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

ANNUAL REPORT

for the year ended 30 June 2001

*Presented to the House of Representatives Pursuant to
Section 44A of the Public Finance Act 1989*

Purpose

This Annual Report has been prepared to meet the requirements of:

- Section 38 of the Third Schedule to the Civil Aviation Act 1990;
- Part V of the Public Finance Act 1989; and
- the Statement of Intent of the Civil Aviation Authority of New Zealand covering the activities of the Civil Aviation Authority, Aviation Security Service, and Class III Search and Rescue Services.

The report covers the activities for the year 1 July 2000 to 30 June 2001.

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ABBREVIATIONS

ACNZ	Airways Corporation of New Zealand
AIA	Aviation Industry Association
AIAL	Auckland International Airport Limited
AIM	Airport Identification Manager
AIP	Aeronautical Information Publications
AIS	Aeronautical Information Service
APEC	Asia Pacific Economic Co-operation
AQI	Audit Quality Index
ASAR	Aviation Security Statistics Recording
ATM	Air Traffic Management
ATS	Air Traffic Services
AVSEC	Aviation Security Service
BASA	Bilateral Aviation Safety Agreements
CAA	Civil Aviation Authority
CAR	Civil Aviation Rule
CIRAG	CAA / Industry Rules Advisory Group
CNS	Communications, Navigation and Surveillance
EAP	Employee Assistance Programme
EDD	Explosive Detector Dogs
EEO	Equal Employment Opportunities
ELT	Emergency Locator Transmitters
ETOPS	Extended Twin-engine Operations
GPWS	Ground Proximity Warning Systems
GST	Goods and Services Tax
ICAO	International Civil Aviation Organisation
ICARUS	Information Confidentially Accepted then Reported Universally for Safety
ISO	International Organisation for Standardisation
LUT	Local User Terminal
GEOLUT	Geo-stationary Satellite Local User Terminal
LEOLUT	Low Earth Orbit Local User Terminal
MHz	Mega-hertz
MOT	Ministry of Transport
NOTAM	Notice to Airmen
NPRM	Notice of Proposed Rule Making
NRCC	National Rescue Co-ordination Centre
NZAAA	New Zealand Agricultural Aviation Association
NZHGPA	New Zealand Hang Gliding and Paragliding Association
NZSRR	New Zealand Search and Rescue Region
RNZAF	Royal New Zealand Air Force
RVSM	Reduced Vertical Separation Minimum
SAR	Search and Rescue
SSC	State Services Commission
TAIC	Transport Accident Investigation Commission
TAOC	Transitional Air Operator Certificate

Foreword by Chairperson

The year ended 30 June 2001 has been a tough one for the Civil Aviation Authority. The difficulties associated with pilot medical issues, the Judicial Review, and impacts on finances — primarily from the collapse of Tasman Pacific Airlines of New Zealand (trading as Qantas New Zealand) — tarnished what otherwise would have been a year in which a lot of progress has been made.

The CAA suffered a deficit of \$1.459 million resulting from a levy shortfall due to the Tasman Pacific demise, a shortfall in fees and charges revenue, and unbudgeted expenditure arising from the medical issues. Of these, the first is the most significant, and highlights the concerns that I expressed in the 1997/98 annual report. At that time the CAA reported that it was exposed to financial risk arising from its dependence on the passenger levy, which is currently tied to a few carriers named in the Civil Aviation (Safety) Levies Order. While this places upon the CAA the same disciplines of management and financial control as exist in industry, it also means that the CAA's financial and revenue structures are not attuned to the vagaries of commercial life. I reiterate that the CAA does not have the freedom that commercial concerns enjoy to influence their revenue through marketing and sales initiatives or to manage or even curtail their operations in the event of an economic downturn. In depressed economic times the demands upon CAA safety activities may well be higher than in buoyant times. The decision by Qantas Airways to voluntarily pay the passenger levy on its new domestic services pending amendment of the legislation helped ease the loss of revenue to the CAA and was appreciated.

The CAA is currently undertaking a complete review of its funding process. This includes consultation with industry on amendments that would see the passenger levy applied automatically to classes of operator who enter the domestic passenger market. A second round of consultation should see an amended levies order in place by the end of the year. At the same time, the CAA must consider what other changes must be made to ensure adequate and stable revenue streams, and equity across the broad spectrum of industry and CAA operations. The process needs to truly reflect the "user-pays" process. In the coming year significant decisions will have to be made to ensure the CAA can go forward with confidence that adequate funding is in place.

The medical issues have sorely tried the CAA's relationships with the aviation community. As a result of the thorough review of all the procedures, it is only now that the full cost of the current medical process has been determined. Regardless of any changes to the procedures, the financial impact of the "user-pays" principle being applied will need to be addressed, as clearly there is currently significant under-funding in this area.

The impact, particularly upon older pilots, of the medical dispute will take considerable effort and good will to resolve. I am heartened that there seems to be a wish by all parties to work together, and I am confident that in the year ahead these matters can be put behind us and we can move on in a positive manner. I believe that this dispute and the resulting changes will place the medical certification process in a far stronger position than would otherwise have been possible, with very positive flow-on to the aviation community and the general public.

Relationships with the other sectors of the aviation community are continuing to improve. The working partnership with groups such as the Aviation Industry Association and the New Zealand Air Line Pilots' Association have never been better, and I thank John

McCall, President of the AIA and Keith Molloy, President of the ALPA for their support. The improvements in the services provided by the CAA since the restructuring have also been noted by many in the aviation community. The re-certification programme for smaller airlines continued, with all Part 119/135 twin-engine operators completed by the 28 February 2001 deadline, and the industry has expressed its appreciation of the CAA approval process. Significant progress was also made in revising the Rules development and procedures during the year. In general the scene is quite positive.

