with this sector, work closely with New Zealand airline operators to ensure their systems, training, technology, safety and security data and processes pinpoint and address all relevant safety risks.

- Regulated Air Cargo Representatives (RACAs) are a part of the security supply chain ensuring security controls are applied to cargo and mail being loaded onto aircraft engaged in international passenger commercial air transport operations. RACAs were introduced into the system in 2008 under Rule Part 109 (*Regulated Air Cargo Agent – Certification*). In October 2013 progressive recertification of over 60 certificate holders began. Regulated Air Cargo Agents are relatively new in the aviation system and, while they are willing participants, a statistical analysis by the Authority of audit findings indicated a gap in their expected level of knowledge and capability. The Security Regulatory Unit felt it important to engage with participants, collectively, in invitation only forums and individually, to lift their level of understanding and compliance during recertification and through subsequent on-going surveillance and monitoring.



STRATEGIC PRIORITY

Improve safety regulation and performance in other key sectors

New Zealand has a large and diverse general aviation sector. General aviation supports significant parts of the economy, including for example, agri-business and adventure tourism. We are particularly focused on improving sector safety performance in the commercial adventure aviation sector. The Rule Part 115 (Adventure Aviation – Certification and Operations) about certification of the adventure aviation sector is a world first, and is attracting significant international interest.

The number of fatalities and serious accidents across the general aviation sector (commercial and recreational) is reducing. However, accident rates in some sub-sectors are not trending down as rapidly as desired and the performance in other sub-sectors has stalled or is showing signs of reversal.

It's important to arrest this decline in performance, because of both the potential risk to public transport operations sharing the same airspace and the human and financial benefits of fewer accidents. The reputational impact of accidents, particularly in the tourism sector, is also a factor.

Delivered within outputs: Policy and regulatory strategy, outreach, certification and licencing, surveillance and investigation

Aim (Impact)

A safe airspace environment is maintained for all aviation activities.

Our success is represented by

A 10% reduction in the accident rate between 2011 and 2018 in Rule Part 115 (Adventure aviation – certification and operations) and Rule Part 137 (Agricultural aircraft operations)

Action

Activity and Progress

Develop the organisation's safety oversight capability for the Adventure Aviation Rule (Part 115).

- The Authority has reviewed its capability to conduct adventure aviation surveillance. This has resulted in the identification of the need to increase the Authority's actual number of flight operations inspectors. The Authority has actively recruited additional staff capability identified from the review.

Begin the development of risk profiles for other targeted sectors.

- Preliminary analysis of the airline sector has been undertaken, which highlights the significant differences in scale within this sector. For example, there are only nine operators of large/medium aircraft, yet they provide over 22,000 seats. By comparison, the 97 operators of small aircraft and helicopter airlines could provide 3,700 seats. The results of this analysis are now being considered for sector risk profiling by management.

Focus Area 3

Becoming a more responsive and results-driven organisation

This focus area is aimed at making the Authority a more responsive and results oriented organisation.

The year in review

Key advances in 2013/14 were:

- **Regulatory Craft Programme (RCP):** In 2013/14 the Authority commenced a project to replace its legacy business systems, the Aviation Safety Management System (ASMS). The start-up stage of the ASMS replacement project included due diligence and facilitated investment logic mapping processes, to clearly define the replacement strategy, including defining the business needs. In January 2014, a decision was taken to expand the scope of the ASMS replacement project to reflect the impact of this project on organisational change and a programme of work commenced. The programme of work has been titled the Regulatory Craft Programme and will implement the initiative proposed in the 2012 change programme. The programme is focussed on improving the effectiveness and efficiency of the provision of regulatory services and has four investment objectives:

- to improve safety and security performance by the consistent application of the regulatory operating model
 - to improve interaction between the Authority and participants
 - to optimise use of Authority resources
 - to improve the effectiveness of the platform to meet current and future needs
- The RCP includes a project to replace the ASM and the Authority Electronic Document Records Management System, and, to develop a plan to implement the new software.
 - **Hold Baggage Screening (HBS) Implementation Programme:** The implementation of the new HBS equipment at all six security designated airports is complete. The completion of this work has confirmed the service meets the European Civil Aviation Conference/European Union (ECAC/EU) standard four for HBS systems. These standards have previously been assessed by the Director of Civil Aviation as being acceptable to New Zealand standards.
 - **Aviation Security Service Review:** A review of the Aviation Security Service's passenger security charges and third party pricing was undertaken with the recommendations of the Aviation Security Service Review approved by Cabinet on 9 December 2013. This led to a reduction in the both the domestic and international passenger security charges and the introduction of charges for Airport Identify Cards effective from 1 April 2014. This is discussed further in the feature article on the Aviation Security Service on page 12.
 - **Civil Aviation Authority Triennial Funding Review (Regulatory Function):** The Authority has produced an initial consultation document detailing points of discussion with respect to the beneficiaries of civil aviation regulatory activities. The document analyses the question of who should pay for those activities. The document was approved by the Minister of Transport in August 2014. A second phase that will consult on any changes to pricing is due to be completed with advice provided to the Minister in 2014/15.

In addition to these key advances we delivered the following work in support of our strategic priorities.



STRATEGIC PRIORITY

Continue to improve our operational systems and processes

The rapid changes occurring in civil aviation activity, the impact of environmental incidents, the technologies used and how risks and threats to security are managed mean we need to be a nimble, adaptive and resilient organisation.

Our information systems are core to our operations as a regulator and security service provider. Our current applications are not future proof and work in isolation and have a limited ability to translate safety and risk data analysis into useful information. Work is currently underway to understand the functional requirements of a new fully integrated system.

Delivered within outputs: Policy and regulatory strategy, outreach, certification and licencing, surveillance and investigation

Aim Systems and processes comply with government standards and enable efficient and effective delivery of the Authority's outcome.

Our success is represented by The implementation of the Regulatory Craft Programme and the benefits identified from the programme.

Action

Activity and Progress

Continue to improve surveillance effectiveness, by developing our organisational capability in the field and educating the industry on how we do surveillance.

- The capability requirements of our surveillance role is described in the learning management framework developed and nearing full implementation. The learning management framework has been utilised in the induction of new staff to regulatory functions. The programme of work discussed in the key advances for the Regulatory Craft Programme is instrumental in developing our organisational capability in the field through the four investment objectives identified.

Research and monitor international developments around behavioural analysis (to detect concealed threats), as a preferred security screening process rather than whole-body imaging devices.

- The Transport Security Administration was in New Zealand in January 2014 and were engaged in initial discussions around behavioural analysis. This is being considered as a contribution towards the decisions around screening points of the future. It is one part of a larger piece of work that will be considered over the next 5 years.



STRATEGIC PRIORITY

Strengthen stakeholder relationships

To become a more influential regulator and provider of aviation security services, we need to have meaningful and effective engagement with stakeholders. Engagement allows us to build and sustain confidence in the organisation's capability.

Through effective engagement, we will gain a better understanding of how users perceive the safety and security of the air transport system. This helps us to understand and assess where the issues, risks, threats and examples of best practice lie, and enables us to draw on the expertise within the industry to identify the most appropriate response.

Delivered within outputs: This activity is funded through all five of the Authority outputs.

Aim (Impact)

To be respected in our role in the aviation sector through more effective and accepted regulation, and leadership in the delivery of security services.

Our success is represented by

The Authority is proactively sought out by key stakeholders to engage on aviation safety and security issues and is able to influence outcomes.

Action

Activity and Progress

Proactively engage with ICAO and other international counterparts about technological advances and international standards.

- The Authority maintains active membership of ICAO in safety and security fields. This provides us with opportunities to consider changes in technology, standards applied in other countries, screening points of the future and, advances in the meteorological field and the use of these advances in the Civil Aviation System.

Build effective working relationships with industry organisations and support appropriate industry safety initiatives.

- The Authority has participated in multiple industry engagements in the reporting year and in the Aviation Community Advisory Group now operating under new terms of reference which provides for an expanded role in the early stages of issue assessment and policy development. The membership of this group has also been revised to be more representative across the aviation industry and is now dominated by the general aviation and recreational aviation sectors with nine permanent members and three elected. During the terms of reference renewal process, a good relationship has been forged with the civil aviation sector based on mutual respect and understanding of the processes and roles we all work within.

Work closely with airlines and airports on airport developments and configuration of airport infrastructure to maintain and improve the efficiency of security service delivery.

- The Authority has proactively worked with Auckland, Wellington and Queenstown Airports in particular, monitoring infrastructural developments that are in progress which are expected to impact on the provision of aviation security delivery and staffing requirements.

Survey the travelling public and aviation participants about the safety and security of the civil aviation system.

- The results of the last survey conducted by Colmar Brunton in June 2012, showed an improvement in the levels of confidence by travellers in the safety and security of air transport in New Zealand (refer appendix 7 for detail). Another survey will be commissioned in 2014/15.

Develop an organisation-wide stakeholder engagement strategy.

- The Authority recognises the importance of strengthening stakeholder engagement as vital to being an influential and effective regulator. In engaging with our stakeholders consideration is being given to:
 - efforts to grow the New Zealand economy;
 - advancing safety, security and environmental issues;
 - better regulation and less regulation;
 - international obligations; and
 - delivering value for money.
- The formal organisation wide stakeholder strategy is still under development but a number of key elements have been progressed. This includes our international engagement to achieve a balance of economic, safety, security and environmental priorities, which supports the growth of the New Zealand economy while ensuring safe, and secure skies.



STRATEGIC PRIORITY
Maintain and enhance business and funding models

Funding for our regulatory and security services is based on cost-recovery principles consistent with government policy. Revenue is dependent on the number of passengers and growth across the aviation sector. Variability in passenger volumes significantly affects revenue – positively or negatively – which in turn has the potential to put pressure on cash reserves.

The Authority is participating in a programme of work being led by the Ministry of Transport to consider where common services can be delivered more efficiently and cost effectively by shared services across the Transport sector. This is reflected in Maritime New Zealand's information technology infrastructure being hosted by the Authority which is of mutual benefit to both organisations.

Delivered within outputs: *This activity is funded through all five of the Authority outputs.*

Aim (Impact)

To be sustainable in the delivery of our regulatory functions and security services.

Our success is represented by

A sustainable funding base is maintained for the delivery of regulatory functions and security services.

Action

Activity and Progress

Enhance the financial information management system to further improve medium-term financial planning.

- The Aviation Security Service Review enabled additional capability to be recruited. A Financial Business analyst commenced in December, a second FTE is due to be recruited in Finance specialising in the Aviation Security Service in 2014/15.

Migrate Maritime New Zealand and the Rescue Coordination Centre to the Authority's email platform under the shared services arrangement.

- No progress to date. There is a future possibility of both entities migrating to an All of Government "Office Productivity as a Service" dependent on availability of this service.



STRATEGIC PRIORITY

Improve demonstration and reporting of performance

Demonstrating and reporting performance shows the impact of our work in regulation and in security and how we keep pace with change in our environment. This provides assurance to our stakeholders that our focus is relevant, achievable and sustainable.

Delivered within outputs: *This activity is funded through all five of the Authority outputs.*

Aim (Impact)

The Authority has the confidence of our stakeholders that our reports accurately reflect safety and security outcomes.

Our success is represented by

The Authority demonstrates clear line of sight between the delivery of its outputs and the progress towards achieving its overarching outcome.

Action

Activity and Progress

Complete a reporting and communications stock-take to identify the reach of our reporting and opportunities to align activities.

Identify and use opportunities for systems and processes that enable greater visibility of our work and its impacts.

Continue the improvement of our accountability documents.

- The 2012/13 organisational change programme supported a significant shift in the Authority's approach to regulation and security, and a new way of engaging the industry in contributing to safety and security outcomes. It also built organisational capability. The Authority is now focused on reviewing its performance measurement framework to increase our responsiveness and to ensure we are focused on the right results. Phase 1 of this programme of work has delivered a balanced scorecard of 24 measurement points which all lead to identifying the Authority's success in meeting our outcome of "Safe flight for economic benefits and social connections". In 2014/15 we will develop supporting indicators which will test our organisational and strategic framework. The results of this work will provide enhanced measures in future reporting, drive forward the Authority strategy and improve line of sight between our outcome and the work we do on the ground.
- This is an ongoing activity and is demonstrated by the amendments to the Statement of Intent and Statement of Performance Expectations required under the changes to the Crown Entities Act and the Public Finance Act.

SECTION 4

Risk, Quality and Assurance

The Authority operates an integrated Risk, Quality and Assurance programme. The programme ensures that risks are appropriately managed, a quality management system is in place and independent assurance can be provided to the Chief Executive and Board.

Risk, Quality and Assurance Framework

The Authority has established an integrated Risk, Quality and Assurance framework which targets our resources to manage risk, manage quality and directs internal assurance activities (Figure 1).

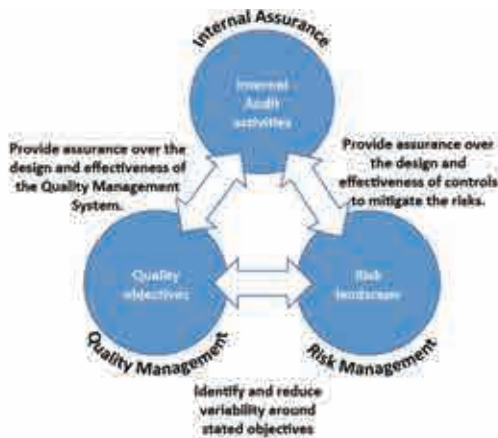


Figure 1: Authority – Integrated Quality, Assurance and Risk framework

Managing Risk

The Authority's organisation-wide risk management framework serves to coordinate the management of risk in achieving organisational objectives. The risk management programme is based on the AS/NZS ISO 31000:2009 Risk Management Standard.

The Authority's risk management framework is based on a three tiered approach that is interactive, yet maintains distinct lines of risk management responsibility.

The business has first-line responsibility for risk identification, assessment and management. The manager Quality, Assurance

and Risk has second line responsibility for the support, guidance and coordination of risk management, with Internal Assurance providing third-line responsibility for assessing the effectiveness of organisation risk management activities.

As part of the Authority's Corporate Risk management programme, regular corporate risk and management control assessments took place during the 2013/14 year. The Authority Leadership Team regularly reviews the Corporate Risk Register and discusses the broader risk landscape that the Authority operates in.

Managing Quality

The Authority is committed to the same quality approach expected of aviation participants. This requires a clear framework for the ISO 9001:2008 (ISO 9001) exposition, as it represents the Quality Management System (QMS), and includes a commitment to future review and improvement.

TELARC / Verification New Zealand conducted a three yearly re-certification audit of our ISO 9001:2008 Quality Management System. This resulted in the Authority being re-certified under ISO 9001:2008 until 2017.

Obtaining Assurance

The Authority has worked with its contracted internal assurance provider, PricewaterhouseCoopers to move from a fully outsourced internal assurance model to one of co-sourced audit provision. This has focused on transferring skills and organisational knowledge, and developing a 'one team' approach.

Internal assurance coverage for the 2013/2014 year included the following reviews:

- Privacy and information security audit (privacy framework and information privacy controls)
- Surveillance and certification field audits
- Shared information technology services with Maritime New Zealand
- Sensitive transactions
- Suspicious transaction analysis
- Fraud risk assessment
- Project management – control self-assessment

Implementation of the recommendations of the Auditor General

On 31 July 2012, the Auditor General confirmed to the Authority that nine of the thirteen recommendations directed to the Authority in its report of 2010 were completed and closed. In its third quarter 2013/14 report to the Minister of Transport, the Authority noted that it has made significant progress towards completing the remaining four recommendations. Three recommendations relate to the effectiveness and surveillance functions and one recommendation relates to safety data integrity. Work continues to complete the recommendations, with progress reported to the Minister of Transport through quarterly reporting.

SECTION 5

Managing organisational health and capability

The 2013-16 Statement of Intent targets the improvement of our organisational health and capability through the delivery of specific programmes of work. The pieces of work and the activity to 30 June 2014 towards achieving them are detailed below:

People capability

“Growing our peoples’ talents, skills and careers. Enriching ours while saving others’ lives”

Our work in the last year has focused on three main areas – leadership, technical operational skills and health and safety.

Underpinning these has been the emerging new culture of the Authority, with its common cause of ensuring everyone can safely fly New Zealand skies.

Governance and Leadership

The Authority continued to evolve its governance and leadership to give maximum effect to the delivery of its overarching outcome of safe flight for social connections and economic benefits. A new Authority Leadership Team was established in December 2013 to provide strategic leadership. This team is comprised of the Chief Executive, all General Managers across the organisation and the Chief Legal Counsel. Under this team are two distinct Executive Leadership Teams for each division of the Authority.

A key area of development focus has been on leadership and management, particularly of the middle manager cohort.

Two leadership events were held during the year, with the specific purpose of confirming the emergent culture of the Authority to all managers and through them, to all employees of the Authority.

A number of shorter management learning events were held on a regular basis throughout the year, focused on enhancing specific management (of resources and people) skills.

Quarterly leadership forums and bi-monthly management up skilling workshops will continue throughout the coming year. They will serve a dual purpose of enhancing skills and reinforcing achieving the Authority’s outcome and supporting the vocational ethic of our managers from both the regulatory and security divisions of the organisation. These events also allow managers to learn from each other’s experiences and technical competencies from technically focused safety regulation to the customer focused security service.