The CAA is also being increasingly recognised on the global scene. The CAA hosted a very successful ICAO Asia-Pacific Directors General of Civil Aviation conference in Wellington last November. However, perhaps the primary indicator of the respect with which the CAA is regarded internationally can be judged by progress on the bilateral aviation safety agreement with the United States Federal Aviation Administration. We expect that the principle government-to-government agreement will be submitted to Cabinet by the end of the year. This agreement will have significant benefits for the New Zealand industry as it develops. Trans-Tasman harmonisation efforts continue, with satisfactory progress being made.

This year saw the retirement from the Board of Miriam Deans, Robert Inglis, and my deputy Cath Taylor. The efforts and vigour they brought to the Authority were most appreciated by me and by the senior management team. My new deputy is Hazel Armstrong, while at the start of the year Gordon Vette and John Gabriel, both former heavy jet airline captains, joined us on the Authority. My thanks go to all members of the Board for their support and commitment during the year, with particular thanks to Tom Ryan for his oversight of the changes to management of the Rules.

No review of the year would be complete without recognition of the efforts of Kevin Ward, who has stepped down as Director of Civil Aviation after nine years. Kevin was the CAA's founding Director and CEO, and his unstinting work in establishing the CAA and reforming the aviation industry has been exemplary; and is only now starting to be recognised. The CAA exists to reduce the rate of aviation accidents and their consequences on behalf of the public, and Kevin has at all times based his decisions and performed his duties for the public good. I would also like to thank the management team and staff of the CAA for their work during the year. The new Director, John Jones, takes up his appointment on 1 October, and we are delighted that we have been able to attract such a high calibre executive to head what is a very experienced management team.

Search and Rescue

During the reporting period the National Rescue Co-ordination Centre (NRCC) managed 745 Class III search and rescue incidents, including 10 major operations, saving 52 lives and recovering four bodies. Two other bodies could not be recovered.

The financial outturn for the search and rescue output class was a surplus of \$0.154 million. The budget anticipated a deficit of \$0.084 million. The main reason for the improved result was a reduction in the average time and effort to resolve each incident.

In February the government released the report of a Maritime Patrol review group that had been tasked with considering New Zealand's civil and military requirements for patrolling its oceanic areas, including search and rescue. Neither the CAA nor the NRCC was invited

to join the study group, which concluded that there will continue to be a requirement for a military maritime air patrol capability such as the P3 Orion aircraft. The conclusion was welcomed by the NRCC because the Orion is the only airborne search and rescue unit with the range and endurance to operate effectively in the extremities of the New Zealand search and rescue region.

Aviation Security Service

The Aviation Security Service's commitment to Trans-Tasman operations at the regional airports of Hamilton, Palmerston North, Dunedin and Queenstown has continued with all these airports showing strong growth in passenger numbers over the year.

Planning remained an important priority for the Service with a review of strategic and business planning processes and development of a new business plan for 2001/02. Work also proceeded on implementation of the 2000/01 business plan, with the successful completion of a number of significant projects. A new strategic plan for the explosive detector dog unit was also developed.

The year was also a busy one for audits with external audits conducted against the ISO 9002 international standard at five stations and Civil Aviation Authority audits in three stations plus National Office. The CAA also tested the Service's preparedness for domestic screening at six airports, with pleasing results.

A new position of Contracts Manager was established in February and an appointment made to the position. Good progress has been made in developing contracts with key clients setting out Service commitments in respect of the expectations of those clients. The objective is to establish better interaction at both the strategic and operational levels between the Service and key clients.

The year also saw the launch of the Service web site and enhancement of both Intranet and Internet facilities. Work commenced on the redevelopment of the AIM Identity Card System and independent reviews of IT risk and IT security were undertaken. To help address vulnerabilities identified by the IT risk assessment, a contract was entered into with an external provider to provide ongoing systems support.

The Service's explosive detector dog unit was extensively deployed throughout the year, on occasions providing assistance to the Police off airports. In June an Auckland handler was flown by helicopter to Tauranga to search an aircraft on which the Prime Minister was scheduled to travel.

A major exercise during the year was the transfer in-house of the Service finance function, which has been performed by the Civil Aviation Authority for the last eight years. A team of officials from both branches worked on the transfer from February to early July. The transfer was successfully completed without any disruption to financial services.

A new collective agreement was negotiated with the Public Service Association, acting on behalf of Service staff. The new collective agreement has a term of 1 April 2001 to 30 June 2003 and includes the establishment of management/staff consultative committees to discuss matters of strategic significance that may impact on staff.

The Aviation Security Service \$0.217m surplus for the year is a modest improvement on the budgeted surplus of \$0.210m. Total revenue was 5% above budget due primarily to higher than expected passenger departures during the year. Expenditure also increased by 5% due primarily to higher personnel and operating costs.

I would also like to thank the management team headed by Mark Everitt and the staff of the Service for their work during the year.

A handwritten signature in black ink, appearing to read 'Rodger Fisher', written in a cursive style.

Rodger Fisher
Chairperson

THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Introduction

The Civil Aviation Authority of New Zealand (the “CAA”) was established under the Civil Aviation Act 1990 as a new Crown entity on 10 August 1992 with the prime function of undertaking activities which promote civil aviation safety at reasonable cost.

The Civil Aviation Authority is headed by a five member board appointed for terms of up to three years by the Governor-General on the recommendation of the Minister of Transport, being persons that the Minister considers will represent the public interest in civil aviation. The board is known as “the Authority” and reports directly to the Minister of Transport.

The Aviation Security Service, like the CAA, was also previously part of the Ministry of Transport and remained under the umbrella of the Ministry until 1993 when responsibility for the Service was transferred from the Ministry to the Authority.

The Authority is required to perform its functions in respect of the Service separately from its other CAA functions, including the maintenance of separate accounts, records and reports.

The Authority also has direct responsibility for the provision of Class III Search and Rescue Services. These services are now a direct output of the CAA with separate staffing, resourcing and financial accounting.

This separation of search and rescue services from the CAA’s regulatory functions is in line with the principles on which the Civil Aviation Authority was set up. It also keeps the financial arrangements vis a vis Crown funding of search and rescue separate from Crown funding of the Civil Aviation Authority’s policy advice functions.

Members of the Authority

Rodger Fisher (Chairperson)

Rodger Fisher, retired from the position of Managing Director of the Owens Group in 1999, has extensive transport sector experience and a strong background in business management. Mr Fisher is also a Director of Waste Management New Zealand Limited, Fletcher Challenge Forests Limited, Deputy Chairman of Wel Energy Group Limited, and a Director of several other companies. Mr Fisher was appointed Chairperson of the Authority in 1998.

Hazel Armstrong (Deputy)

Hazel Armstrong is a Wellington based barrister. Ms Armstrong has recently worked as counsel for the Rail Maritime Transport Union at the Ministerial Inquiry into TranzRail safety. Ms Armstrong has a strong background in research into worker health and safety issues in the workplace, and was a member of a government advisory committee on occupational safety and health. Ms Armstrong has held a variety of union positions and has been a Wellington City Councillor, a Government appointee to the ACC regulations review panel, a Director of Capital Power, and a Director of ACC. Ms Armstrong was appointed to the Authority in 2001.

Tom Ryan

Thomas Ryan is a Chartered Accountant with a strong background in the aviation industry, including extensive experience in airline general management. Mr Ryan was appointed to the Authority in 1999.

Gordon Vette

Gordon Vette flew as senior check and training Captain with Air New Zealand on B747 and other types. Mr Vette is well known for his work in pilot training and flight safety enhancement systems. Mr Vette was appointed to the Authority in 2000.

John Gabriel

John Gabriel flew with National Airways Corporation, Air New Zealand and Thai Airways International. Mr Gabriel was a flight simulator instructor with Air New Zealand Ltd until his retirement in August 1999. Mr Gabriel was appointed to the Authority in 2000.

Director of Civil Aviation

Kevin Ward

Under the provisions of section 72I of the Civil Aviation Act 1990, the Director of Civil Aviation is appointed by the Authority as Chief Executive of the Civil Aviation Authority, with overall responsibility for the day-to-day management of the organisation and the appointment of all other CAA employees (not including Aviation Security Service personnel).

The Director also has specific statutory powers and functions including exercising control over entry into the civil aviation system through the granting of aviation documents, and enforcement including the monitoring of performance through inspections and audits.

In exercising these latter responsibilities in respect of any particular case, the Director must act independently and may not be directed by the Minister or the Authority.

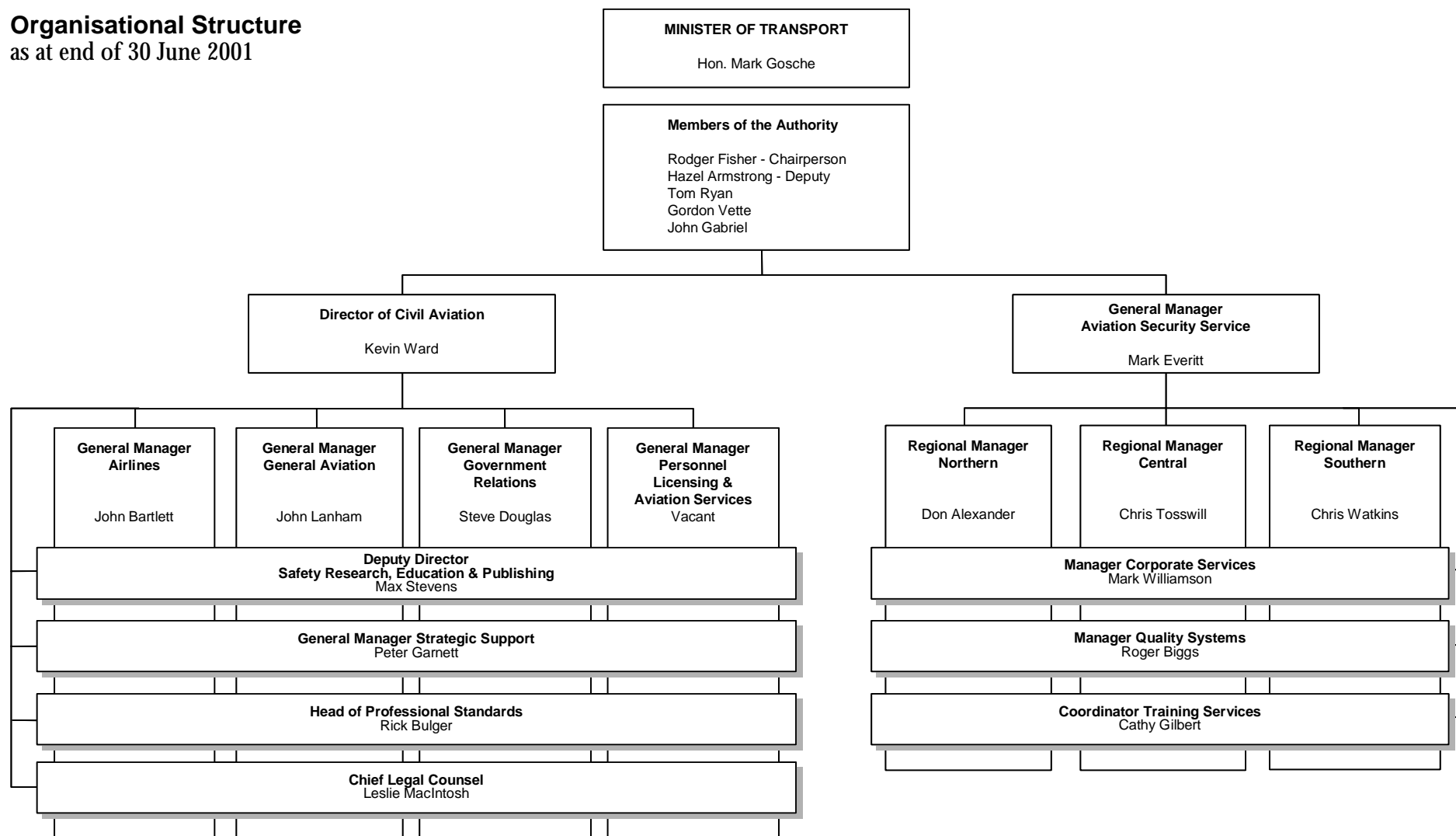
General Manager of the Aviation Security Service

Mark Everitt

The General Manager of the Aviation Security Service is appointed by the Authority under section 72L of the Civil Aviation Act 1990 and is responsible for the day-to-day management of the Service including the appointment of Aviation Security Service personnel.