Individually targeted development has made use of the Leadership Development Centre and tertiary study. Internal secondments have been encouraged that allow emerging talent to work in more complex and demanding roles. Real time leadership coaching has been provided and continues on an ongoing basis for executive team members.

An engagement survey will be held in September 2014 to provide the Authority leadership Team with further insight into areas that will allow strengthening of our culture.

Technical operational skills

Safety Management System foundation and refresher training has been provided throughout the past year. Surveillance and certification workshops have been ongoing.

Building on the 2013 successful learning event, a further three day workshop was facilitated by Professor Malcolm Sparrow. This focused on regulatory management and behaviours and was attended by the majority of operational and also a number of corporate employees.

Particular attention has been paid to reviewing competencies, including introducing those related to systems thinking, self-awareness and learning agility for all recruitment including technical regulatory roles. We expect our regulatory staff to use both expertise and empathy to carry out their roles.

Our on-boarding programme for inducting new staff has been highly successful in inducting new operational regulatory staff into the new risk based regulatory environment.

To ensure we have kept sight of the public nature of our role, we have participated fully in the Compliance Common Capability Programme. The government’s Compliance Common Capability Programme supports the overall development of a professional compliance community in New Zealand.

Health and Safety

A positive safety culture means a safer, healthier and more productive workplace.

Health and Safety has been a strong focus with an investment being made in additional capability through the appointment of a permanent senior health and safety specialist, and two fixed term health and safety specialists in Auckland and Christchurch for the next two years.

A National Health and Safety Committee for Avsec was established and was strongly supported by regional health and safety committees. CAA continued its health and safety committee based in Wellington head office. Senior management is well represented on all health and safety committees. Health and safety objectives were developed to sustain the focus in the coming two years for both the security and regulatory divisions.

In June 2014, the Aviation Security Service successfully entered the ACC Workplace Safety Management Programme at secondary level with the goal of reaching tertiary level next year. The Authority's goal is also to improve its rating from primary to tertiary next year. Internal audits have indicated that this is a reasonable goal.

Reducing lost time injuries (LTI) has been management's first priority, particularly in the Aviation Security Service. We have focused especially on understanding the root causes about why employees have certain beliefs, attitudes and assumptions and as we gain an understanding, initiatives have been undertaken to address these. Examples include changing the physical work environment for security officers, establishing more alternative duties for rehabilitation back to work after injury and a thorough investigation regime into work based accidents and incidents.

As a result of these initiatives, the LTI figures are steadily decreasing and as the new health and safety specialist roles become embedded, the expectation is that LTIs will continue to decrease.

The commitment of time, resources and focused actions are beginning to show evidence of a positive safety culture emerging.

Looking to the Future

The main outcome of the 2010-2012 Change Programme was to increase capacity and capability to enable the Authority to pursue and realise the eight benefits attributed to this change programme, (refer to appendix 6 *Change Programme Benefits* for details).

While we remain committed to providing ongoing progress updates on benefits realisation associated with the Change Programme, these historic benefits have either been absorbed or superseded by benefits identified in new and emerging change programmes, such as the Regulatory Craft Programme (RCP). Consequently, future reporting will provide updates on these new programmes, which reflect and build upon the increased organisational capability and capacity that was achieved by the 2010-2012 Change Programme.

The RCP will enable the Authority to become a more effective and efficient risk-focused aviation regulator. The programmes success will see improved aviation safety and security outcomes, an increase in the public's confidence in air travel, improved productivity for the Authority and participants, and a number of other wide reaching benefits.

Good employer programme

The Authority continues to comply with the principles of being a good employer, in particular by providing good and safe working conditions, impartial recruitment and selection processes, and fair and responsible employment practices and policies for all employees.

Equal employment opportunities programme

We are committed to the principles and practice of equal opportunity, and reflect these in our good employer programmes. We will continue to foster a diverse workplace and an inclusive culture.

We advertise vacancies internally and externally to ensure we meet our equal employment opportunities obligations. Appointments are based on merit, and all staff are valued and treated equitably and with respect, whatever their gender, ethnicity, social background, sexual orientation, or disability.

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

Staff Profile

	Regulatory function		Security service	
	2013/14	2012/13	2013/14	2012/13
Total Staff Numbers				
Head count (including contractors)	225	223	794	793
Full-time equivalent (FTE)	217.27	214.4	712.36	718.33
Contract staff (total FTE)	-	3	-	2

Gender Profile

Male	148	143	460	480
Female	77	77	334	311

Management Profile (Tier 2 – Tier 5)

Male	6	5	4	5
Female	-	1	1	1
Total Tier 2 Management	6	6	5	6
Male	18	20	4	5
Female	1	1	3	3
Total Tier 3 Management	19	21	7	8
Male	12	11	10	9
Female	6	5	3	3
Total Tier 4 Management	18	16	13	12
Male	-	-	37	38
Female	-	-	13	12
Total Tier 5 Management	-	-	50	50
Total Male Management %	84 %	84%	73%	75%
Total Female Management %	16 %	16%	27%	25%
TOTAL MANAGEMENT	43	43	75	76

Length of service

Less than 1 year	18	25	20	22
1 year to less than 2 years	38	33	36	51
2 years to less than 5 years	50	38	116	94
5 years to less than 10 years	49	57	319	405
10 years to less than 15 years	39	35	229	154
15 years to less than 20 years	18	18	25	20
20 years and over	13	14	49	45
TOTAL	225	220	794	791

	Regulatory function		Security service	
	2013/14	2012/13	2013/14	2012/13
Employment status				
Members of collective agreement	65	61	650	663
Individual employment agreements	160	159	144	128
TOTAL	225	220	794	791
KiwiSaver Enrolments				
Employees contributing to KiwiSaver	192	171	635	568
Frontline or Operations/ Management Support				
Frontline operations	137	124	751	750
Managerial and support (including the Director & General Managers)	88	96	43	41
TOTAL	225	220	794	791
Staff turnover				
Annualised attrition rate	12.0%	16.0%	5.9 %	7.0%
Staff movement				
Headcount 30 June 2013*	220 (2)	200	791 (-)	827
Resignations	(26)	(23)	(38)	(40)
Retired	(4)	(2)	(9)	(4)
Recruited	36	52	51	24
Retrenched	(1)	(7)	(1)	(16)
Long Term Leave without pay	-	-	-	-
Headcount 30 June 2014	225 (-)	220	794 (7)	791
Staff ethnicity data **				
New Zealand European	54		80	
English/Scottish/Welsh	5		9	
Australian	3	not available	4	not available
Other	16		28	
Not reported	147		673	
Staff reported disability data **				
Hearing	3		5	
Agility	1	not available	0	not available
Sight	1		1	

* Headcount figures includes staff on long-term leave without pay (in brackets).

** The collection of staff ethnicity and disability data was initiated in 2013/14 on a voluntary basis. Staff will be encouraged to update their profiles to capture a greater population in 2014/15.

Capital and asset management

The table below shows comparative actual capital expenditure against budget:

	Actual 2013/14 (\$000)	Budget 2013/14 (\$000)	% of budget spent	Actual 2012/13 (\$000)	Variance Comment
Regulatory Function					
Computer hardware	205	160	128%	49	
Computer software	41	1,015	4%	340	This variance relates to the upgrade of business systems and infrastructure which has been delayed until 2014/15 pending the outcome of the Regulatory Craft Programme (refer Focus Area 3 on page 23).
Plant & equipment	10	10	100%	4	
Furniture & fittings	-	-	-	-	
Motor vehicles	60	80	75%	65	
Leasehold improvements	-	-	-	12	
TOTAL	316	1,265	25%	470	
Security Service					
Computer hardware	6	33	18%	4	
Computer software	675	120	563%	135	This variance primarily relates to the purchase of an airport identity card system to process the issuing of temporary cards.
Plant & equipment	5,323	7,164	74%	1,202	This variance relates to the replacement of X-ray equipment.
Furniture & fittings	13	-	(100%)	-	
Motor vehicles	267	558	48%	422	This variance relates to the savings made as a result of the review of the fleet of vehicles.
Leasehold improvements	239	403	59%	103	This variance relates to the savings made as a result of the consolidation of office space within Asteron Centre.
TOTAL	6,523	8,278	79%	1,866	

PART B

Statements of Service Performance and Financial Statements

Statement of responsibility

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

- The preparation of the financial statements and the statement of service 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.

In the opinion of the Authority, the financial statements and Statement of Service Performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2014.

Signed on behalf of the Board:



Nigel Gould

Chairman of the Civil Aviation Authority of New Zealand
20 October 2014



Peter Griffiths

Deputy Chairman of the Civil Aviation Authority of New Zealand
20 October 2014

Independent Auditor's Report

To the readers of the Civil Aviation Authority's financial statements and non-financial performance information for the year ended 30 June 2014

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 non-financial performance information of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 54 to 89, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Authority that comprises the statement of service performance on pages 38 to 53, the report about outcomes on pages 95 to 101 and the report about impacts on pages 106 to 107.

Opinion

In our opinion:

- the financial statements of the Authority on pages 54 to 89:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Authority's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 38 to 53, 95 to 101 and 106 to 107:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:

- its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 20 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non-financial performance information within the Authority's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the

security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Authority's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Board's responsibilities arise from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the areas of probity assurance, which are compatible with those independence requirements. Other than the audit and these assignments we have no relationship with or interests in the Authority.



K M Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

SECTION 6

Statements of Service Performance

The statement of forecast service performance sets out the outputs (goods and services) the Authority is funded to provide and the standards against which we will assess our service delivery performance. It is divided into the following five output classes:

Output Classes:

Regulatory Function

Output Class 1: Policy and Regulatory Strategy

Output Class 2: Outreach

Output Class 3: Certification & Licensing

Output Class 4: Surveillance & Investigation

Security Service

Output Class 5: Security Service Delivery



Output Class 1 Policy & Regulatory Strategy

Description

Under this output class the Authority:

- 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;
- Develops and maintains linkages internally, across government, internationally and within industry.



1.1

International Relations and International Civil Aviation Organization Obligations (ICAO)

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.

What is intended to be achieved?

This category is intended to achieve administration of New Zealand's international civil aviation obligations and interest within the delegations of the Minister of Transport.

How does this contribute to our impacts?

Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our impact of "New Zealand has a positive international reputation for air safety and security." This contributes to reducing trade and market barriers.

How do we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity				
Percentage of international engagement undertaken that meets the objectives of the Authority's International Engagement Strategy.	100%	95%	5%	100%
Timeliness				
Processing of incoming International Civil Aviation Organization State Letters within three weeks of receipt.	100%	100%	-	93%

What do our results show? All work completed in this area falls within the Statement of Intent objectives. The implementation of processes to monitor ICAO responses has improved our timeliness targets from 93% in 2012/13 to 100% in 2013/14.



1.2

Ministerial Servicing – Civil Aviation

What is intended to be achieved?

This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.

How does this contribute to our impacts?

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 four impacts described in our strategic framework.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity Percentage of reports, correspondence and Parliamentary questions acceptable to the Minister (assess by annual survey).	Survey unable to be conducted to assess this measure due to change of Minister in July	95%	n/a	100%
Timeliness Percentage of reports and responses that are delivered to agreed standards and timeframes.	100%	100%	-	97%

What do our results show? The change in Minister in July 2014 does not enable us to complete a survey assessing the quality of reports, correspondence and parliamentary questions acceptable to the Minister. The Authority did provide an assessment to the Minister with the second quarter report to December 2013 but did not receive a response. It is noted that the Authority has not received any negative feedback on submissions to the Minister through 2013/14.



1.3

Policy Advice – Civil Aviation

What is intended to be achieved?

This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.

How does this contribute to our impacts?

A “safe airspace environment” and “participants act safety and manage risks” are determined by robust analysis and decision making.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity Percentage of policy papers that meet the standards set out in the Authority’s policy development procedures (assess by annual independent audit).	100%	95%	5%	new measure

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
<p>Timeliness Authority contribution to the Civil Aviation Act review conducted by the Ministry of Transport complete.</p>	<p>The Authority has been closely involved with the Civil Aviation Act Review being conducted by the Ministry of Transport. We lead 5 workstreams in initial policy development. A discussion document is currently in process in Cabinet. All obligations of the Authority have been met to 30 June 2014.</p>	<p>Complete by 30 June 2014</p>	-	new measure
<p>Airspace and Navigation policy development supporting any regulatory change complete.</p>	<p>The National Airspace and Air Navigation Plan was developed, consulted and approved by Cabinet on 9 June 2014. The Plan was launched by the Minister on 16 June and an implementation programme is now underway under the banner New Southern Sky.</p>	<p>Complete by 30 June 2014</p>	-	new measure
<p>Remotely Piloted Aircraft (RPAs) policy development and review of authorisation process complete.</p>	<p>An interim approach to the regulation of RPAs was developed and consulted, and a regulatory impact statement and Cabinet paper was approved on 30 June 2014.</p>	<p>Stage one: Development and implementation of interim policy by 30 June 2014</p>	-	new measure
<p>Consultation on a risk management approach to regulation and policy development supporting any regulatory change complete.</p>	<p>A summary of submissions from consultation and a regulatory impact statement were completed. Cabinet approved the papers on 30 June 2014.</p>	<p>Complete by 30 June 2014</p>	-	new measure

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.



1.4

System Level Design and Intervention

What is intended to be achieved?

This category is intended to achieve an effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.

How does this contribute to our impacts?

The proactive identification of emerging issues in the aviation environment allow us to develop minimum safety and security standards for aviation participants that directly contribute to all four of the impacts defined in the Authority's strategic framework.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
<p>Quantity Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross government.</p>	<p>An environmental scan was provided to senior management on 17 October 2013 to inform the development of strategic priorities for the 2014-18 Statement of Intent. A second report is under development for inclusion in the organisations strategic review and is due in September 2014.</p>	<p>Six monthly reports provided to Authority</p>	<p>(50%)</p>	<p>new measure</p>
<p>All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.</p>	<p>100%</p> <p>48 issues received between 1 July 2013 and 30 June 2014</p> <p>10 issues assessed</p> <p>16 issue assessments underway and 22 pending assessment.</p> <p>Terms of Reference agreed to revise Aviation Community Advisory Group role to include greater involvement in front end of issue assessment process.</p> <p>Issue Assessment and action tracking system has been updated, and now includes formal step by step procedures.</p> <p>All issue assessments have been completed in accordance with these new procedures</p>	<p>100%</p>	<p>-</p>	<p>100%</p>

How did we assess our service delivery performance?	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Timeliness Clear backlog of issue assessments from 2012/13.	There are no outstanding issue assessments from 2012/13. The final 14 issues assessments have been drafted and are awaiting consideration by the issue assessment panel.	By 30 June 2014	-	new measure

What do our results show? All work completed in this area falls within the Statement of Intent objectives with the exception of the second report to the Authority on the identification of emerging issues within the aviation environment. Based on changes to the timing and process of developing the Authority strategy this report is on hold.



1.5

Rules and Standards Development

What is intended to be achieved?

This category is intended to achieve timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.

How does this contribute to our impacts?

A robust and fit for purpose regulatory structure directly contributes to the maintenance of a safe airspace environment for all where aviation participants act safely and actively manage risks.

How did we assess our service delivery performance?	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity: Number of Rules under development agreed between the Authority and the Ministry of Transport.	8	6–10	within range	9
Number of Rules completed agreed between the Authority and the Ministry of Transport.	2	3–5	(1-3) Refer to Rules programme summary at appendix 5	3
Timeliness: Percentage of Rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality requirements.		100%	-	100%

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance. Note that the Civil Aviation Authority does not measure the quality and timeliness of rules. This is undertaken through the Ministry of Transport.



1.6

Pacific Support

What is intended to be achieved?

This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.

How does this contribute to our impacts?

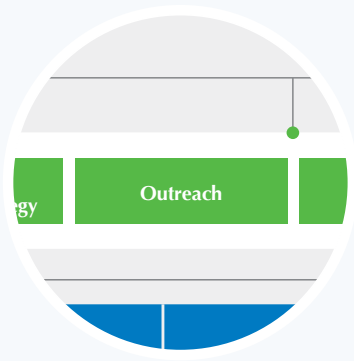
New Zealand's positive international reputation for air safety and security is demonstrated through our role as regional leader and safety promoter to the Pacific States.

How did we assess our service delivery performance?

		Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Timeliness Action plan for each State developed and delivered according to the agreed timetable.	Scoping of each State ongoing to identify areas for priority attention. Timetable will be developed upon agreement by States to action plans in 2014/15.		Delivered according to timetable	-	new measure
Quality New systems and processes established and used as a result of training.	In December 2013 States agreed to the training requirements that will deliver on improvements to Pacific aviation systems and processes. Scoping for delivery underway.		Ongoing	-	new measure
Increased industry satisfaction and willingness to engage in the Pacific.	Baseline data has been developed and survey to assess industry satisfaction drafted.		Survey developed to assess industry satisfaction	-	new measure

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.