In exercising in any particular case any functions or powers conferred on the General Manager by statute, regulations or rules made under any Act, the General Manager is charged with acting independently and may not be directed by the Minister, the Authority, or the Director of Civil Aviation.

Organisational Structure
as at end of 30 June 2001



CIVIL AVIATION AUTHORITY

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

FUNCTIONS

The primary function of the Civil Aviation Authority (CAA) is to undertake activities which promote civil aviation safety and security at reasonable cost (Section 72B of the Civil Aviation Act 1990).

In furtherance of this primary function, the Authority is charged with:

- establishing safety and security standards relating to entry into the civil aviation system;
- monitoring adherence to these standards;
- ensuring regular reviews of the civil aviation system to promote the improvement and development of its safety and security;
- investigating and reviewing civil aviation accidents and incidents in its capacity as the responsible safety and security authority;
- notifying the Transport Accident Investigation Commission of certain categories of accidents and incidents notified to the Authority;
- maintaining and preserving records and documents relating to activities within the civil aviation system, and in particular maintaining the New Zealand Registry of Aircraft and the Civil Aviation Registry;
- ensuring the collection, publication, and provision of charts and aeronautical information, and entering into arrangements with other persons or organisations to collect, publish, and distribute such charts and information;
- providing the Minister of Transport with such information and advice as the Minister may from time to time require;
- promoting safety and security in the civil aviation system by providing safety and security information and advice, and fostering safety and security information education programmes; and
- carrying out such other civil aviation functions and duties as the Minister of Transport may from time to time prescribe by notice in the *Gazette*.

As from 1 July 1996 the Authority also took over direct responsibility for the provision of Class III search and rescue services, previously undertaken under contract to the Ministry of Transport. These functions were included in the Civil Aviation Amendment Act 1996 that came into force on 13 August 1996.

In addition, the above Act requires the Director of Civil Aviation, as Chief Executive of the Authority, to:

- exercise control over entry into the civil aviation system through the granting of aviation documents under the Act; and
- take such action as may be appropriate in the public interest to enforce the provisions of the Act and of regulations and Rules made under the Act, including the carrying out or requiring of inspections and audits.

VISION, MISSION AND VALUES

Vision

Leading Aviation Safety through Quality to a level of achievement that matches or exceeds the foremost aviation nations for the benefit of the people of New Zealand.

Mission

The prime purpose of the Civil Aviation Authority is to undertake activities which promote safety in civil aviation at a reasonable cost.

Values

Safety	The CAA focus is ultimately on the safety of civil aviation in the public interest. Whenever doubt exists in the exercise of a CAA function or responsibility, the CAA will err on the side of safety.
Consultation & service	Undertaking meaningful dialogue with clients and interested parties and the delivery of services that recognise client requirements (consistent with safety responsibilities).
Quality	The management of systems and people in a manner that delivers optimum service quality to clients. It incorporates our commitment to improvement which means continually learning, improving and developing ourselves, our service and our systems.
Client focus	Create an environment where our client's requirements are dealt with in a courteous, efficient and thorough manner.
Team work	Fostering an esprit de corps - a common ethos, mutual support and respect within the CAA.
Efficiency & effectiveness	Delivering optimal services at reasonable cost.
Fairness & consistency	Treating all clients and staff in a fair and reasonable manner, without fear or favour.
Honesty & ethical conduct	Being an organisation that clients and staff can trust to be open, straightforward and reliable.
Respect for individuals and their views	Treating everyone as we would want to be treated.
Professionalism & skill	Having the personal and technical attributes to perform the CAA's functions to a high standard.
Job satisfaction	Enjoying the work, taking satisfaction from it, and celebrating success.

STRATEGIC GOALS

To achieve its mission, the CAA has the following strategic goals for the next three to five years:

Safety Goals

1. Reduce the probability and consequences of unsafe aviation activities.
2. Improve the community (aviation industry and wider public) understanding of aviation safety levels and establish acceptable safety target levels.
3. Take safety actions that return a net benefit to the community.

All of the above Safety Goals contribute directly to Government's Outcome "A safe, sustainable transport system at reasonable cost"; and indirectly to the Outcome of "A commitment to contribute to key Government goals".

Non-Safety Goal

4. Promote environmentally and socially responsible civil aviation.

This Goal contributes directly to Government's Outcome of "A commitment to contribute to key Government goals".

Business Goals

5. Become and be recognised as a Civil Aviation Authority that does the right thing the right way.
6. Support and develop our people, recognising them as the source of our strength.
7. Maximise the benefits to our stakeholders of our expertise, products and services.
8. Ensure that the CAA is the pre-eminent provider of aviation safety and security advice.

OUTCOMES AND OUTPUTS

Outcomes

The Government's desired outcomes to which the Civil Aviation Authority must contribute are:

1. **A safe, sustainable transport system at reasonable cost.**
2. **A commitment to contribute to key Government goals.**

Note: "Reasonable cost" is defined in section 14 of the Civil Aviation Act 1990 as meaning "where the value of the cost to the nation is exceeded by the value of the resulting benefit to the nation".

"Key Government Goals" are as defined in the letter from the Department of the Prime Minister and Cabinet dated 22 February 2000, entitled "Key Government Goals to Guide Public Sector Policy and Performance".