	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Output Class Financials:				
Crown Funding (Vote Transport: Policy Advice)	1,779	1,780	(1)	1,779
Ministry Contract Revenue	1,345	1,200	145	1,200
Levies	1,209	565	644	674
Fees & Charges	48	-	48	39
Other Income	-	-	-	-
Revenue	4,381	3,545	836	3,692
Expenditure	(4,381)	(3,545)	(836)	(3,692)
NET SURPLUS/(DEFICIT)	-	-	-	-



Output Class 2 Outreach

Description

Under this output class the Authority:

- 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.



Outreach

What is intended to be achieved?

This category is intended to achieve increased understanding and knowledge of aviation safety amongst participants and the public.

How does this contribute to our impacts?

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 participants acting safely and managing risks.

How did we assess our service delivery performance?

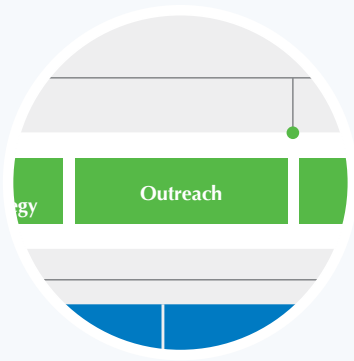
	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity Number of safety summary reports and aviation safety reports and other publications released.	4 safety summary reports and 2 aviation safety reports published	4 safety summary reports and 2 aviation safety reports are released	-	2 safety summary reports and 1 aviation safety report
	5 (3 x Vector magazines, 1 x technical log and 1 x calendar)	12-18 other publications	(7-13)	27
Number of educational units (seminars, workshops and courses) delivered.	31 Avkiwi Seminars 5 Maintenance Controller Courses 4 Aviation Safety Coordinator Courses	20-30	10	42

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
<p>Quality and Timeliness Percentage of reports and publications that are delivered to agreed standards and timelines.</p> <ul style="list-style-type: none"> Safety summary reports within 40 days of quarter end. aviation safety reports within 6 months of period end. 	17%	100%	(83%) All publications were provided but only one (aviation safety report) was provided within the targeted timelines.	50%
Percentage of educational units that are delivered to agreed standards and timelines.	100%	100%	-	100%

What do our results show? The provision of education units is targeted and well received with high attendance by stakeholders and the provision of positive feedback recorded through survey at the conclusion of seminars. Resourcing constraints have put pressure on the publication of safety reports which is reflected in the statistics above. This has been offset by the provision to industry and other Authority stakeholders with targeted intelligence reports on specific areas of concern or profile. There has been no negative feedback on the delays in reports. This may mean the currency of our current reports is no longer reaching the target audience. This is being considered for future focused reporting.

	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Output Class Financials:				
Levies	4,241	4,239	2	4,001
Fees & Charges	-	-	-	-
Other Income	114	83	31	71
Revenue	4,355	4,322	33	4,072
Expenditure	(4,342)	(4,344)	2	(4,008)
NET SURPLUS/(DEFICIT)	13	(22)	35	64



Output Class 3 Certification & Licensing

Description

Under this output class the Authority:

- 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 amendment of aviation documents, including the suspension, revocation or imposition of conditions on documents, where such action is necessary in the interests of safety and security.



Certification & Licensing

What is intended to be achieved?

What is intended to be achieved? This category is intended to achieve robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

How does this contribute to our impacts?

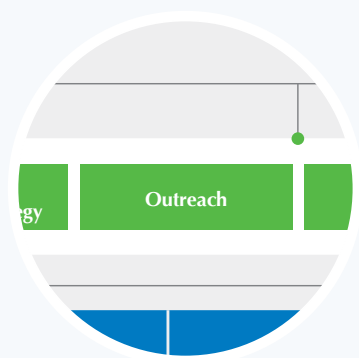
The robust assessment and certification of participants in the civil aviation system ensures safe aviation practitioners maintain a safe airspace environment.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity:				
Number of certifications carried out (Demand driven).	1,172	1,200–1,500 Organisations	(28-328)	1,180
	870	930–1,130 Aircraft	(60-260)	884
	89	35–45 Service providers	44	62
Number of licencing procedures carried out (Demand driven).	6,811	5,000–7,000	1,811	6,040
Quality and Timeliness				
Percentage of certifications and licencing procedures that follow Authority procedural requirements (assessed by sample as per the Authority’s review procedure).	98%	100%	2%	98% – Certifications 99% – licencing

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.

Output Class Financials:	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Levies	10,975	11,518	(543)	11,489
Fees & Charges	6,452	6,711	(259)	4,702
Other Income	467	357	110	287
Revenue	17,894	18,586	(692)	16,478
Expenditure	(17,840)	(18,677)	837	(16,217)
NET SURPLUS/(DEFICIT)	54	(91)	145	261



Output Class 4 Surveillance & Investigation

Description

Under this output class the Authority:

- 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 in Employment Act 1992;
- Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk;
- Takes appropriate regulatory intervention under the Civil Aviation Act 1990 to hold participants to account where necessary.



Surveillance & Investigation

What is intended to be achieved?

This category is intended to achieve continued assurance that the civil aviation system in New Zealand is safe and secure.

How does this contribute to our impacts?

People have confidence in the safety and security of the aviation system as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity				
Number of audits and inspections.	717	630-750	within range	689
Number of health and safety in employment investigations, audits and inspections.	11 closed with 9 audits remaining open at 30 June.	35-55	(15-35)	36

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Number of safety and regulatory investigations.	849 (15% critical)	650-800	49	670 investigations closed (39 critical investigations carried out)

Quality and Timeliness

Percentage of health and safety in employment investigations, audits and inspections that follow policy and procedural requirements (assessed by sample as per the Authority's review procedure).

96%	100%	(4%)	100%
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Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes (assessed by sample as per the Authority's review procedure).

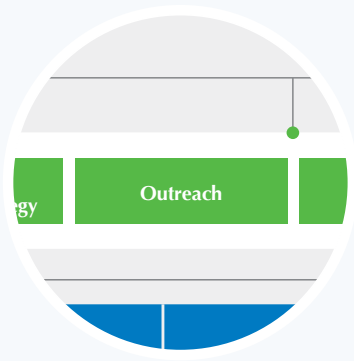
96%	100%	(4%)	new measure
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Percentage of investigations that are delivered to agreed standards and timelines (assessed by sample as per the Authority's review procedure).

100%	100%	-	new measure
------	------	---	-------------

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance with the exception of the health and safety in employment investigations, audits and inspections. The size of a number of audits impacted the number able to be completed in 2013/14.

	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Output Class Financials:				
Crown Funding (Vote Transport: health and safety in employment)	440	440	-	440
Levies	8,369	8,018	351	7,698
Fees & Charges	1,491	1,745	(254)	1,313
Other Income	277	200	77	168
Revenue	10,577	10,403	174	9,619
Expenditure	(10,571)	(10,481)	(90)	(9,488)
NET SURPLUS/(DEFICIT)	6	(78)	84	131



Output Class 5 Security Service Delivery

Description

Under this output class the Authority:

- Screens all passengers¹ and their carry-on baggage at security-designated airports²
- 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;
- Preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.



5.1

Screening Activity

What is intended to be achieved?

This category is intended to achieve keeping passengers and people on the ground safe from a security threat.

How does this contribute to our impacts?

People have confidence in the safety and security of air transport 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, ensures that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quantity				
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:				
• Metro-domestic airports	74.4%	>67.5%	6.9%	new measure
• Metro international airports	67.4%	>64.0%	3.4%	new measure
• Regional domestic airports.	63.2%	>57.5%	5.7%	new measure
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus) ³ .	8.6%	<12% rostering surplus	3.4%	new measure

1 For 2013/14 the numbers of screened passengers for which the Authority derived revenue were: International Passengers 5,017,952 (2012/13: 4,760,119) and Domestic Passengers 5,965,303 (2012/13: 6,006,189). Forecasting accuracy of passenger numbers is very pleasing as significant variances can impact on the passenger security charges reserve balances.

2 All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

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

How did we assess our service delivery performance?	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Timeliness				
Number of flight delays attributable to screening activities (due to security system failure).	5	Nil	(5)	Nil
Average passenger wait times ⁴ at international departure screening points.	3 min 25 sec	No more than 3 minutes	(25 secs)	1 min 45 sec
Average passenger wait times ⁴ domestic departure screening points.	1 min 15 sec	No more than 3 minutes	within range	1 min 30 sec
Quality				
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure) ⁵ .	0.471	Less than 3.4 items per million items screened ⁶	within range	0.54 items per million items screened
Number of verified dangerous goods discovered post screening points (due to a security system failure).	0.031	Less than 3.4 items per million items screened	within range	Less than 0.01 items per million items screened
Number of substantiated complaints against security officers involved in the screening function.	One formal complaint per 1,703,343 passengers screened	No more than one per 250,000 passengers screened	within range	One formal complaint per 830,231 passengers screened

What do our results show? The security service has performed positively against all measures. The variance in average passenger wait times at international departure screening points reflects a peak in passengers during the time the survey was undertaken. The five flight delays attributable to security system failures were the result of three separate incidents where the service re-screened or removed bags when a risk to aircraft was identified. We maintain a nil target for security impacts to the timely departure of aircraft, however, we highlight these incidents as they occur to reflect the commitment by the service to the maintenance of a secure environment for passengers.

⁴ Benchmark tested six-monthly at Auckland & Christchurch international airports; also note that airport infrastructure can directly impact wait times.

⁵ Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

⁶ "The Six Sigma benchmark is 3.4 defects per million opportunities for each product or service transaction. The British Foundation for Quality – publication website www.bqf.org.uk/performance-improvement/about-lean-six-sigma.



5.2

Audit Performance; Access Control; Maritime Security Services

What is intended to be achieved?

This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.

How does this contribute to our impacts?

High standards maintained in the delivery of security services result in a positive international reputation for air safety and security.

How did we assess our service delivery performance?

	Actual 2013/14	Target 2013/14	Variance 2013/14	Actual 2012/13
Quality				
Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	100%	100%	-	95%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by external auditors* during any programmed audit.	Nil	Nil	-	2
Access Control: Number of corrective action requests pertaining to access control issued by external auditors*.	Nil	Nil	-	Nil
Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	Nil	Nil	-	Nil

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.

*Note that external audits are carried out by the Civil Aviation Authority to gain assurance that the requirements of the Civil Aviation Rule Part 140 (*Aviation Security Service Organisations – Certification*) issued by the Director of Civil Aviation are being met.

	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Output Class Financials:				
Contracted services	3,242	2,464	778	2,535
Passenger security charges	75,138	74,853	285	53,966
Crown funding – Maritime Security Services	145	145	-	145
Other Income	985	630	355	1,433
Revenue	79,510	78,092	1,418	58,079
Expenditure	(76,571)	(77,730)	1,159	(77,614)
NET SURPLUS/(DEFICIT)	2,939	362	2,577	(19,535)

Total Output Classes

For the years ending 30 June

Cost to deliver outputs

	Actual 2013/14 \$000	Target 2013/14 \$000	Variance 2013/14 \$000	Actual 2012/13 \$000
Output Class Financials:				
Policy and regulatory strategy	(4,381)	(3,545)	(836)	(3,692)
Outreach	(4,342)	(4,344)	2	(4,008)
Certification and Licensing	(17,840)	(18,677)	837	(16,217)
Surveillance and Investigation	(10,571)	(10,481)	(90)	(9,488)
REGULATORY FUNCTION TOTAL	(37,134)	(37,047)	(87)	(33,405)
Security Service Delivery	(76,571)	(77,730)	1,159	(77,614)
SECURITY SERVICE TOTAL	(76,571)	(77,730)	1,159	(77,614)

Output Classes Financial Commentary

The Output Classes have been prepared on a gross basis, and do not include any inter-entity elimination. These eliminations include audit work conducted by the Regulatory Function for the Security Service amounting to \$19,000.

SECTION 7

Financial Statements

Statement of Comprehensive Income

For the Year Ended 30 June 2014

	Note	2014 Actual \$000	2014 Budget \$000	2013 Actual \$000
Income				
Levies revenue	2	24,794	24,340	23,862
Passenger security charges	2	75,138	74,853	53,966
Revenue from other services	2	11,234	10,905	8,590
Crown funding revenue	3	2,364	2,365	2,364
Ministry contract revenue	3	1,451	1,345	1,355
Other income	4	1,717	1,125	1,789
Total income		116,698	114,933	91,926
Expenditure				
Personnel costs	5	84,531	86,003	83,521
Depreciation and amortisation expense	12,13	5,758	5,586	6,091
Finance costs	6	385	1,552	479
Other cost of services	7	23,012	21,621	20,914
Total expenses		113,686	114,762	111,005
Net Surplus / (Deficit)		3,012	171	(19,079)
Other Comprehensive Income:				
Loss on revaluation of land and buildings		-	-	-
Total comprehensive income		3,012	171	(19,079)

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2014

	Note	2014 Actual \$000	2014 Budget \$000	2013 Actual \$000
Equity				
Opening balance of equity at 1 July				
General funds		24,031	23,585	23,575
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	2,641	2,553	22,176
Total opening balance of equity at 1 July		27,418	26,884	46,497
Comprehensive Income				
Surplus/(Deficit)		3,012	171	(19,079)
Other Comprehensive Income		-	-	-
Total comprehensive income for the year		3,012	171	(19,079)
Owner Transactions				
Capital contributions		-	-	-
Total changes in equity during the year		3,012	171	(19,079)
Closing balance of equity at 30 June				
General funds	19	20,633	23,394	24,031
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	9,051	2,915	2,641
Total closing balance of equity at 30 June		30,430	27,055	27,418

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2014

	Note	2014 Actual \$000	2014 Budget \$000	2013 Actual \$000
Assets				
Current Assets				
Cash and cash equivalents	8	3,200	675	24,644
Debtors and other receivables	9	12,702	16,151	11,578
Inventories		-	31	-
Services work in progress		40	445	-
Investments – term deposits	10,27	23,250	15,740	-
Total Current Assets		39,192	33,042	36,222
Non-Current Assets				
Property, plant and equipment	12	12,964	16,576	13,053
Intangible assets	13	1,888	2,560	1,975
Investment property	14	250	330	415
Total Non-Current Assets		15,102	19,466	15,443
Total Assets		54,294	52,508	51,665
Liabilities				
Current Liabilities				
Creditors and other payables	15	5,793	7,185	4,746
Employee entitlements	16	7,861	9,569	9,846
Provisions	17	636	233	342
Borrowings	18	2,940	400	1,116
Total Current Liabilities		17,230	17,387	16,050
Non-Current Liabilities				
Employee entitlements	16	5,608	5,455	5,185
Provisions	17	1,026	71	72
Borrowings	18	-	2,540	2,940
Total Non – Current Liabilities		6,634	8,066	8,197
Total Liabilities		23,864	25,453	24,247
Net Assets		30,430	27,055	27,418
Equity				
General funds	19	20,633	23,394	24,031
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	9,051	2,915	2,641
Total Equity		30,430	27,055	27,418

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 Actual \$000	2014 Budget \$000	2013 Actual \$000
Cash Flows from Operating Activities				
Receipts from levies		24,780	28,573	24,045
Receipts from passenger security charges and other services		85,030	97,713	58,687
Receipts from Crown funding and Ministry contracts		3,840	4,797	3,930
Interest and other sundry income received		1,354	1,714	1,293
Payments to employees		(80,382)	(82,075)	(77,849)
Payments to suppliers		(25,195)	(31,609)	(25,889)
Interest paid		(381)	(308)	(349)
Goods and Services Tax (net)		344	(13,045)	224
Net Cash Flows from Operating Activities	20	9,390	5,760	(15,908)
Cash Flows from Investing Activities				
Maturity of investments		-	4,000	25,000
Sale of property, plant and equipment		371	198	441
Placement of investments		(23,250)	-	-
Purchase of property, plant and equipment		(6,123)	(8,408)	(2,094)
Purchase of intangible assets		(716)	(1,135)	(241)
Net Cash Flows from Investing Activities		(29,718)	(5,345)	23,106
Cash Flows from Financing Activities				
Capital contributions from the Crown		-	-	-
Repayment of external borrowings		(1,116)	(1,017)	(1,990)
Net Cash Flows from Financing Activities		(1,116)	(1,017)	(1,990)
Net increase/(decrease) in cash and cash equivalents		(21,444)	(602)	5,208
Opening cash and cash equivalents at 1 July		24,644	1,277	19,436
Closing Cash and Cash Equivalents at 30 June	8	3,200	675	24,644

The GST (net) component of net cash flows from operating activities comprises the net GST paid and received. This component has been presented on a net basis as the cash flows reflect amounts collected and returned on behalf of the Inland Revenue Department.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies

Reporting entity

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

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

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

These financial statements of the Authority are for the year ended 30 June 2014. The financial statements were approved by the Authority on 20 October 2014.

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

Basis of Preparation

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 comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Measurement basis

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

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies, except for changes to the cost allocation policy relating to non-regulated charges.