Outputs

The services and associated activities (i.e. the Outputs) of the Civil Aviation Authority which contribute to the above Outcomes are grouped into the following Output Classes:

Output Class	Output	Source of Funding
Policy Advice	Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements	Crown funded
	Management of Exemption Process	Direct fees and charges
Safety Assessment and Certification	Aviation Document Assessment	Direct fees and charges and levy funding
	Monitoring and Corrective Action Identification	Direct fees and charges and levy funding
Safety Analysis and Information	Safety Investigation and Analysis	Levy funded
	Safety Education and Information	Levy funded
Enforcement	Responses to Regulatory Breaches	Levy funded
Search and Rescue	Provision of Class III search and rescue services	Crown funded

SUMMARY OF ACTIVITIES DURING THE YEAR

Introduction

The following is an overview of significant aviation safety activities undertaken by the CAA during the year. Details of the more specific and/or routine activities undertaken are contained in the Statement of Service Performance later in this report.

1. Safety and Security

1.1 Civil Aviation Rules Progress Review 2000/2001

In discussions with the Ministry of Transport (MOT) it was agreed that the 21 projects in the Rules Development Services Agreement for 2000/01 would not be achieved due to resource constraints. In subsequent talks the MOT agreed in early 2001 to changes in the programme whereby 13 projects were identified for completion to defined milestones by 30 June 2001.

Seven of these projects were completed, and of the remaining six projects, two await completion of cost benefit analyses (runway end safety areas, and wire marking) and four will be completed as part of the 2001/02 programme.

1.2 Wire Marking

A cost benefit study into the marking of wires was initiated and the 20 most hazardous line spans identified by exact location and owner. Legal issues including rights of access to mark existing line spans are still being evaluated. Power transmission companies have agreed that every effort should be made to mark the most hazardous of the existing lines ahead of any final rule requirement.

1.3 Enhanced Ground Proximity Warning & Airborne Collision Avoidance Systems

Significant work on the Enhanced Ground Proximity Warning Systems (EGPWS) project as well as the Airborne Collision Avoidance System (ACAS) project was started during the year. To produce a project key issues paper, this involved the research and analysis of the international standards, practices, and other information associated with the implementation of the International Civil Aviation Organisation (ICAO) requirements.

1.4 Runway End Safety Areas

The ICAO requirement to implement Runway End Safety Areas (RESA) at aerodrome serving international aviation, particularly at Wellington and Queenstown airports, drew significant media and government interest.

A consultant was engaged to undertake a cost benefit analysis on the RESA issue as part of the associated rule making process. This involved a far greater level of work than anticipated consequently delaying completion of the analysis.

1.5 Aeronautical Information Service

The Authority endorsed a report on the future provision and funding of the Aeronautical Information Service (AIS), and agreed to recommend the introduction of a levy to fund the production costs of the AIS. A report was subsequently released to industry on the outcomes of the consultation programme. The CAA is working with Ministry of Transport officials on the administration of introducing the levy.

1.6 Aeronautical Information Publication

A project to develop a completely new Aeronautical Information Publication (AIP) was initiated with industry involvement. "Tomorrow's AIP" will be compiled reflecting the latest ICAO prescribed formats and all components, except aeronautical charts, will be available through the Internet. The new AIP is expected to replace the existing system in October 2002.

1.7 Air Traffic Services and Airspace Policy Review

A consultation paper reviewing the regulatory framework for Air Traffic Services (ATS) and airspace policy was released to industry on 20 October 2000. Fifteen submissions were received.

1.8 Air Traffic Management

A CAA/Industry working group completed a draft document on New Zealand's air traffic management direction. The next phase of the project is to meet with the users to discuss progress and solicit views on the industry's future requirements.

1.9 Safety Education Activities

Amongst the routine seminars and workshops held by the CAA, a seminar to encourage the general aviation industry to investigate and report safety incidents was attended by more than 100 representatives of the sector.

A new weekly aircraft accident report was added to the CAA web site to provide basic information on general circumstances surrounding accidents within the previous 14 days. The report complements the Accident Brief, generated shortly after the investigation into each accident is closed.

1.10 USA/NZ Bilateral Aviation Safety Agreement

Further progress was made during the year on the new US/NZ Bilateral Aviation Safety Agreement that initially will cover airworthiness activities. Detailed work on the implementation procedures has continued between CAA and FAA certification staff, while briefings have been provided to government officials for the purpose of concluding the Agreement between the two countries. It is expected that the formal Agreement will be submitted for cabinet approval in August 2001. As at the date of the audit opinion documents were with the relevant government subcommittee.

1.11 Australia/New Zealand Harmonisation Progress

During the year talks were held with CASA on a number of rules projects, including Part 61 personnel licensing issues, Parts 71 and 73 airspace rules and Extended Twin-engine Operations (ETOPs) requirements to be incorporated in a revised Part 121 rule.

A memorandum was signed between CASA and CAA to further the harmonisation of Part 61 pilot licensing standards. This memorandum supports the "open skies" air services agreement concluded between the New Zealand and Australian governments.

1.12 Re-certification Programme

The CAA achieved significant advances in the re-certification of parts of the general aviation sector including;

- Re-certification of all 119/135 twin-engine operators.
- The completion of a targeted programme of spot check surveillance programme.
- The initiation with AIA Engineering Division of a joint project to improve general aviation engineering practices.
- The initiation of a project that will address standards of aircraft operations in the helicopter and small aeroplane sector.

1.13 Audit Quality Index

The audit quality index continues to be used by the CAA as an early warning of possible 'at risk' operators. Certificate holder expectation of a reduction in CAA oversight in response to higher than average Audit Quality Index (AQI) scores was stronger than the CAA envisaged and has resulted in a diversion of attention by some operators from incremental and sustained safety improvement to short term AQI results. The CAA is taking steps to improve the integration between the audit report and the AQI and continues to educate both CAA staff and industry about the AQI process and value.