New standards, amendments and interpretations issued that are not yet effective and not yet early adopted

The following standards, amendments and interpretations that are relevant to the Authority are not yet effective for the year ended 30 June 2014 and have not been applied in preparing these financial statements:

- New Zealand equivalents to International Financial Reporting Standards 9 Financial Instruments will eventually replace New Zealand equivalents to International Accounting Standards 39 Financial Instruments: Recognition and Measurement. New Zealand equivalents to International Accounting Standards 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard New Zealand equivalents to International Financial Reporting Standards 9. New Zealand equivalents to International Reporting Standards 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in New Zealand equivalents to International Accounting Standards 39. The approach in New Zealand equivalents to International Financial Reporting Standards 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of New Zealand equivalents to International Accounting Standards 39, except for when an entity elects to designate a financial liability at fair value through the Statement of Comprehensive Income. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to New Zealand equivalents to International Financial Reporting Standards 9 will be applied by public benefit entities. The Authority has not yet assessed the impact of the new standard and expects it will not be early adopted.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the External Reporting Board (XRB) has effectively frozen the financial reporting requirements for public benefit entities up until the new Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

There are no new relevant standards and interpretations issued this year and the Authority has not early adopted any new standards and interpretations.

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;
- regulated charges on domestic aerodromes;
- 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 functions is recognised in the Statement of Comprehensive Income in the period that the services have been rendered, in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

Interest

Interest income is recognised using the effective interest method.

Crown funding and Ministry contracts

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the Statement of Comprehensive Income 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 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.

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 the Aviation Security Service surplus funds are subject to a similar requirement by the Minister of Finance.

Derivative Financial Instruments and Foreign Currency Transactions

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

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

Forward exchange contract derivatives are recognised in the Statement of 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 Statement of Comprehensive Income 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 are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the transactions, and from the translation at year-end exchange rates of foreign currency monetary assets and liabilities, are recognised in the Statement of Comprehensive Income.

Other Financial Assets

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

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

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

Financial liabilities measured at amortised cost – comprising creditors and other payables, finance lease liabilities

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

Impairment of Financial Assets

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

Leases

Finance Leases

The Authority has entered into finance leases for certain security screening and office equipment. Finance leases effectively transfer to the Authority substantially all the risks and rewards of asset ownership, whether or not title is eventually transferred.

At the commencement of the lease term, the Authority recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is expensed to the Statement of Comprehensive Income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If it is not certain that the Authority will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

The Authority leases office premises and office equipment. As substantially all the risks and rewards incidental to ownership of the asset are retained by the lessor, these leases are classified as operating leases. Operating lease payments are recognised in the Statement of Comprehensive Income as an expense on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. 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 Statement of Comprehensive Income when the write-down occurs.

Investments

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

Bank deposits

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

Property, Plant and Equipment

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

Accounting for Revaluations

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The results of revaluation are recorded in the appropriate asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income. Any subsequent increase in the revaluation that offsets a previous decrease in value recognised in the Statement of Comprehensive Income, will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed and then credited to the revaluation reserve of the asset class.

Additions

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Comprehensive Income. 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 Statement of Comprehensive Income as they are incurred.

Depreciation

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

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

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

Intangible Assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software, staff training and with 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 derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

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

Impairment of Property, Plant and Equipment and Intangibles

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on depreciated replacement cost.

If an asset is impaired, its carrying amount is written down to the recoverable amount. For assets carried at historical cost, the total impairment loss and any subsequent reversals of impairment are recognised in the Statement of Comprehensive Income.

For revalued assets, any impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount carried in that reserve. Where the impairment loss would result in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income. Subsequent reversals of impairment losses are recognised firstly in the Statement of Comprehensive Income, to the extent the impairment loss was originally recognised there, and then in the associated revaluation reserve.

Investment property

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

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

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of the balance date.

Employee Entitlements

Short-Term Employee Entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

Long-Term Employee Entitlements

Entitlements that are payable beyond 12 months 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 Statement of Comprehensive Income.

Provisions

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

Provisions are measured at the present value of the 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.

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 Intent as approved by the Authority 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 Authority for the preparation of the financial statements.

Output costing

Criteria for Direct and Indirect Costs

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Indirect costs for the Aviation Safety and 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 Aviation 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 Aviation Safety and Regulatory Function and the Aviation Security Service was established from 7 November 2011. The costs arising in each shared services group (Corporate Services, Organisational Development and Strategy, and Legal Services) 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 Aviation Safety and Regulatory Function and Aviation Security Service bear an equitable share of the costs of providing shared services.

Critical Accounting Estimates, Assumptions and Judgements

Preparing financial statements to conform to New Zealand equivalents to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

In the process of applying the Authority's accounting policies, management have made the following judgements, estimates, and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

Internally developed computer software intangible assets availability of use

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

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

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

Lease classification

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

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

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

Retirement and long service leave

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

2. Revenue from Levies and Services

	Actual 2014 \$000	Actual 2013 \$000
Levies revenue		
International passenger levies	6,549	5,578
Domestic passenger levies	17,702	17,600
Other levies	543	684
Total levies revenue	24,794	23,862
Passenger security charges		
International passenger security charges	52,274	34,304
Domestic passenger security charges	22,864	19,662
Total passenger security charges	75,138	53,966
Revenue from other services		
Aviation regulatory and safety services	7,992	6,056
Other contracted aviation security services	3,242	2,534
Total revenue from other services	11,234	8,590

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 restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2013: nil).

	Actual 2014 \$000	Actual 2013 \$000
Policy advice	663	663
International relations and International Civil Aviation Organization obligations	685	685
Ministerial servicing	431	431
Health and safety in employment activities	440	440
Total multi-class output expense appropriation	2,219	2,219
Maritime security	145	145
Total revenue from the Crown	2,364	2,364

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 in employment activities

The Authority has been provided funding from the Crown for the purpose of implementing the requirements of the Health and Safety in Employment Act 1992 ('HSE') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

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

Maritime 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 2014 \$000	Actual 2013 \$000
Ministry contract revenue		
Rules development (Ministry of Transport)	1,200	1,200
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	251	155
Total Ministry contract revenue	1,451	1,355

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.

4. Other Income

	Actual 2014 \$000	Actual 2013 \$000
Interest income	879	1,037
Net gain on sale of property, plant and equipment	209	290
Net foreign exchange gains	-	9
Other Income	629	453
Total other income	1,717	1,789

During the year the Authority disposed of vehicles and screening 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 \$209,000 (2013: \$290,000).

5. Personnel Costs

	Actual 2014 \$000	Actual 2013 \$000
Salaries and wages	78,687	74,372
Employer contributions to defined contribution plans	1,924	1,443
Other personnel expenses	5,482	6,004
Increase/(decrease) in employee entitlements	(1,562)	1,702
Total personnel costs	84,531	83,521

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

6. Finance Costs

	Actual 2014 \$000	Actual 2013 \$000
Interest on Crown Loan	218	245
Interest on finance leases	17	104
Discount unwind on long-term employee entitlements	150	130
Total finance costs	385	479

7. Other Cost of Services

	Actual 2014 \$000	Actual 2013 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	107	126
• Fees to Audit New Zealand for other services	10	11
Audit related fees for assurance and related services	3	18
Operating lease expenses	6,835	5,638
Building operating expenses	1,066	923
Information technology expenses	1,732	2,294
Staff travel	2,851	2,923
Insurance	1,026	1,046
Impairment of receivables	34	74
Safety information services	2,430	2,050
Consultancy	2,674	2,124
Consumables and maintenance	1,618	2,287
Net foreign exchange losses	42	1
Net loss on disposal of property, plant and equipment & intangibles	1,095	-
Revaluation of investment property	165	-
Other expenses	1,324	1,399
Total other cost of services	23,012	20,914

Fees to Audit New Zealand for other services were for an assurance review over the Authority's process to select a replacement Aviation Safety Management System.

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 2014 \$000	Actual 2013 \$000
Cash on hand and at bank	3,200	5,364
Cash equivalents – short-term deposits	-	19,280
Total cash and cash equivalents	3,200	24,644

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

The weighted average effective interest rate for the short-term deposits held is 2.9% (2013: 3.3%).

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 2014 \$000	Actual 2013 \$000
Debtors	12,011	11,052
Other receivables	795	607
Less: provision for impairment	(104)	(81)
Total debtors and other receivables	12,702	11,578

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 2014 and 2013, 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:

	2014			2013		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	12,166	-	12,166	10,228	-	10,228
Past due 1-30 days	431	-	431	746	-	746
Past due 31-60 days	45	-	45	139	-	139
Past due 61-90 days	17	-	17	194	-	194
Past due over 90 days	147	(104)	43	352	(81)	271
Total	12,806	(104)	12,702	11,659	(81)	11,578

All receivables amounts that are neither past due nor impaired are considered fully collectible.

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

	Actual 2014 \$000	Actual 2013 \$000
Balance at 1 July	(81)	(15)
Additional provisions made during the year	(62)	(74)
Receivables written-off during the period	12	8
Provisions reversed during the year	27	-
Balance at 30 June	(104)	(81)

10. Investments

	Actual 2014 \$000	Actual 2013 \$000
Current investments are represented by:		
Term deposits	23,250	-
	23,250	-

Maturity analysis and effective interest rates of term deposits

Term deposits with maturities of less than 12 months	23,250	-
Effective interest rate	4.2%	0.0%
	23,250	-

11. Derivative Financial Instruments

The Authority has taken a forward exchange contract for USD 400,000 (2013: USD 500,000) to settle liability insurance cover premiums for the 2014/15 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	Leased HBS screening equipment	Total
	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance at 1 July 2012	36	8,992	2,156	12,011	611	3,502	2,526	6,207	36,041
Additions/(Transfers)	23	101	-	1,257	7	487	220	-	2,095
Revaluation increase	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,171)	-	(1,000)	-	(976)	(3,147)
Balance at 30 June 2013	59	9,093	2,156	12,097	618	2,989	2,746	5,231	34,989
Balance at 1 July 2013	59	9,093	2,156	12,097	618	2,989	2,746	5,231	34,989
Additions/(Transfers)	(54)	239	13	5,286	64	330	245	-	6,123
Disposals	-	(1,719)	(1,447)	(606)	(24)	(639)	(219)	(5,231)	(9,885)
Balance at 30 June 2014	5	7,613	722	16,777	658	2,680	2,772	-	31,227
Accumulated depreciation and impairment losses									
Balance at 1 July 2012	-	(2,471)	(672)	(8,310)	(502)	(1,967)	(1,685)	(4,090)	(19,697)
Depreciation expense	-	(724)	(213)	(1,520)	(38)	(720)	(542)	(1,490)	(5,247)
Eliminate on disposal	-	2	3	1,170	-	858	(1)	976	3,008
Balance at 30 June 2013	-	(3,193)	(882)	(8,660)	(540)	(1,829)	(2,228)	(4,604)	(21,936)
Balance at 1 July 2013	-	(3,193)	(882)	(8,660)	(540)	(1,829)	(2,228)	(4,604)	(21,936)
Depreciation expense	-	(705)	(1,056)	(1,636)	(44)	(509)	(378)	(627)	(4,955)
Eliminate on disposal	-	550	1,434	607	25	564	217	5,231	8,628
Balance at 30 June 2014	-	(3,348)	(504)	(9,689)	(559)	(1,774)	(2,389)	-	(18,263)
Carrying amounts									
At 1 July 2012	36	6,521	1,484	3,701	109	1,535	841	2,117	16,344
At 30 June 2013	59	5,900	1,274	3,437	78	1,160	518	627	13,053
At 30 June 2014	5	4,265	218	7,088	99	906	383	-	12,964

The total amount of property, plant and equipment in the course of construction is \$5,000 (2013: \$59,000).

The net carrying amount of property, plant and equipment held under finance leases is nil (2013: \$627,000). Other than items of property, plant and equipment that were subject to finance leases, there are no title restrictions for any of the Authority's property, plant and equipment assets, nor are any items of property, plant and equipment pledged as security for liabilities or contingent liabilities.

13. Intangible Assets

Movements for each class of intangible asset are as follows:

	Acquired software \$000	Assets under construction \$000	Internally developed software \$000	Software under development \$000	Total \$000
Cost					
Balance at 1 July 2012	3,132	597	1,988	-	5,717
Additions	162	9	69	-	240
Transfer to available for use	597	(597)	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2013	3,891	9	2,057	-	5,957
Balance at 1 July 2013	3,891	9	2,057	-	5,957
Additions	689	-	24	3	716
Transfer to available for use	9	(9)	-	-	-
Disposals	(12)	-	-	-	(12)
Balance at 30 June 2014	4,577	-	2,081	3	6,661
Accumulated amortisation and impairment losses					
Balance at 1 July 2012	(1,497)	-	(1,641)	-	(3,138)
Amortisation expense	(728)	-	(116)	-	(844)
Disposals	-	-	-	-	-
Balance at 30 June 2013	(2,225)	-	(1,757)	-	(3,982)
Balance at 1 July 2013	(2,225)	-	(1,757)	-	(3,982)
Amortisation expense	(681)	-	(122)	-	(803)
Disposals	12	-	-	-	12
Balance at 30 June 2014	(2,894)	-	(1,879)	-	(4,773)
Carrying amounts					
At 1 July 2012	1,635	597	347	-	2,579
At 30 June 2013	1,666	9	300	-	1,975
At 30 June 2014	1,683	-	202	3	1,888

The total amount of intangibles in the course of construction is \$3,000 (2013: \$9,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Income. 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 2014 \$000	Actual 2013 \$000
Balance at 1 July	415	330
Fair value gains/(losses) on valuation	(165)	85
Balance at 30 June	250	415

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

The building was revalued at 30 June 2014 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$250,000 (2013: \$415,000). Buildings are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

15. Creditors and other Payables

	Actual 2014 \$000	Actual 2013 \$000
Creditors	2,559	3,218
Other payables	3,234	1,528
Total creditors and other payables	5,793	4,746

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 2014 \$000	Actual 2013 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	479	2,737
Annual leave	6,658	6,513
Current portion of long-term employee entitlements		
Sick leave	151	148
Retiring and long service leave	573	448
Total current portion	7,861	9,846
Non-current employee entitlements are represented by:		
Long-term employee entitlements		
Retiring and long service leave	5,254	4,823
Sick leave	354	362
Total non-current portion	5,608	5,185
Total employee entitlements	13,469	15,031

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 2014 ranging from 3.70% pa to 5.50% pa (2013: ranged from 2.71% pa to 5.50% pa) and a salary inflation factor range between 1.25% and 4.5% pa for the year ended 30 June 2014, with a long term salary inflation rate of 3.5% (2013: 2.0% pa and 3.5% respectively) were used.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$475,000 lower/\$553,000 higher respectively (2013: \$450,000 lower/\$529,000 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 \$501,000 higher/\$434,000 lower respectively (2013: \$475,000 higher/\$409,000 lower respectively).

17. Provisions

	Actual 2014 \$000	Actual 2013 \$000
Current provisions are represented by:		
Onerous contracts	144	-
Restructuring	492	109
Screening equipment decommissioning	-	233
Total current portion	636	342
Non-current provisions are represented by:		
Onerous contracts	852	-
Lease make-good	174	72
Total non-current portion	1,026	72
Total provisions	1,662	414

Movements for each class of provision are as follows:

	Onerous contracts \$000	Screening equipment decommissioning \$000	Restructuring \$000	Lease make-good \$000	Total \$000
2014					
Balance at 1 July 2013	-	233	109	72	414
Additional provisions made/ (reversed)	996	(233)	383	102	1,248
Balance at 30 June 2014	996	-	492	174	1,662
2013					
Balance at 1 July 2012	-	233	83	71	387
Additional provisions made/ (reversed)	-	-	26	1	27
Balance at 30 June 2013	-	233	109	72	414

Onerous contracts

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority's National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental income 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 5.5% was used to calculate the present value of the cost of the onerous lease.

Screening equipment decommissioning

The Authority had recognised a provision for the cost of decommissioning the Hold Baggage Screening (HBS) equipment at the end of its estimated useful life.

Restructuring provision

The Authority approved a detailed and formal restructuring plan, which was announced in February 2012 with further restructuring announced in April 2014. The provision represents the estimated cost for redundancy payments arising but not yet paid.

Leasehold exit obligation

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 21.

18. Borrowings

	Actual 2014 \$000	Actual 2013 \$000
Current borrowings are represented by:		
Finance leases	-	716
Advances from the Crown	2,940	400
Total current portion	2,940	1,116
Non-current borrowings are represented by:		
Advances from the Crown	-	2,940
Total non-current portion	-	2,940
Total borrowings	2,940	4,056

Analysis of finance leases

Minimum lease payments payable:

Not later than one year	-	732
Total minimum lease payments	-	732
Future finance charges	-	(16)
Present value of minimum lease payments	-	716

Present value of minimum lease payments payable:

Not later than one year	-	716
Total present value of minimum lease payments	-	716

Fair value

Due to the interest rate on the unsecured loan being set at a market related level, the carrying amounts of unsecured loans approximates their fair value.

The fair value of finance leases is nil (2013: \$716,000). Fair value had been determined using contractual cash flows discounted using a rate of 3.5%.

Description of advances from the Crown

On 30 August 2010 the Crown agreed to provide an unsecured loan to the Authority (\$4,340,000) for the purposes of funding the hard fitout of new premises at 55 Featherston St, Wellington. The loan is for a period of five years to 30 June 2015. The loan was issued at a fixed rate of 6.84%.

Description of leasing arrangements

The Authority had entered into finance leases for Hold Baggage Screening (HBS) equipment and for various items of office equipment. The lease for the HBS equipment has expired and the Authority purchased replacement equipment in December 2013.

Leased HBS equipment is disclosed as a separate class of property, plant and equipment in Note 12.

19. Equity

	Actual 2014 \$000	Actual 2013 \$000
General funds		
Opening balance at 1 July	24,031	23,575
Transfer from Statement of Comprehensive Income	3,012	(19,079)
Transfer from passenger security charges reserve	(6,410)	19,535
Capital contributions	-	-
Closing balance at 30 June	20,633	24,031
Reserves		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Closing balance at 30 June	746	746
Passenger security reserves		
Opening balances at 1 July		
Passenger security charges reserve – Domestic	3,903	5,682
Passenger security charges reserve – International	(100)	17,442
Passenger security charges reserve – Other fees and charges	(1,162)	(948)
	2,641	22,176
Transfer from General Funds to:		
Passenger security charges reserve – Domestic	611	-
Passenger security charges reserve – International	1,441	-
Passenger security charges reserve – Other fees and charges	1,419	-
Total transfers from General Funds	3,471	-
Transfer to General Funds from:		
Passenger security charges reserve – Domestic	1,626	(1,779)
Passenger security charges reserve – International	1,570	(17,542)
Passenger security charges reserve – Other fees and charges	(257)	(214)
Total transfers to General Funds	2,939	(19,535)
Closing balances at 30 June		
Passenger security charges reserve – Domestic	6,140	3,903
Passenger security charges reserve – International	2,911	(100)
Passenger security charges reserve – Other fees and charges	-	(1,162)
Total passenger security reserves	9,051	2,641

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.

20. Reconciliation of Net Surplus / (Deficit) to Net Cash from Operating Activities

	Actual 2014 \$000	Actual 2013 \$000
Net surplus/(deficit)	3,012	(19,079)
Add/(less) non-cash items:		
Depreciation and amortisation expense	5,758	6,091
Impairment of receivables	23	66
Net foreign exchange gains	35	(8)
Discount unwind on employee entitlements	150	130
Fair value gains on investment property	165	(85)
Total non-cash items	6,131	6,194
Add/(less) items classified as investing or financing activities:		
(Gains) / losses on disposal of property, plant & equipment and intangibles	886	(290)
Total items classified as investing or financing activities	886	(290)
Add/(less) movements in working capital items:		
Debtors & other receivables (increase)/decrease	(1,182)	(3,464)
Inventories decrease	-	31
Services work in progress (increase)/decrease	(40)	445
Creditors & other payables increase/(decrease)	1,047	898
Employee entitlements increase/(decrease)	(1,712)	(670)
Provisions increase	1,248	27
Net movements in working capital items	(639)	(2,733)
Net cash from operating activities	9,390	(15,908)

21. Capital and Operating Commitments

	Actual 2014 \$000	Actual 2013 \$000
Capital commitments		
Property, plant and equipment	1,982	6,215
Total capital commitments	1,982	6,215

The Authority has entered into an agreement for the acquisition of airport screening and related equipment, with the previously leased equipment being replaced in December 2013 and equipment upgrades scheduled over the next four years.

	Actual 2014 \$000	Actual 2013 \$000
Non-cancellable operating leases		
Not later than one year	5,445	5,379
Later than one year and not later than five years	18,892	18,097
Later than five years	7,529	12,805
Total non-cancellable operating leases	31,866	36,281

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

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

	Actual 2014 \$000	Actual 2013 \$000
Other non-cancellable operating commitments		
Not later than one year	3,149	1,292
Later than one year and not later than five years	13,963	3,961
Later than five years	13,067	5,299
Total non-cancellable operating commitments	30,179	10,552

The Authority has entered into several contracts that have non-cancellable terms. The most significant of these are the contracts for the maintenance of the airport hold baggage screening equipment, and the provision of Aeronautical Information Services.

22. Contingencies

Contingent liabilities

Legal actions

There are no legal actions pending that have been taken or are being responded to by the Authority that involve aviation participants or external parties (2013: nil) or staff members (2013: nil). The Authority has relied on advice from legal counsel in forming the view that contingent liabilities with an estimated value of \$nil (2013: \$nil) exist in relation to these proceedings.

Contingent assets

The Authority has no contingent assets (2013: \$nil).

23. Related Party Transactions and Key Management Personnel

Related party transactions

All related party transactions have been entered into on an arm's length basis.

The Authority is a wholly owned entity of the Crown. The government significantly influences the functions the Authority undertakes and also provides Crown funding to support the execution of those functions.

The Regulatory Function has been provided with funding from the Crown of \$2,219,000 (2013: \$2,219,000) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The Security Service also received \$145,000 (2013: \$145,000) funding for maritime security preparedness, specifically focused on the port of Auckland during the financial year.

During the year, the Authority exercised its statutory obligations and levied Air New Zealand for domestic and international passenger movements. It also conducted safety and regulatory audits on Air New Zealand. These transactions accounted for revenue of \$57,924,000 (2013: \$46,988,000).

The Authority enters into transactions with government departments, state-owned enterprises and other Crown entities that are related parties of the Authority solely by virtue of their common Crown ownership. The Authority is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC Levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Authority is exempt from paying income tax.

The Authority purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$2,850,000 (2013: \$3,898,000). These purchases included the purchase of services mainly from Airways Corporation, Air New Zealand and New Zealand Post.

The Authority also sold goods and services to entities controlled, significantly influenced, or jointly controlled by the Crown. Sales to these government-related entities for the year ended 30 June 2014 totalled \$1,120,000 (2013: \$915,000). These sales included the sale of goods or services mainly to Airways Corporation, Maritime New Zealand, New Zealand Post and the Ministry of Foreign Affairs.

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

The following transactions were carried out with related parties other than those described above:

All related party transactions have been entered into on an arm's length basis. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Ref	Transaction value year ended 30 June		Balance outstanding year ended 30 June	
		2014	2013	2014	2013
		\$	\$	\$	\$
Transactions					
Income					
P Griffiths – Authority member	(i)	-	674	-	-
Expense					
Queenstown Airport Corporation Limited	(ii)	179,942	82,193	1,418	976
Scoff Catering Limited	(iii)	1,255	-	-	-

(i) Renewal of commercial pilot's licence by the son of the Authority member.

(ii) G Lilly (Authority Member) is a director of Queenstown Airport Corporation Limited, which leases airport space to the Security Service.

(iii) P Pilley (key management personnel) purchased function supplies on behalf of the Security Service from a wholesaler, Scott Catering Limited, which is operated by his son.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2013: \$nil).

	Actual 2014 \$000	Actual 2013 \$000
Key management personnel compensation		
Salaries and other short-term employee benefits	3,528	3,319
Post-employment benefits	93	107
Other long-term benefits	13	-
Termination benefits	87	369
Total key management personnel compensation	3,721	3,795

Key management personnel include Authority Members, the Director of Civil Aviation and his eleven member Regulatory Function executive team, and the General Manager Aviation Security Service and his five member executive management team.

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

24. Authority Members Remuneration

	Actual 2014 \$000	Actual 2013 \$000
The total value of remuneration paid or payable to each Authority member during the year was:		
J Bartlett (appointed June 2010)	23	23
J Boulton (appointed November 2013)	16	-
N Gould (Chairman – appointed April 2011)	49	49
P Griffiths (appointed June 2010)	27	27
G Lilly (appointed September 2011)	23	23
A Mazzoleni (resigned December 2012)	-	11
Total Authority member remuneration	138	133

There have been no payments made to committee members appointed by the Authority who were not Authority 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 Authority members and employees.

25. Employee Remuneration

	Actual 2014 \$000	Actual 2013 \$000
Total remuneration paid or payable		
\$100,000 – \$109,999	44	42
\$110,000 – \$119,999	26	17
\$120,000 – \$129,999	19	13
\$130,000 – \$139,999	6	10
\$140,000 – \$149,999	10	11
\$150,000 – \$159,999	11	12
\$160,000 – \$169,999	8	3
\$170,000 – \$179,999	2	2
\$180,000 – \$189,999	4	3
\$190,000 – \$199,999	1	1
\$200,000 – \$209,999	2	2
\$210,000 – \$219,999	2	1
\$220,000 – \$229,999	2	4
\$230,000 – \$239,999	-	1
\$240,000 – \$249,999	1	-
\$250,000 – \$259,999	-	-
\$260,000 – \$269,999	-	-
\$270,000 – \$279,999	-	1
\$280,000 – \$289,999	1	-
\$290,000 – \$299,999	-	-
\$300,000 – \$309,999	-	-
\$310,000 – \$319,999	-	1
\$320,000 – \$329,999	-	1
\$330,000 – \$339,999	-	-
\$340,000 – \$349,999	-	-
\$350,000 – \$359,999	-	-
\$360,000 – \$369,999	-	-
\$370,000 – \$379,999	1	-
\$380,000 – \$389,999	-	-
\$390,000 – \$399,999	-	-
\$480,000 – \$489,999	-	1
Total number of employees	140	126

During the year ended 30 June 2014, 6 (2013: 27) employees and no Authority Members (2013: nil) received compensation and other benefits in relation to cessation totalling \$251,000 (2013: \$1,280,000). No Authority Members received compensation or other benefits in relation to cessation (2013: nil).

26. Events After the Balance Sheet Date

There were no significant events after the balance sheet date.

27. Categories of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2014 \$000	Actual 2013 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	3,200	24,644
Debtors and other receivables	12,702	11,578
Investments – term deposits	23,250	-
Total loans and receivables	39,152	36,222

	Actual 2014 \$000	Actual 2013 \$000
Financial liabilities		
Financial liabilities measured at amortised cost		
Creditors and other payables	5,793	4,746
Finance lease liabilities	-	716
Advances from the Crown	2,940	3,340
Total financial liabilities measured at amortised cost	8,733	8,802

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.

28. 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.

	2014 \$000	2014 concentration %	2013 \$000	2013 concentration %
Concentrations of credit risk				
Loans & receivables				
New Zealand registered banks	26,447	67.6%	24,641	68.0%
New Zealand airports	172	0.4%	10	-
Domestic and International passenger airlines	9,612	24.6%	8,941	24.7%
Other	2,918	7.4%	2,627	7.3%
Total concentrations of credit risk	39,149	100.0%	36,219	100.0%

Surplus funds are invested with registered banks and organisations with a minimum AA- 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
2014					
Creditors and other payables (Note 15)	5,793	5,793	5,793	-	-
Borrowings (Note 18)	2,940	3,131	299	2,832	-
Total contractual undiscounted cash flows	8,733	8,924	6,092	2,832	-
2013					
Creditors and other payables (Note 15)	4,746	4,746	4,746	-	-
Borrowings (Note 18)	4,056	4,581	1,125	404	3,052
Total contractual undiscounted cash flows	8,802	9,327	5,871	404	3,052

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$264,000 (2013: \$246,000).

29. 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.

30. 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
2014						
Revenue	52,277	22,864	3,995	79,136	77,606	56,754
Expenditure	(50,707)	(21,238)	(4,252)	(76,197)	(77,244)	(76,289)
Net surplus/(deficit)	1,570	1,626	(257)	2,939	362	(19,535)
Opening balance at 1 July 2013	(100)	3,903	(1,162)	2,641	2,553	22,176
Transfer (to)/from General Funds	1,441	611	1,,419	3,471	-	-
Closing balance at 30 June 2014	2,911	6,140	-	9,051	2,915	2,641
2013						
Revenue	34,304	19,670	2,780	56,754	54,990	54,512
Expenditure	(51,846)	(21,449)	(2,994)	(76,289)	(74,609)	(75,480)
Net surplus/(deficit)	(17,542)	(1,779)	(214)	(19,535)	(19,619)	(20,968)
Opening balance at 1 July 2012	17,442	5,682	(948)	22,176	22,316	43,144
Transfer (to)/from General Funds	-	-	-	-	-	-
Closing balance at 30 June 2013	(100)	3,903	(1,162)	2,641	2,697	22,176

31. Regulatory Function Specific Reserves

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

	Fixed Fees	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (including Levies)	Actual	Budget	Actual Prior Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014							
Revenue	2,997	4,994	3,564	25,651	37,206	36,857	33,861
Expenditure	(3,839)	(10,301)	(4,517)	(18,477)	(37,134)	(37,048)	(33,404)
Net surplus / (deficit)	(842)	(5,307)	(953)	7,174	72	(191)	457
Opening balance at 1 July 2013	-	-	-	10,132	10,132	9,685	9,675
Transfer to/(from) General Reserves	842	5,307	953	(7,102)	-	-	-
Closing balance at 30 June 2014	-	-	-	10,204	10,204	9,494	10,132

	Fixed Fees	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (Including Levies)	Actual	Budget	Actual Prior Year
2013	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	2,046	4,008	3,419	24,388	33,861	34,616	-
Expenditure	(3,571)	(9,744)	(4,064)	(16,025)	(33,404)	(37,166)	-
Net surplus / (deficit)	(1,525)	(5,736)	(645)	8,363	457	(2,550)	-
Opening balance at 1 July 2012	-	-	-	9,675	9,675	9,706	-
Transfer to/(from) General Reserves	1,525	5,736	645	(7,906)	-	-	-
Closing balance at 30 June 2013	-	-	-	10,132	10,132	7,156	-

32. Explanation of Major Variances Against Budget

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

Statement of Comprehensive Income

Income

Income for the year ended 30 June 2014 of \$116.7 million was higher than the budget of \$114.9 million by \$1.8 million (2%). The significant variances are as follows:

Levies revenue

Aviation regulatory and safety services levy revenue from departing domestic and international passengers of \$24.8 million was higher than budget of \$24.3 million by \$0.5 million (2%). As a reflection of competitive market conditions, domestic passenger and international passenger volumes were slightly stronger than budget expectations.

Revenue from passenger security charges

Revenue from passenger security charges of \$75.1 million was higher than the budget of \$74.8 million by \$0.3 million (0.4%). The international passenger security charge was higher than budget by \$1.8 million due to increased passenger numbers, while domestic passenger security charges was lower than budget by \$1.5 million, due to decreased domestic passenger volumes and a reduction in the charge from 1 April 2014.

Revenue from other services

Revenue from other services of \$11.2 million was higher than the budget of \$10.9 million by \$0.3 million (3%).

Revenue from third party security work was higher than budget, in addition to receiving income relating to gatehouse security services and temporary airport identity cards, which were not budgeted for. This was offset by revenue from the Regulatory Function being lower than budget, due to lower level of chargeable activities than originally planned.

Expenditure

Expenditure for the year ended 30 June 2014 of \$113.7 million was lower than the budget of \$114.8 million by \$1.1 million (1.0%). The significant variances are as follows:

Personnel costs

Personnel costs of \$84.5 million were lower than the budget of \$86.0 million by \$1.5 million (1.7%). Personnel costs were largely consistent with budget expectations in the Regulatory Function. Personnel costs were lower than expectations in the Security Service (\$1.5 million) due to lower staffing levels.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$5.8 million was higher than the budget of \$5.6 million by \$0.2 million (3.6%).

Other cost of services

Other cost of services of \$23.0 million was higher than the budget of \$21.6 million by \$1.4 million (6.5%). This was from lower costs in the Regulatory Function of \$0.4 million and higher costs in the security service of \$1.8 million.