1.14 Security and Intelligence Activities

A joint CAA and Aviation Security Service (AVSEC) audit of the national Airport Identify Card system has been completed and recommendations made to address anomalies revealed.

1.15 Special Notices

The CAA issued a total of 4 "Special Notices" to the aviation industry and Government agencies involved with aviation security alerting them to international issues threatening aviation. The CAA assisted industry, particularly scheduled and charter air transport operators, with the daily formal and informal threat situation reports on the crisis in Fiji.

2. Risk Management

2.1 Claims against the CAA

There are 7 outstanding civil cases involving the CAA or the Director of Civil Aviation. Four of those cases involve claims for damages as a result of alleged tortious conduct on the part of the Director or the CAA. Two are judicial review applications before the High Court and one is a statutory appeal to the District Court from a decision of the Director under the Civil Aviation Act 1990.

2.2 NZ Domestic Airline Operations

Following the collapse of Tasman Pacific Airlines Ltd (trading as Qantas NZ) the domestic airline sector virtually reinvented itself during the latter part of the year. This required the support of CAA in the prudent handling and expeditious processing of certification requests to ensure least affect on the travelling public.

2.3 Passenger Levy Order Inflexibility

The inflexibility of the current passenger Levy Order was underlined by the demise of Tasman Pacific Airlines Ltd in that it specifically names the Air Transport Operations liable to pay the domestic passengers levy. New operators were not liable to pay until an amendment could be made to the Levy Order to add their names to the schedule. Proposals for the amendment of the levies order by defining a class of air operator liable for payment were developed by the CAA and consulted with industry during 2001.

2.4 Civil Aviation Amendment Act

The CAA submitted a package of proposed amendments to the Civil Aviation Act (Amendment Bill No.1) to the Ministry of Transport relating to the exercise of the Director's safety powers under the legislation and the CAA continued to support the Ministry in its consultation with other Government departments regarding the proposed amendments. The CAA briefed the Transport and Industrial Relations Select Committee on the proposed changes to the Director's powers in the Civil Aviation Act (Amendment Bill No.1). The briefing preceded the hearing of public submissions by the Committee on the changes.

The Civil Aviation Act (Amendment Bill No. 2) on the proposed changes to the Director's powers in relation to aviation medical documents was before the Select Committee and was reported back to the House. A number of amendments were proposed by those who made submissions. Some of these were discussed with industry groups to see if it was possible to agree in at least some areas, and valuable mutual understandings were achieved. Bill No.2 completed the Select Committee Hearings process. A senior project manager was seconded from the Ministry of Transport to assist the CAA on this project.

2.5 Ministerial Review

The Minister of Transport released the independent review of the Civil Aviation Authority on 17 May 2001. The Ministerial Review was conducted as part of the three-yearly review of CAA but with particular emphasis on regulation of the general aviation sector. The review team's report contained a number of recommendations for action by the CAA and the Ministry of Transport.

2.6 The Office of the Auditor-General - Follow-up audit of the CAA

On 20 December 2000 the Office of the Auditor-General presented a report of its follow up audit on CAA safety audits to the House of Representatives.

2.7 Quality Managers Forum

Four CAA facilitated Quality Manager forums were held during the year with participants from holders of Part 121, 125, 135 and Part 145 organisations. CAA presented a variety of papers and, in the Christchurch forum during the last quarter, gave a practical demonstration on the analytical processing of safety data routinely provided by the industry.

2.8 Safety Planning Forum

Planning commenced for a significant CAA/Industry forum to take place in Wellington over two days in September 2001. The objective of the forum is to improve the cohesiveness and effectiveness of safety initiatives in order to reduce accident risk in the sector.

3. Strategic Management

3.1 Client Relationship Project and CAA Restructuring

The CAA continued to embed its new structure with formal workshops and management planning sessions. Work also continued at a senior level to identify exactly the components of the industry for which each operational general manager was responsible.

During the year two General Managers resigned with one of the resulting positions being filled before the end of the period.

3.2 Health and Safety – Accident Compensation Corporation (ACC) Audit

The ACC advised that, as a result of an independent audit into the CAA Workplace Safety Management Practices, they had assessed that the CAA had achieved the Tertiary Level requirements. This entitled the CAA to a 20% discount on the ACC Workplace cover premium for the 2000/01 and 2001/02 premium years.

3.3 PSA/CAA Collective Employment Negotiations

During the year a number of meetings were held between the PSA and CAA negotiating teams. The meetings were held in a cordial and constructive atmosphere that resulted in the successful negotiating of a draft Collective Agreement.

3.4 ICAO Directors General of Civil Aviation Meeting, Asia/Pacific Region

The 37th Meeting of ICAO Asia and Pacific Region DGCA's was successfully hosted by the Director on behalf of New Zealand from 13 to 17 November 2000. All delegations were highly appreciative of the conference arrangements, and the Director was complimented for the warm hospitality shown by the CAA to the delegates and their partners.

3.5 Significant Visitors

The CAA hosted the ICAO Regional Director Asia and Pacific Region during February. Discussions included a proposal to adjust the boundaries of the Tonga and Samoa FIRs to bring both countries into New Zealand's Auckland Oceanic FIR.

The Norwegian Director of Civil Aviation visited the CAA in November. The visit was to learn about the civil aviation regulatory system employed in New Zealand, the civil aviation legislation and Rules, and more specifically, to learn about the regulation of sport aviation in this country to use as a model for a major regulation project in Norway.

The Minister of Transport Hon. Mark Gosche visited the CAA in September and was introduced to the Authority and senior management team. Mr Gosche received briefings on the regulatory system and the CAA's organisational structure and was also shown the National Rescue Co-ordination Centre located within Aviation House.

3.6 Key Overseas visits by CAA

The CAA was represented at a number of key international conferences, meetings and seminars in relation to its obligations and work with ICAO, APEC, FAA, Bilateral Agreement partners and Search and Rescue operations development.

GOOD EMPLOYER REQUIREMENTS

All CAA's human resource policies, procedures and programmes encompass the good employer requirements set out in sections 28 to 30 of the Third Schedule to the Civil Aviation Act 1990.

1. Staff Numbers

	1999/2000	2000/2001	Variance
Female	43	40	-3
Male	102	116	+14
TOTAL	145	156	+11

2. Employment Contracts

The CAA continues to maintain and update documented employment contracts for all personnel. These contracts define the terms and conditions of employment with the CAA.

With the introduction of the Employment Relations Act (2000), the Human Resources Unit took the opportunity to review its standard Individual Employment Agreement that is offered to all new staff. As a result of the new Act, all staff were provided with updated procedures for the resolution of employment related problems.

3. Equal Employment Opportunities

Existing Equal Employment Opportunities (EEO) were maintained during the period.

4. Employee Assistance Programme

The CAA's Employee Assistance Programme (EAP) was revamped during the period; the management of the EAP is now the responsibility of the Manager Human Resources. Two new in-house EAP officers undertook training in December 2000, and 14 staff members obtained assistance through the EAP during the year.

5. Maori Perspective

An annual resource allocation is available to CAA staff requesting assistance to increase their knowledge and understanding of Te Reo Maori. Resources are also available for projects that further enhance Maori initiatives within the CAA's business operations. CAA's obligations with respect to Maori are also encompassed in the development, review and amendment of human resource policies and procedures.

6. Training

Staff attended a wide variety of both technical and general training seminars, conferences and workshops throughout the year as a result of CAA's ongoing commitment to staff development. A record of all training undertaken is held in the Human Resources Unit.

SEARCH AND RESCUE SERVICES

1. Significant Search and Rescue Activities

The NRCC was alerted to 741 Class III SAR incidents during the reporting year and was fully activated to manage 10 SAR operations. These major operations resulted in the rescue of 52 people but, unfortunately, six people died.

- (a) On 14 July 2000 an Emergency Locator Transmitter (ELT) was detected about 400 miles northeast of Auckland by the COSPAS-SARSAT satellite detection system. An RNZAF P3K Orion aircraft located the ketch “Tamahine a Tangaroa”, which was storm-damaged and taking on water. The RCC then diverted a container vessel to rescue the solo-sailor, who abandoned his yacht.
- (b) After an ELT distress beacon was detected by COSPAS-SARSAT on 29 July 2000, an RNZAF P3K Orion aircraft was despatched to a position 350 miles north of Auckland where it located a life raft. A nearby merchant vessel was diverted to rescue the two survivors whose yacht, “Dee Dee”, had sunk and been abandoned the day before.
- (c) On 10 August 2000 the RCC was advised that a helicopter was overdue on a flight to Taupo. The RCC organised an air search that resulted in the location and rescue of two people from the missing aircraft, which had crashed while attempting to cross a ridge in adverse weather conditions.
- (d) On 26 September 2000 an ELT distress beacon was detected and reported by the COSPAS-SARSAT system. The RCC employed an RNZAF P3K Orion aircraft that located a dismasted yacht 80 nautical miles east of Whangarei. The Orion guided a rescue helicopter to the scene where three crewmembers were winched from the yacht, which was abandoned.
- (e) On 9 May 2001 the fishing vessel “Bancroft Bay”, which was on a delivery voyage to Mount Maunganui from New South Wales, broadcast a distress call while 400 miles west of North Cape and reported that she was taking on water and in danger of sinking. The RCC team arranged for the trans-Tasman vessel “Rotoma” to rescue the two crew members who abandoned their vessel.
- (f) On 23 May 2001 the Wellington-based fishing vessel, “Moeraki Bay”, with a crew of two, was reported missing in the Cook Strait area. The RCC organised an extensive search operation that covered over 100,000 square miles of ocean. The search was eventually suspended without the missing vessel or crew being located.
- (g) On 24 June 2001 the trimaran “Talukatea” was 50 miles off the Wairarapa coast when she was damaged by heavy seas, started taking on water and was in danger of sinking. The RCC despatched a helicopter to rescue the five crew members who abandoned their vessel.

2. Other Significant Search and Rescue Activities and Events

Other events or activities of significance to the SAR Output that occurred during FY 2000/2001 included:

- (a) An Inquest into the ditching of ZK-DUU and the loss of two lives in Pegasus Bay on 21 November 1999 was held in the Rangiora Coroner's Court over the period 16-18 August 2000. The Inquest focussed on the management and conduct of the SAR operation associated with this accident. The Coroner issued his formal finding on 16 January 2001.
- (b) The Manager NRCC attended the 25th Session of the COSPAS –SARSAT Council in Quebec during the period 16-19 October 2000. A significant Agenda Item was the 'Phase-out Plan for 121.5/243MHz Satellite Alerting Services', which is scheduled to be implemented by 1 February 2009.
- (c) The RCC was represented at a SAR Workshop in Brisbane during the period 25- 27 October 2000. The Workshop was hosted and funded by the Australian Department of Defence and organised jointly by the Australian Maritime Safety Authority and the United States Coastguard. The forum was attended by representatives from 14 Pacific nations and focussed on Regional SAR Co-operation.
- (d) A joint Australian / New Zealand SAR Exercise was held in November 2000 to practice and test the communications and SAR co-ordination arrangements between the New Zealand RCC and the RCC in Canberra.
- (e) A Joint CAA/MOT Review of SAR Funding, as required by the 2000/2001 Search and Rescue Performance Agreement, was completed on 12 April 2001.
- (f) The RCC conducted a training course for SAR Air Observers over the period 21/22 April 2001 for 35 police and coastguard trainees.
- (g) The Manager NRCC attended the Australian Search and Rescue Council meeting in Canberra on 6 June 2001.
- (h) The RCC conducted a two-day seminar on "SAR Co-ordination" over the period 9/10 June 2001 for 21 representatives from the CAA, the MSA, the Police, Defence and the Airways Corporation of New Zealand.

POLICY DIRECTIVES

During this year, no new Policy Directives were issued.