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 Income

For the Year Ended 30 June 2014

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 2013 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000
	Income								
23,862	Levies revenue	24,794	24,340	-	-	-	-	24,794	24,340
53,966	Passenger security charges	-	-	75,138	74,853	-	-	75,138	74,853
8,590	Revenue from other services	8,011	8,456	3,242	2,464	(19)	(15)	11,234	10,905
2,364	Crown funding revenue	2,219	2,220	145	145	-	-	2,364	2,365
1,355	Ministry contract revenue	1,345	1,200	106	145	-	-	1,451	1,345
1,789	Other income	838	640	879	485	-	-	1,717	1,125
91,926	Total income	37,207	36,856	79,510	78,092	(19)	(15)	116,698	114,933
	Expenditure								
83,521	Personnel costs	26,680	26,692	57,851	59,311	-	-	84,531	86,003
6,091	Depreciation and amortisation expense	1,703	1,213	4,055	4,373	-	-	5,758	5,586
479	Finance costs	242	252	143	1,300	-	-	385	1,552
20,914	Other cost of services	8,509	8,890	14,522	12,746	(19)	(15)	23,012	21,621
111,005	Total expenditure	37,134	37,047	76,571	77,730	(19)	(15)	113,686	114,762
(19,079)	Net Surplus / (Deficit)	73	(191)	2,939	362	-	-	3,012	171
	Other comprehensive income:								
-	Gain on revaluation of land and buildings	-	-	-	-	-	-	-	-
(19,079)	Total comprehensive income	73	(191)	2,939	362	-	-	3,012	171

Statement of Changes in Equity

For the Year Ended 30 June 2014

Group 2013 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000
	Equity								
	Opening balance of equity at 1 July								
23,575	General funds	10,131	9,685	13,900	13,900	-	-	24,031	23,585
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
22,176	Passenger security charges and other fees and charges reserves	-	-	2,641	2,553	-	-	2,641	2,553
46,497	Total opening balance of equity at 1 July	10,131	9,685	17,287	17,199	-	-	27,418	26,884
(19,079)	Net surplus / (deficit) for the year	73	(191)	2,939	362	-	-	3,012	171
(19,535)	Transfer to / (from) passenger security charges reserves	-	-	6,410	362	-	-	6,410	362
19,535	Transfer to / (from) general funds	-	-	(6,410)	(362)	-	-	(6,410)	(362)
(19,079)	Total changes in equity during the year	73	(191)	2,939	362	-	-	3,012	171
	Closing balance of equity at 30 June								
24,031	General funds	10,204	9,494	10,429	13,900	-	-	20,633	23,394
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
2,641	Passenger security charges and other fees and charges reserves	-	-	9,051	2,915	-	-	9,051	2,915
27,418	Total closing balance of equity at 30 June	10,204	9,494	20,226	17,561	-	-	30,430	27,055
	General funds is represented by								
16,097	Tax payer funds	988	-	10,429	-	-	-	11,417	-
7,934	Other funding	9,216	-	-	-	-	-	9,216	-
24,031	Total general funds	10,204	-	10,429	-	-	-	20,633	-

Statement of Financial Position

As at 30 June 2014

Group 2013 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000
	Current Assets								
24,644	Cash and cash equivalents	1,602	320	1,598	355	-	-	3,200	675
11,578	Debtors and other receivables	4,763	5,755	8,739	10,396	(800)	-	12,702	16,151
-	Inventories	-	-	-	31	-	-	-	31
-	Services Work in Progress	40	445	-	-	-	-	40	445
-	Investments – term deposits	8,250	5,015	15,000	10,725	-	-	23,250	15,740
36,222	Total Current Assets	14,655	11,535	25,337	21,507	(800)	-	39,192	33,042
	Non-Current Assets								
13,053	Property, plant and equipment	3,448	4,170	9,516	12,406	-	-	12,964	16,576
1,975	Intangible assets	608	1,450	1,280	1,110	-	-	1,888	2,560
415	Investment property	-	-	250	330	-	-	250	330
15,443	Total Non-Current Assets	4,056	5,620	11,046	13,846	-	-	15,102	19,466
51,665	Total Assets	18,711	17,155	36,383	35,353	(800)	-	54,294	52,508
	Current Liabilities								
4,746	Creditors and other payables	2,920	2,220	3,673	4,965	(800)	-	5,793	7,185
9,846	Employee entitlements	2,213	2,047	5,648	7,522	-	-	7,861	9,569
342	Provisions	-	-	636	233	-	-	636	233
1,116	Borrowings	2,940	400	-	-	-	-	2,940	400
16,050	Total Current Liabilities	8,073	4,667	9,957	12,720	(800)	-	17,230	17,387
	Non-Current Liabilities								
5,185	Employee entitlements	360	383	5,248	5,072	-	-	5,608	5,455
72	Provisions	74	71	952	-	-	-	1,026	71
2,940	Borrowings	-	2,540	-	-	-	-	-	2,540
8,197	Total Non-Current Liabilities	434	2,994	6,200	5,072	-	-	6,634	8,066
24,247	Total Liabilities	8,507	7,661	16,157	17,792	(800)	-	23,864	25,453
27,418	Net Assets	10,204	9,494	20,226	17,561	-	-	30,430	27,055
	Equity								
24,031	General funds	10,204	9,494	10,429	13,900	-	-	20,633	23,394
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
2,641	Passenger security charges and other fees and charges reserves	-	-	9,051	2,915	-	-	9,051	2,915
27,418	Total Equity	10,204	9,494	20,226	17,561	-	-	30,430	27,055

Statement of Cash Flows

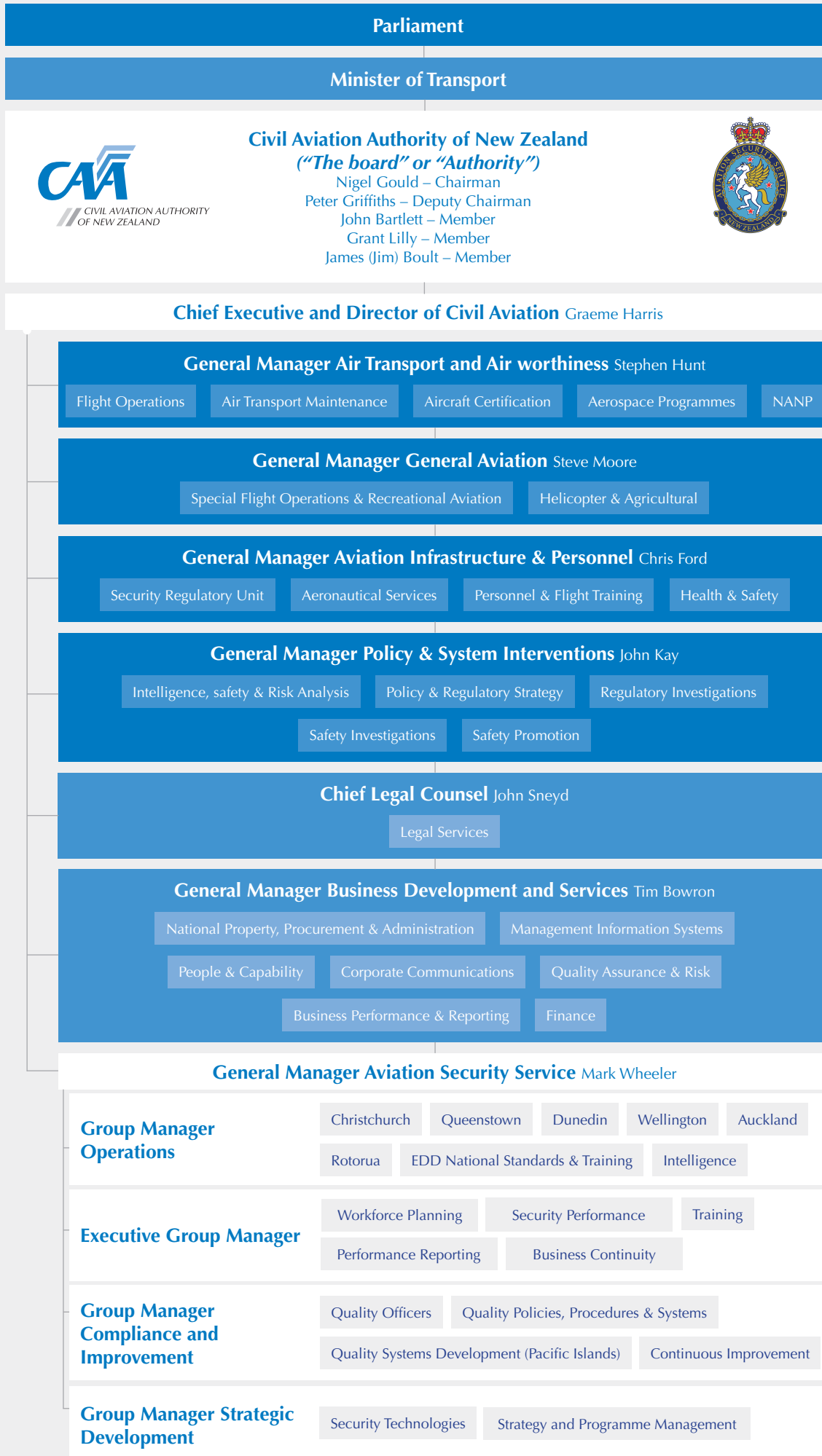
For the Year Ended 30 June 2014

Group 2013 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000	2014 Actual \$000	2014 Budget \$000
	Cash Flows from Operating Activities								
24,045	Receipts from levies	24,755	28,573	-	-	25	-	24,780	28,573
58,687	Receipts from Passenger security charges and other services	7,283	9,906	77,766	87,807	(19)	-	85,030	97,713
3,930	Receipts from Crown funding and Ministry contracts	3,564	4,464	276	333	-	-	3,840	4,797
1,293	Interest and other sundry income received	699	179	655	1,535	-	-	1,354	1,714
(77,849)	Payments to employees	(24,926)	(24,878)	(55,456)	(57,197)	-	-	(80,382)	(82,075)
(25,889)	Payments to suppliers	(9,614)	(13,020)	(15,575)	(18,589)	(6)	-	(25,195)	(31,609)
(349)	Interest paid	(244)	(252)	(137)	(56)	-	-	(381)	(308)
	Payments to capital charge to the Crown	-	-	-	-	-	-	-	-
224	Goods and Services Tax (net)	124	(3,854)	220	(9,191)	-	-	344	(13,045)
(15,908)	Net Cash Flows from Operating Activities	1,641	1,118	7,749	4,642	-	-	9,390	5,760
	Cash Flows from Investing Activities								
25,000	Maturity of investments	-	-	-	4,000	-	-	-	4,000
441	Sale of property, plant and equipment	24	5	347	193	-	-	371	198
	Placement of investments	(8,250)	-	(15,000)	-	-	-	(23,250)	-
(2,094)	Purchase of property, plant and equipment	(275)	(250)	(5,848)	(8,158)	-	-	(6,123)	(8,408)
(241)	Purchase of intangible assets	(41)	(1,015)	(675)	(120)	-	-	(716)	(1,135)
23,106	Net Cash Flows from Investing Activities	(8,542)	(1,260)	(21,176)	(4,085)	-	-	(29,718)	(5,345)
	Cash Flows from Financing Activities								
(1,990)	Repayment of external borrowings	(400)	(400)	(716)	(617)	-	-	(1,116)	(1,017)
(1,990)	Net Cash Flows from Financing Activities	(400)	(400)	(716)	(617)	-	-	(1,116)	(1,017)
5,208	Net increase/(decrease) in cash and cash equivalents	(7,301)	(542)	(14,143)	(60)	-	-	(21,444)	(602)
19,436	Opening cash and cash equivalents at 1 July	8,904	862	15,740	415	-	-	24,644	1,277
24,644	Closing Cash and Cash Equivalents at 30 June	1,603	320	1,597	355	-	-	3,200	675

The GST (net) component of net cash flows from operating activities comprises the net GST paid and received. This component has been presented on a net basis as the cash flows reflect amounts collected and returned on behalf of the Inland Revenue Department.

PART C

Appendices



Exercise of the privileges of the Rule Part 140 and 141 Aviation documents

Governance and Accountability

*The Minister of Transport is responsible to Parliament for overseeing and managing the Crown's interests in the Civil Aviation Authority of New Zealand. The Minister expects the Authority to set the direction of the entity, achieve the government's desired results set out in the **Civil Aviation Act 1990** and in other legislation and policy, and manage any civil aviation safety and security risks on behalf of the Crown.*

*Members act in accordance with applicable statutory requirements (for example, the **Civil Aviation Act 1990** and the **Crown Entities Act 2004**), and in the interests of the role and functions of aviation safety and aviation security.*

Authority responsibilities

The Authority, the Director of Civil Aviation, and the General Manager of the Aviation Security Service have statutory functions in the civil aviation system. The Director and the General Manager are accountable in the exercise of their functions by the Authority to the extent permissible under the *Civil Aviation Act 1990* and the *Crown Entities Act 2004*. The Authority is accountable to the Minister of Transport for the efficient and effective performance of its functions. The Authority clearly demonstrates its role by ensuring that the delegation of responsibility and authority to the Director of Civil Aviation and the General Manager of Aviation Security Service (Part 140, aviation security organisation, aviation document holder) is concise and complete.

In addition, under the *Civil Aviation Act 1990*, the Director of Civil Aviation is required to exercise independent judgement in relation to granting, suspending or revoking aviation documents.

The Authority performs six functions that direct the operations of the Civil Aviation Authority to achieve its outcome. These are:

- Influencing and contributing to safety and security in the aviation sector;
- Setting the direction of the Civil Aviation Authority;
- Setting plans and targets for services and financial performance;

- Reviewing the Civil Aviation Authority's performance against plans and targets;
- Providing quality assurance of key operational policies, systems and processes; and
- Making significant planning, investment and funding decisions.

The planning, investment and funding decisions reserved for the Authority include:

- Approving annual budgets;
- Making significant funding decisions and contract awards;
- Authorising changes to the organisational structure; and
- Reviewing the performance and remuneration of the Chief Executive and of the General Manager of Aviation Security.

The Board of the Authority defines the individual and collective responsibilities of the Board committees, operating structure and lines of responsibility and what each has authority for. Operational responsibility is delegated to the Chief Executive by way of a formal delegated authority framework. Day-to-day operations are managed by senior managers led by the Chief Executive.

Authority membership and composition

The Minister of Transport appoints five independent non-executive members to the Civil Aviation Authority. The Authority selects the membership of its committees.

Authority committees

The Authority has two committees: Audit, Finance and Risk Committee and Remuneration and Performance Committee.

While the Authority committees have no delegated authority, they help the Authority to: provide assurance that policies and controls are complied with; monitor and advise on delegated investment decisions; monitor operational procedures and projects; and appoint and, annually, review the performance of the Chief Executive/Director and the General Manager Aviation Security Service.

Internal audit

The overall responsibility for maintaining effective systems of organisational control remains with the Authority. The Authority requires the Chief Executive to establish, maintain and monitor internal controls to provide assurance that specific objectives of the Authority will be achieved. The Authority contracts PricewaterhouseCoopers to assist with carrying out its internal audit function.

Risk management

The Authority accepts it is responsible for the management of organisational risks, and requires the Chief Executive of the Civil Aviation Authority to establish and operate a Risk Management Programme. The Authority has a risk management process whereby the likelihood and consequence of strategic and operational risks are regularly assessed, mitigations are reviewed and the level of residual risk reappraised.

Legislative compliance and ethics

The Civil Aviation Authority is guided by its Codes of Conduct and the State Services Commissioner's Standards of Integrity and Conduct. Board members are required to complete a declaration of interests upon appointment and whenever changes occur during their term. A schedule of Board members' interests is reviewed at every Board meeting.

The Board ensures that the Civil Aviation Authority complies with all legislation. The Board has delegated responsibility to the Chief Executive of the Civil Aviation Authority for the development and operation of a programme to identify compliance issues and to ensure that members of the staff are aware of relevant legislative requirements and comply with them.

Standard for quality management

International Standards Organisation certification represents an internationally recognised standard for quality management. The Authority has a policy of maintaining its management system certification to the ISO 9001:2000 standard, and its successors. This assures that the highest possible standard is reached at all times. The Civil Aviation Authority is audited under this process.

Engagement with stakeholders

The Authority acknowledges its responsibility to engage with stakeholders and in particular to remain cognizant of the expectations of the Minister, the Government and the New Zealand public.

Authority member remuneration

The rates of remuneration for Authority members are set by the Minister of Transport, in accordance with government rates for directors' fees.

APPENDIX 3

Operating Environment

Sector Profile

New Zealand's Active Aviation Document Holders as at 30 June 2014

	Organisations		Individuals		Aircraft	
1	Australian AOC Operating with ANZA Privileges	2,702	Part 66 Aircraft Maintenance Engineer	1,961	Aeroplane	
66	Part 109 Regulated Air Cargo Agent	169	Part 66 Certificate of Inspection Authorisation	287	Amateur Built Aeroplane	
27	Part 115 Adventure Aviation Operator	209	Part 66 Certificate of Maintenance Approval	4	Amateur Built Glider	
179	Part 119 Air Operator	25,014	Pilot licences (3,695 with active class 1 medical certificates and 5,935 with active class 2 medical certificates including 3,651 ATPL Aeroplane licence holders, 1,181 holding active class 1 medical certificates and 912 holding active class 2 medical certificates)	24	Amateur Built Helicopter	
28	Part 129 Foreign Air Operator			61	Balloon	
98	Part 137 Agricultural Aircraft Operator			287	Glider	
27	Part 139 Aerodrome Certification			49	Gyroplane	
1	Part 140 Aviation Security Organisation			18	Hang Glider	
53	Part 141 Training Organisation			802	Helicopter	
58	Part 145 Maintenance Organisation			213	Microlight Class 1	
14	Part 146 Design Organisation	729		Air traffic and flight service licences (583 holding class 3 medical certificates)	819	Microlight Class 2
20	Part 148 Manufacturing Organisation				67	Para Glider
8	Part 149 Recreation Organisation				198	Parachute
2	Part 171 Telecommunication Service Organisation				46	Power Glider
1	Part 172 Air Traffic Service Organisation					
4	Part 173 Instrument Flight Procedure					
2	Part 174 Meteorological Service Organisation					
1	Part 175 Information Service Organisation					
58	Part 19F Supply Organisation					
57	Part 92 Dangerous Goods Packaging					
11	Synthetic Training Device (Airlines)					
29	Synthetic Training Device (General Aviation)					
750	Total	28,823	Total	4,836	Total	

APPENDIX 4

Safety Data

Outcome Measures

Measure: Accidents and injuries by aviation sector

Number of civil aviation accident fatalities and serious injuries

Aviation Safety Target Groups	2012/13			2013/14		
	Accidents	Fatalities	Serious Injuries	Accidents	Fatalities	Serious injuries
Public air transport						
1. Airline operations – large aeroplanes	-	-	-	4	-	3
2. Airline operations – medium aeroplanes	-	-	-	-	-	-
3. Airline operations – small aeroplanes	1	-	1	1	-	2
4. Airline operations – helicopters	5	1	-	5	1	1
5. Adventure aviation transport operations	4	-	3	7	-	5
Other commercial operations						
6. Other commercial operations – aeroplane	8	-	-	12	2	6
7. Other commercial operations – helicopter	4	-	-	4	-	2
8. Agricultural operations – aeroplanes	11	1	1	6	-	2
9. Agricultural operations – helicopters	4	-	-	4	2	1
Non-commercial operations						
10. Private operations – aeroplanes	12	-	-	11	1	-
11. Private operations – helicopters	8	1	4	1	2	-
12. Private operations – sport aircraft	50	3	17	54	1	10
13. Other	1	-	-	-	-	-

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 3 years ended 30 June							2012/15 Targets	% above or below target
	2008	2009	2010	2011	2012	2013	2014		
Public air transport									
1. Airline operations—large aeroplanes	-	-	-	-	-	-	0.01	-	-
2. Airline operations—medium aeroplanes	0.30	-	0.02	0.02	0.02	-	-	0.02	(100%)
3. Airline operations—small aeroplanes	0.03	0.41	2.44	2.40	2.26	2.93	5.21	2.34	223%
4. Airline operations—helicopters	-	5.59	9.61	10.60	5.30	17.03	48.09	6.50	740%
5. Adventure Aviation transport operations	14.96	68.43	61.06	65.47	156.59	180.27	166.54	13.00	1,281%
Other commercial operations									
6. Other commercial operations—airplane	46.24	25.85	26.26	58.81	58.83	54.15	12.96	6.50	199%
7. Other commercial operations—helicopter	74.05	65.53	38.23	59.82	98.72	103.03	62.85	6.50	967%
8. Agricultural operations—airplanes	118.41	77.41	104.5	53.31	12.46	38.61	47.85	14.00	342%
9. Agricultural operations—helicopters	20.99	23.15	9.02	7.22	22.31	29.84	63.36	7.25	873%
10. Agricultural operations—sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations—airplanes	84.19	50.3	52.85	59.12	99.73	54.29	83.13	10.00	831%
12. Private operations—helicopters	169.33	36.42	41.05	96.33	77.96	141.25	113.71	10.00	1,137%
13. Private operations—sport aircraft	101.11	100.96	100.14	91.39	105.78	373.00	78.22	20.00	391%

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

Measure: Rate of aircraft accidents per 100,000 flying hours

Rate of aircraft accidents per 100,000 flying hours

Aviation Safety Target Groups	3 year rolling for the years ended 30 June							% against target	2012/15 Targets
	2008	2009	2010	2011	2012	2013	2014		
Public air transport									
1. Airline operations – large aeroplanes	-	0.11	0.32	0.62	0.52	0.30	0.40	400%	0.10
2. Airline operations – medium aeroplanes	1.02	0.52	1.11	1.70	2.23	1.04	0.53	-	0.53
3. Airline operations – small aeroplanes	2.83	3.75	5.18	5.21	3.51	2.70	2.52	(52%)	5.32
4. Airline operations – helicopters	1.46	2.58	5.16	5.20	4.01	4.12	6.95	132%	5.25
5. Adventure aviation transport operations	-	-	-	-	-	20.00	30.50	-	-
Other commercial operations									
6. Other commercial operations – airplane	5.86	5.07	4.73	4.26	3.86	3.07	2.74	(35%)	4.24
7. Other commercial operations – helicopter	10.50	11.33	7.76	9.55	10.54	10.56	10.16	136%	7.47
8. Agricultural operations – aeroplanes	13.36	15.66	19.26	15.90	11.58	15.57	13.90	(13%)	15.92
9. Agricultural operations – helicopters	9.36	9.55	10.36	9.36	9.10	7.30	5.80	(41%)	9.85
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations – aeroplanes	15.17	24.63	26.07	29.58	23.20	27.08	32.50	120%	27.11
12. Private operations – helicopters	37.84	26.46	32.99	34.80	38.20	31.84	24.20	(27%)	33.39
13. Private operations – sport aircraft	-	-	-	-	-	-	-	-	-

Measure: Distribution of risk profiles for aviation document holders

Measure: Average distribution of risk profiles for aviation document holders (assessed participants)

Activity Type	2007	2008	2009	2010	2011	2012	2013	2014	Reduction in risk score from 2007 to 2014
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Privileges			4.3	2.6			2.6	2.6	✓
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security			6.7	5.6	6.5	6.9	5.1	5.4	✓
Part 108 Security Programme	7.7	8.5	8.2	11.6	9.3	9.6	10.4	8.7	
Part 109 Regulated Air Cargo Agent			12.3	13.1	10.5	11.0	10.1	10.8	✓
Part 115 Adventure Aviation Operator						39.8	20.7	12.5	✓
Part 119 Air Operator Certificate – Pacific *	12.3	10.7	9.9	9	n/a	n/a	n/a	n/a	✓
Part 121 Air Operator Large Aeroplanes	12.4	9.7	12.2	11.8	11.8	8.7	8.4	8.5	✓
Part 125 Air Operator Medium Aeroplanes	22.8	15.9	15.8	17.6	16.1	14.5	13.5	13.0	✓
Part 129 Foreign Air Transport Operator	14.0	11.7	10.2	8.1	10.5	8.4	8.5	5.6	✓
Part 135 Air Operator Helicopters and Small Aeroplanes	26.3	19.1	17.1	17.1	16.4	16.1	14.4	13.1	✓
Part 137 Agricultural Aircraft Operator	30.6	21.8	17.7	16.3	16.1	15.9	14.3	13.3	✓
Part 139 Aerodrome Operator	7.6	5.7	5.1	5.9	6.5	5.7	5.5	5.0	✓
Part 140 Aviation Security Service Organisation	23.0	7.3	5.2	5.1	4.6	5.0	4.9	6.6	✓
Part 141 Aviation Training Organisation	16.1	11.6	11.0	10.3	10.8	10.2	7.7	7.4	✓
Part 145 Maintenance Organisation	15.3	11.5	10.7	10.4	12.1	11.0	8.3	8.6	✓
Part 146 Aircraft Design Organisation	12.8	10.3	8.0	11.2	12.6	9.9	8.6	7.9	✓
Part 148 Aircraft Manufacturing Organisation	13.6	13.1	8.7	10.9	11.3	9.7	8.1	12.2	✓
Part 149 Aviation Recreation Organisation	25.7		20.1	10.2	15.9	10.8	8.0	11.5	✓
Part 171 Telecom Service Organisation	16.2	6.2	5.4	5.0	11.6	15.3	6.4	4.8	✓
Part 172 Air Traffic Service Organisation	24.5	7.8	8.0	9.6	17.1	24.0	15.0	12.7	✓
Part 173 Instrument Flight Procedure			4.3	7.2	9.1	14.2	9.8	4.4	
Part 174 Meteorological Service Organisation	24.2	16.5	7.3	11.1	11.4	11.2	7.6	4.4	✓
Part 175 Aeronautical Info Service Organisation	40.9	15.9	6.3	9.5	15.1	17.5	11.2	11.1	✓
Part 19F Supply Organisation	15.3	13.1	13.2	11.1	10.4	9.2	7.8	8.7	✓
Part 61 Pilot Licence (Aeroplane) Holder **	2.6	82.6		2.7	2.9	n/a	n/a	n/a	
Part 66 Aircraft Maintenance Engineer **	2.6	18.2	n/a	n/a	n/a	n/a	n/a	n/a	
Part 92 Dangerous Goods Pack Approval Holder	2.6		2.6	8.3	13.7	9.0	6.1	7.0	

* Part 119 operator – Pacific – Between 2003 and 2010 the Authority issued six Part 119 certificates to Pacific Island airlines. This function is now hosted by the Pacific Aviation Safety Office (PASO).

** Part 61 and Part 66 – The establishment of the risk scoring for these Rule Parts was a trial by the Authority to assess individuals associated with certificated organisations or exercising other functions, e.g. flight examining. This was done on a limited basis as the data does not reflect the entire group of document holders (i.e. all license holders) and the trial has ceased.

Measure: Rate of security incidents

Security Incidents

	For the years ended 30 June						
	2008	2009	2010	2011	2012	2013	2014
Public air transport							
1. In-flight security incidents	-	-	-	-	-	-	-
2. Airside security incidents	-	-	-	-	-	-	-
3. Airside incidents involving dangerous goods*	-	-	-	-	-	-	-

* Dangerous goods incident means an incident associated with and related to the carriage of dangerous goods by air after acceptance operator, 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, labelled, marked, or documented.

Other Safety Information

Measure: number of aircraft accidents

Measure: Number of aircraft accidents by aviation safety group

Aviation Safety Target Groups	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	3 Year Trend
Public air transport								
1. Airline operations – large aeroplanes	-	2	2	3	1	-	4	▲
2. Airline operations – medium aeroplanes	-	-	2	1	1	-	-	▼
3. Airline operations – small aeroplanes	2	3	2	2	1	1	1	➔
4. Airline operations – helicopters	1	4	4	1	2	5	5	▲
5. Adventure aviation transport operations	-	11	13	9	8	4	7	▼
Other commercial operation								
6. Other commercial operations – aeroplane	16	9	13	12	6	8	12	▲
7. Other commercial operations – helicopter	4	6	3	7	8	4	4	▼
8. Agricultural operations – aeroplane	11	6	5	6	3	11	6	▲
9. Agricultural operations – helicopter	4	6	5	4	7	4	4	▼
10. Agricultural operations – sport aircraft								
Non-commercial operations								
11. Private operations – aeroplanes	4	18	10	5	9	12	11	▲
12. Private operations – helicopters	8	3	10	6	2	8	1	▼
13. Private operations – sport aircraft (aeroplane, Helo and FB only)	38	46	54	52	38	50	54	▲
Others	-	1	1	1	1	1	-	▼

Measure: social cost per 100,000 flight hours

Measure: Social cost per 100,000 flight hours (\$)

Aviation Safety Target Groups	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	3 Year Trend
Public air transport								
1. Airline operations – large aeroplanes	0.13	0.03	-	-	0.02	0.01	0.39	▲
2. Airline operations – medium aeroplanes	-	-	0.09	-	-	-	-	➔
3. Airline operations – small aeroplanes	0.03	0.40	1.35	-	0.33	2.12	2.08	▲
4. Airline operations – helicopters	-	4.02	2.43	0.55	0.64	11.69	21.12	▲
5. Adventure aviation transport operations						2.16	12.09	▲
Other commercial operation								
6. Other commercial operations – aeroplane	6.66	0.07	1.48	17.34	0.06	0.07	4.03	▲
7. Other commercial operations – helicopter	19.67	1.35	-	31.47	22.82	0.51	2.22	▼
8. Agricultural operations – aeroplane	14.25	14.26	4.91	-	-	13.02	4.19	▲
9. Agricultural operations – helicopter	3.21	2.15	-	1.97	8.21	-	14.03	▲
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-	➔
Non-commercial operations								
11. Private operations – aeroplanes	0.04	3.46	19.57	0.50	22.60	1.34	13.47	▼
12. Private operations – helicopters	4.19	19.10	8.22	55.05	-	55.03	46.92	▲
13. Private operations – sport aircraft (aeroplane, Helo and FB only)	-	-	-	-	-	-	96.45	➔

Measure: fatalities and injuries per 100,000 flight hours

Measure: Number of fatalities and serious injuries per 100,000 flight hours

Aviation Safety Target Groups	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Public air transport							
1. Airline operations – large aeroplanes	0.32	-	-	-	-	-	-
2. Airline operations – medium aeroplanes	-	-	-	-	-	-	-
3. Airline operations – small aeroplanes	-	-	2.30	-	-	2.99	-
4. Airline operations – helicopters	-	3.42	-	-	1.67	2.06	9.55
5. Adventure aviation transport operations							28.0
Other commercial operations							
6. Other commercial operations – aeroplane	2.78	-	0.36	5.71	-	-	5.14
7. Other commercial operations – helicopter	3.65	1.86	-	9.09	7.01	-	-
8. Agricultural operations – aeroplane	4.16	3.09	2.97	-	-	4.77	-
9. Agricultural operations – helicopter	-	2.07	-	-	1.57	-	14.83
10. Agricultural operations – sport aircraft							
Non-commercial operations							
11. Private operations – aeroplanes	-	7.74	5.07	-	22.78	-	22.71
12. Private operations – helicopters	-	4.78	-	28.86	-	43.33	83.45
13. Private operations – sport aircraft							75.2

trend compares latest year's figure over previous year's, trend over all 7 points may be different

Measure: social cost of fatalities and serious injuries

Measure: social cost of fatalities and serious injuries (\$millions)

Aviation Safety Target Groups	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	3 Yr Trend
Public air transport								
1. Airline operations – large aeroplanes	0.39	-	-	-	-	0.05	1.23	▲
2. Airline operations – medium aeroplanes	-	-	-	-	-	-	-	➔
3. Airline operations – small aeroplanes	-	-	0.39	-	0.17	0.71	0.82	▲
4. Airline operations – helicopters	-	0.77	-	-	0.39	5.67	4.35	▲
5. Adventure aviation transport operations	-	20.37	1.54	1.54	41.72	0.46	2.13	▼
Other commercial operation								
6. Other commercial operations – aeroplane	15.91	-	3.69	41.72	-	0.22	10.34	▲
7. Other commercial operations – helicopter	7.37	0.39	-	15.13	11.45	0.35	0.82	▼
8. Agricultural operations – aeroplane	4.07	3.69	0.39	-	-	5.45	0.82	▲
9. Agricultural operations – helicopter	-	0.39	-	-	3.69	-	8.28	▲
10. Agricultural operations – sport aircraft								
Non-commercial operations								
11. Private operations – aeroplanes	-	1.16	7.37	-	5.62	0.35	3.94	▼
12. Private operations – helicopters	-	3.69	-	4.85	-	6.33	7.87	▲
13. Private operations – sport aircraft	27.35	12.01	21.14	21.91	25.21	16.54	8.46	▼

Measure: number of non-compliances with Civil Aviation Rules or expositions by operators

Measure: Number of non-compliances with Civil Aviation Rules or expositions by operators

Finding Category	FY 2011/12				FY 2012/13				FY 2013/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	367	322	254	298	145	240	192	225	169	241	294	177
	1,241				802				881			

Measure: Enforcement actions /prosecutions for non-compliance and/or breach of civil aviation rules

Year	Total number of occurrences	Number of Prosecutions commenced	Prosecutions as a % of Occurrences	Written Warnings issued	Infringement Notices issued
2001	4,787	21	0.44%	23	-
2002	4,004	22	0.54%	34	-
2003	4,131	18	0.43%	27	-
2004	4,688	19	0.40%	31	-
2005	4,707	22	0.46%	26	-
2006	5,324	23	0.43%	18	4
2007	5,007	21	0.41%	16	5
2008	5,927	19	0.32%	12	10
2009	5,275	17	0.32%	11	9
2010	5,529	24	0.43%	9	7
2011	6,071	11	0.18%	4	7
2012	5,985	18	0.30%	11	4
2013	7,325	10	0.13%	12	8
2014 (1 Jan to 30 Jun)	3,310	3	0.09%	7	9

Compliance With International Civil Aviation Organization Standards and Recommended Practices

Measure: Level of Effective Implementation

The chart below compares New Zealand's aviation safety oversight with Organisation for Economic Co-operation and Development countries by critical element.

Comparative USOAP's Level of Effective Implementation by Critical Elements

Country	CE1	CE2	CE3	CE4	CE5	CE6	CE7	CE8
Australia	93.55	72.09	89.32	51.16	88.74	88.11	86.25	92.45
Canada	96.88	96.15	98.11	97.67	94.87	92.43	98.84	92.31
New Zealand	80.65	79.69	83.52	80.95	81.17	87.71	85.37	84.62
Republic of Korea	100.00	97.62	100.00	100.00	96.05	99.57	98.70	97.83
United Kingdom	94.12	88.96	95.45	95.35	92.45	94.98	96.34	94.12
United States of America	90.32	87.02	89.42	85.71	93.51	95.98	86.05	96.08
OECD	80.60	79.70	83.50	80.90	81.20	87.70	85.40	84.60

Critical elements: 1-Primary aviation legislation, 2-Specific operating regulations, 3-Civil aviation system and safety oversight functions, 4-Qualification and training of technical personnel, 5-Procedures and technical guidance, 6-Licensing and certification obligations, 7-Surveillance obligations, and 8-Resolution of safety concerns.

(Source: International Civil Aviation Organization)

The chart below compares New Zealand's Level of Effective Implementation with other selected State authorities, by critical element.

Level of Effective Implementation by Area

Country	LEG	ORG	PEL	OPS	AIR	AIG	ANS	AGA
New Zealand	85.71	100.00	98.75	86.29	90.8	68.75	78.17	79.74
Canada	90.91	93.75	97.62	89.92	96.81	91.58	96.00	98.79
Singapore	100.00	100.00	96.25	100.00	98.13	96.84	98.48	99.32
United Kingdom of Great Britain and Northern Ireland	89.66	87.50	95.12	86.67	97.09	84.21	96.02	98.79
United States of America	81.82	100.00	93.59	94.53	96.94	82.47	83.67	96.18
Australia	77.27	100.00	82.72	71.31	76.80	96.97	81.31	91.03
Republic of Korea	100.00	100.00	97.56	100.00	98.09	96.84	99.02	98.64

Measurement Areas: LEG – Primary aviation legislation and civil aviation regulations, ORG – Civil aviation organization, PEL – Personnel licensing and training, OPS – Aircraft operations, AIR – Airworthiness of aircraft, AIG – Air navigation services, ANS – Aerodromes, AGA – Aircraft accident and incident investigation.






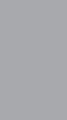





(Source: International Civil Aviation Organization)

APPENDIX 5

Rules Development Programme

Under the Rule Development Services Agreement with the Ministry of Transport, the Civil Aviation Authority is responsible for delivery of the draft final rule package. The Ministry of Transport is responsible for progressing this through government processes to secure the Minister's signature. A number of strategies are being employed to speed up the process of rules development. The Authority is fully engaging in the Ministry of Transport's process, as this is considered to offer the greatest opportunity to consolidate low value steps and eliminate redundancies in the rule-making process.

STATUS	 Steady and positive progress – on track	 Minor delay/issues identified – should be delivered by agreement period	 Major impediments – delivery unlikely within agreement period	 Project removed from programme
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Rule No.	Project Title	Latest milestone achievement	Progress status and comment	Next milestone/Expected Delivery Date
Various	International Civil Aviation Organization Equipment Compliance	Draft notice of proposed rulemaking and draft Regulatory Impact Statement forwarded to Ministry of Transport, November 2010.	 Draft notice of proposed rulemaking under internal review prior to publishing. This has incurred delay due to staff leave and unit workload.	Publish notice of proposed rulemaking – Jul 2014
Part 61	Pilot Licences and Ratings Stage 2	Draft notice of proposed rulemaking forwarded to Ministry of Transport, August 2012	 Rule project being re-evaluated in order to articulate the problems that the rule amendment intends to solve; and to verify that the proposal still represents a licencing regime that is fit for purpose.	Draft final rule – Dec 2014
Part 125	Training Requirements	Draft final rule forwarded to Ministry of Transport, March 2013	 Final rule signed by Minister.	Rule in force – 1 Apr 2014
Part 139	Review of Aerodrome Requirements	Revised draft notice of proposed rulemaking published, Mar 2014	 Revised notice of proposed rulemaking finalised and published.	Draft final rule – Jun 2014
Various	International Civil Aviation Organization Safety Management Systems	Draft notice of proposed rulemaking – November 2010	 Further development of draft notice of proposed rulemaking in anticipation of a positive outcome from the risk based regulation policy work.	Draft notice of proposed rulemaking – Aug 2014
Various	International Civil Aviation Organization Safety Management Systems – Group 2	n/a	 Combined with Group 1 to make a single project with staged implementation times	
Various	Omnibus 2013	Draft notice of proposed rulemaking – May 2013	 Final rule signed by Minister.	Rule in force – 1 Apr 2014
Part 147	Maintenance Training Organisations	(Project start-up)	 Final draft of project scope statement completed. Awaiting Minister's acceptance of project onto the Transport Rules Programme	Draft notice of proposed rulemaking – Aug 2014
Various	Omnibus 2014	(Project start-up)	 Developing rule proposal.	Draft notice of proposed rulemaking – Sep 2014
Various	Remotely Piloted Aircraft	(Project start-up)	 Developing rule proposal.	Draft notice of proposed rulemaking – Sep 2014
Various	Performance Based Navigation Implementation	n/a	 Undergoing pre-rules policy development and project scope.	Notice of proposed rulemaking – timeline to be determined

APPENDIX 6

Change Programme Benefits

The table below describes the closure of the 2010-2012 change programme benefits. These historic benefits have either been absorbed or superseded by benefits identified in new and emerging change programmes, such as the Regulatory Craft Programme (RCP). The project the Authority is now focused on to review its performance measurement framework to ensure we are focused on the right results and can evidence Authority success is the Integrated Performance Management and Measurement Framework (IPMMF). In 2014/15 the Authority is developing supporting indicators. Where these apply to the benefits below it is referenced.

2010-2012 Change Programme benefit	RCP Benefits (both intermediate and end benefits)	To be measured by	Project/activities
A more effective, active, risk-based regulator	Increased effectiveness	KPI: Increased use of the full range of regulatory tools KPI: Reduced cost to society associated with aviation safety failure IPMMF: Regulatory effectiveness IPMMF: Staff effectiveness IPMMF: Staff capability IPMMF: Effectiveness of security services IPMMF: Effectiveness of safety promotion	Establishment of RCP with clearly defined governance structure and leadership roles, with introduction of Organisational Change Management Lead and appointment of Benefits Manager demonstrates ongoing and tangible commitment to becoming a more effective, active, risk-based regulator – refer to detailed Business Case and Benefits Realisation Plan for full details on how programme changes and associated benefits will be delivered and realised. Enterprise Content Management (ECM): this includes historic ASMS replacement and EDRMS upgrade projects SMS implementation for NZ will run concurrently.
	Effort is focused on priorities	IPMMF: Effectiveness of leadership & management	
	Increased agility	KPI: Increased collaboration, cross-functional teaming IPMMF: Quality & timeliness of rules & standards IPMMF: Speed of response to significant public risk	

2010-2012 Change Programme benefit	RCP Benefits (both intermediate and end benefits)	To be measured by	Project/activities
More effective delivery of regulatory services to stakeholders	Improved planning	IPMMF: Accuracy of financial forecasting IPMMF: Effectiveness of allocation of resources	Corporate Communications developing Stakeholder Engagement Strategy. Website refresh project – project initiation documentation under development, (this project is dependent on the Organisational Identity Project being completed to incorporate consistent branding, appearance etc). RCP looking to digitize services, e.g. online Medical Certification System RCP – creation of online portals for improved information sharing and transfer.
	Increased efficiency	KPI: Less rework KPI: Reduced time to complete (specific) transactions KPI: Reduced cost to the industry of compliance IPMMF: Effectiveness of allocation of resources IPMMF: VfM to Govt, participants & stakeholders	
	Increased participant engagement experience	KPI: Increased service levels IPMMF: VfM to Govt, participants & stakeholders IPMMF: Regulatory burden	
	Increased reputation, image and credibility	IPMMF: Authority domestic & international reputation IPMMF: Strength of stakeholder relationships	Organisational Identity Project being completed – this will ensure consistent branding, appearance, etc.
	Increased ability to demonstrate value of CAA	KPI: Increased number of Bilateral Arrangements KPI: Increased stakeholder confidence in the CAA IPMMF: Authority domestic & international reputation IPMMF: Strength of stakeholder relationships IPMMF: Ability of NZ aviation to operate internationally and domestically IPMMF: Confidence in the safety & security of the aviation system	
Improved governance and leadership	Decisions are made at the right place	IPMMF: Effectiveness of leadership & management	RCP has a dependency on the following projects/BAU activities: - Organisational Leadership Model (and Culture Mapping and Interventions) in place. - Learning Plan – Leadership Development module included in the Authority's Annual Learning Plan. - Learning Plan and integration with Business Plans completed. - Aviation Security Service earning gaps identified. - Leadership model completed.
	Effort is focused on priorities	IPMMF: Effectiveness of leadership & management	The Authority is focused on developing a system or process for prioritising activities and allocating resources accordingly where needed most. Exploratory work has begun with identification of interdependencies with the RCP and IPMMF.
	More timely decisions	IPMMF: Speed of response to significant public risk	

2010-2012 Change Programme benefit	RCP Benefits (both intermediate and end benefits)	To be measured by	Project/activities
Culture, modus operandi and approach more appropriate	Staff can demonstrate that they contribute to the SOI focus areas	IPMMF: Staff capability IPMMF: Staff effectiveness	Refer above and to list of RCP key service requirements for more details.
	Increased level of staff engagement	KPI: Increased staff satisfaction KPI: Increased responses to vacancies and job applications IPMMF: Appropriateness of staff attitudes & behaviours IPMMF: Workforce engagement	Work underway by Corporate Communications: Review and improvement of communication channels including electronic newsletters, SharePoint and intranet, 1. Provide more frequent staff facing presentations on work underway across different functional units, 2. Greater use of regular mini-surveys 3. Strengthening of the flow of information within the organisation to contribute to an open and collaborative organisational culture
	Performance issues addressed at all levels	IPMMF: Staff capability IPMMF: Staff effectiveness	
	Increased agility	KPI: Increased collaboration, cross-functional teaming IPMMF: Q & timeliness of rules & standards IPMMF: Speed of response to significant public risk	Cross-functional development programme commenced and superseded by the leadership development module of the Authority's Learning Plan.
Increased desire to work for the CAA "Employer of choice"	No measures identified.		Employee Value Proposition under development. Staff survey: The survey is being conducted in September 2014.
	Increased effectiveness	KPI: Increased use of the full range of regulatory tools KPI: Reduced cost to society associated with aviation safety failure IPMMF: Regulatory effectiveness IPMMF: Staff effectiveness IPMMF: Staff capability IPMMF: Effectiveness of security services IPMMF: Effectiveness of safety promotion	The Regulatory Craft Programme (RCP) has absorbed the following three historic projects: ASMS replacement project, (incl. Sysdoc process review) EDRMS replacement project Online Medical Certification System project The RCP will require that all processes be reviewed during Tranche 1 prior to introduction/development of the new platform. This review will be used to identify all system requirements and will feed into the RFP.
Improved and updated business processes	Information System is flexible	These are "Enablers" of subsequent intermediate and end benefits.	EDRMS/ECM upgrade, (incl. in scope of RCP).
	Information System is modern and supportable		
	Information Management assets are maintained and managed		
Robust common business support systems	More efficient use of resources	KPI: Reduced paper storage required IPMMF: Effectiveness of allocation of resources	Refer above.
Quality and integrity of data and information	Improved data quality	No measures identified.	RCP tranche 1 activities, including new applications and required behavioural changes, (i.e. using agreed systems will become mandatory).
	Increased confidence in information	No measures identified.	
	Increased visibility and accessibility of information	No measures identified.	
Change programme delivered effectively NB. This is not a benefit but an implicit outcome.	Increased reputation, image and credibility	IPMMF: Authority domestic & international reputation IPMMF: Strength of stakeholder relationships	The original Change Programme scope included: the strategic leadership, management and culture of the CAA and Avsec; organisational design and alignment; operational systems and processes; and CAA funding. The RCP will reinvigorate the 2010-2012 Change Programme and deliver the first three objectives while the Triennial Funding Review will address the last.

APPENDIX 7

Impacts of our work

The work of the Authority has long-term impacts affecting the civil aviation system. These impacts contribute towards our overall outcome as depicted in the strategic framework on page 17. These impacts and the progress towards achieving long term targets established in the 2013-16 Statement of Intent is provided below.

Impact	Lead Indicator	Current Achievement (2013–16 Statement of Intent)	Target 2013–2016	
			Direction of travel	Target – 2016
New Zealand has a positive international reputation for air safety and security	<p>New Zealand's ability to enter into and maintain bilateral agreements and service contracts for public transport and air freight.</p> <p>Assessments of national aviation safety and security performance by the International Civil Aviation Organization (ICAO).</p> <p>Intensive quality audit process to ensure security service operations meet the requirements of the Civil Aviation Act and rules.</p>	<ul style="list-style-type: none"> Bilateral agreements: Australia and the United States of America. Working arrangements: European Aviation Safety Agency, Transport Canada, and Civil Aviation Administration of China. We are actively working to extend the scope of the Bilateral Aviation Safety Agreement with the United States of America. In the ICAO's 2005-2010 Safety Audit Cycle, New Zealand's overall safety rating was the same as Australia's and higher than the OECD average. Safety ratings for a number of the critical elements assessed were on a par with the Organisation for Economic Cooperation and Development (OECD) average, or higher. (See 2013-16 Statement of Intent – Appendix 3 for detail) New Zealand's has a current score of 16.18% non-compliance with the ICAO's recommendations. This score includes areas where New Zealand has chosen not to implement the recommendations because they are inappropriate to the New Zealand environment. The current assessment of non-compliance places New Zealand at the 17th percentile in the world and in the middle of OECD countries. The results of the ICAO's Universal Security Audit Programme (USAP) are used internally. They cannot be publicly disclosed due to international security and diplomatic considerations. The Aviation Security Service has consistently achieved a high standard of verification from security audits and meets any additional measures required by some airlines. 	Maintain and extend bilateral agreements and service contracts.	No deterioration of New Zealand's ratings.
			Maintain ICAO ratings at average of OECD countries or better.	Continue to achieve high standards in Civil Aviation Authority security audits and additional airline requirements.

Progress to 30 June 2014:

The Authority coordinated and attended two major International Civil Aviation Authority conferences, including

- The 50th Conference of Directors General of Civil Aviation, Asia and Pacific Region from 1 – 4 July. The meeting raised the profile of New Zealand, with the Director of Civil Aviation Graeme Harris, co-chairing the Regional Aviation Safety Group meeting that took place before the Directors General Conference and moderating the first session of the Directors General Conference. New Zealand presented three information papers to the conference.
- The 38th Assembly of the International Civil Aviation Organization held in Montreal. During this meeting bilateral meetings were held with officials from the Transport Safety Administration (United States) and officials from Singapore and Malaysia. Authority staff attended the Technical Commission, which addressed issues associated with the management and use of safety information, air navigation, air crew training and licensing, and regional co-ordination between States with respect to accident investigation and capability and capacity building.
- Aviation Security Service recertified for parts 140 (*Aviation Security Service Organisations – Certification*) and 141 (*Aviation Training Organisations – Certification*) of the Civil Aviation Act 1990 for another 5 years. This results from the assurance received by the regulator that the service meets the required standards and is compliant under the parts.

A number of Authority staff continue to be actively involved in a number of technical international meetings.

A safe airspace environment is sustained for all aviation activities.	'Near misses'/loss of separation incidents.	Close Proximity Events							Fewer 'near misses'/loss of separation incidents through time.	5–10% improvement since 2007.	
		Year ended June	2008	2009	2010	2011	2012	2013			2014
		Count	84	101	76	93	115	163	107		
		Count per 100,000 hours	8.8	10.6	8.0	9.8	11.3	15.6	10.3		
	Uncontrolled incursions (into controlled airspace).	Unauthorised Airspace Incursions							Fewer uncontrolled incursions (into controlled airspace) through time.		
		Year ended June	2008	2009	2010	2011	2012	2013			2014
		Count	283	259	291	255	370	355			300
		Count per 100,000 hours	29.5	27.1	30.7	27.0	36.5	34.0	28.8		

Progress to 30 June 2014

In 2012 the number of reported close proximity events increased. Analysis identified that the increase was due to pilots undergoing training in the vicinity of Hamilton aerodrome where major training organisations are located. The Authority initiated action with the flight training schools and Airways at Hamilton to address the increase in major incidents at that location. A team of safety investigators and aeronautical services officers made numerous visits to Hamilton throughout 2013 and this effort continues. The year to 30 June 2014 has seen 107 near miss and air proximity incidents and 300 unauthorised airspace incursions. While incomplete activity returns preclude accurate rate information at this time, the number of near miss events is 66% of last year's total, and uncontrolled incursions, 84%. This suggests that efforts to target the known concentration of risk involving training aircraft in the Hamilton region are starting to take effect. We continue to monitor these occurrences and provide further education and information to industry to reduce these occurrences and intervene if needed.

Impact	Lead Indicator	Current Achievement (2013–16 Statement of Intent)	Target 2013–2016	
			Direction of travel	Target – 2016
Aviation participants act safely and actively manage risks.	Sector risk profiles – average risk scores.	<p>From 2007 to 31 March 2013, most sectors have experienced an average reduction in risk scores of 5.5%. Surveillance and safety promotion appear to be having a positive effect on an operator's management of risks as reflected in their risk profiles.</p> <p>Note: continuing development for some sectors.</p>	Improved risk profiles – the average risk score by sector improves over time.	5–10% improvement over average risk scores from 2007.
Progress to 30 June 2014				
<p>The average of all certificate holders risk scores has declined over the last three years. Risk scores are declining in seven certificated sectors and steady in 12 others. The certificate sectors that are showing a rise in risk scores over the last three years are Part 140 (<i>Aviation Security Service Organisations – Certification</i>) and Part 149 (<i>Aviation Recreation Organisations – Certification</i>). These are provided at appendix 4.</p>				
People have confidence in the safety and security of air transport.	<p>Surveys of perceptions of air safety and security:</p> <p>by the travelling public</p> <p>by other stakeholders, including participants.</p>	<p>At June 2012:</p> <ul style="list-style-type: none"> 75% of NZ resident travellers felt extremely, or very, safe and secure on their most recent domestic or international flight. 90% of overseas visitors feel extremely, or very, safe and secure on domestic or international flights departing from NZ 61% of 33 stakeholders are satisfied with the safety and security performance of the civil aviation system in NZ 	Improved user perceptions as shown by survey results for safe and secure air transport	<p>Public surveyed better than 90%.</p> <p>Key stakeholder 100%.</p>
Progress to 30 June 2014				
<p>A repeat survey will measure confidence in the safety and security of air transport in 2014.</p>				



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