Since the establishment of the Civil Aviation Authority, only one Policy Directive has been issued to the Authority on 1 September 1992 under the provisions of section 72C of the Civil Aviation Act 1990.

DELEGATIONS TO PERSONS OUTSIDE THE CAA

Section 23B of the Civil Aviation Act 1990 empowers the Authority and the Director to delegate any of their functions and powers under the Act, rules or regulations to any person who is not an employee of the Authority. Section 23B(2) expressly provides that the Director cannot delegate, under that section, his powers to revoke aviation documents under sections 18 or 41, suspend aviation documents under section 41, or issue infringement notices pursuant to section 58. No delegation can be made pursuant to section 23B without the written consent of the Minister of Transport.

The Authority has not exercised its power under section 23B of the Act. The Director has delegated functions and powers as described below to persons not employed by the Authority.

The current Performance Agreement between the CAA and the Minister of Transport requires that each person outside the Authority to whom any powers are delegated must sign a letter of acknowledgement that

- (a) he or she will at all times comply with:
 - (i) all terms and conditions of the delegation as recorded in the Instrument of Delegation; and
 - (ii) the standards of service specified in the current Service Charter of the Authority; and
 - (iii) any other terms or conditions relevant to the exercise of the delegation which the Director may from time to time determine; and
- (b) any breach of these requirements may result in the revocation of the delegation.

Letters of acknowledgement have been signed by all persons holding a delegation made by the Director pursuant to section 23B of the Act.

1. Aviation Services Limited

In April 1998, with the consent of the Minister of Transport, the Director delegated to Mr Michael Lynskey, General Manager of Aviation Services Limited, his powers and functions under section 72K of the Civil Aviation Act 1990 to set, conduct and administer examinations and tests, conduct flight testing and carry out any related functions necessary for the granting or renewal of aviation documents to flight crew members. This delegation expires on 30 June 2002 unless suspended or revoked by the Director. The delegation is subject to various conditions and limitations specified in the Schedules to the Delegation.

The CAA Safety Audit Unit conducts regular audits of the company to monitor compliance with the conditions and limitations on the delegation.

2. Airways Corporation of New Zealand

In June 2000, the Director delegated his powers, with the consent of the Minister of Transport, under Rule 19.155 of the Civil Aviation Rules to:

- (a) prescribe meteorological minima for take-off and landing at aerodromes and associated conditions or requirements; and
- (b) prescribe the conditions and procedures under which aircraft operating under instrument flight rules may be flown; and

- (c) prescribe instrument approach procedures and missed-approach procedures in relation to the use of any aerodrome; and
- (d) publish meteorological minima, conditions, requirements and procedures so prescribed in the New Zealand Aeronautical Information Publication;

to Mr Dennis Hoskin, the Navigation Services Manager of Airways Corporation. The delegation is valid until 15 September 2004, provided that Mr Hoskin continues to be employed as Navigation Services Manager for the Airways Corporation.

3. Microlight Organisations

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Microlight Pilot Certificates and Microlight Pilot Instructor Certificates prescribed by Civil Aviation Rule Part 103 to four individuals holding senior positions in the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 103 provides that Microlight Pilot certificates and Microlight Pilot Instructor Certificates are to be issued by holders of delegations issued by the Director employed by organisations certificated under Part 103. Both the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand hold Microlight Organisation Certificates issued by the Director pursuant to Civil Aviation Rule Part 103.

The Civil Aviation Authority conducts an annual audit of the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated.

4. Gliders

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Glider Pilot Certificates and Glider Pilot Instructor Ratings prescribed by Part 104 and Part 19 of the Civil Aviation Rules to four senior persons nominated by the New Zealand Gliding Association. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 104 requires glider certificates to be issued by the holder of a delegation from the Director for that purpose. The New Zealand Gliding Association is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

5. Hang Gliding and Paragliding

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Hang Gliding and Paragliding Certificates prescribed by Part 106 of the Civil Aviation Rules to two senior persons nominated by the New Zealand Hang Gliding and Paragliding Association (NZHGPA). He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation

to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 106 requires hang gliding and paragliding certificates to be issued by the holder of a delegation from the Director for that purpose. The NZHGPA is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

6. Parachuting

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Parachutist Certificates prescribed by Part 105 of the Civil Aviation Rules to Mr Keith Graham Gallaher, Chief Executive of the New Zealand Parachute Federation. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 105 requires parachutist certificates to be issued by the holder of a delegation from the Director for that purpose. The New Zealand Parachute Federation is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

7. New Zealand Warbirds Association

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing aviation event authorisations prescribed by Rule 91.703 of the Civil Aviation Rules to the Chief Flying Instructor of New Zealand Warbirds Association Incorporated.

8. Search and Rescue Mission Co-ordinators

The Director has delegated, with the consent of the Minister of Transport, his power in Civil Aviation Rule Part 73 to prescribe restricted areas for the purposes of Search and Rescue, Police, Fire Service and National Civil Defence Operations to eight Search and Rescue Administration Officers and Mission Co-ordinators contracted to the National Rescue Co-ordination Centre which is established, maintained and operated by the CAA pursuant to section 72B of the Act. The five Search and Rescue Mission Co-ordinators are not employees of the Authority. These delegations are valid for a period of three years, unless revoked by the Director.

9. Approval of Design Changes – Modifications and Repairs

The Director has delegated, with the consent of the Minister of Transport, the powers contained in Civil Aviation Rules 21.73(a)(2) and 21.505 to approve modifications and repairs:

- (a) in accordance with Civil Aviation Rule 21.81 by approving the modification's technical data under Civil Aviation Rule 21.505; and
- (b) in accordance with Civil Aviation Rule 21.433, by treating repairs as design changes to be approved as modifications.

These powers have been delegated to individuals employed by holders of Design Organisation Certificates issued by the Director under Civil Aviation Rule Part. The

Director has imposed conditions and limitations on the exercise of the powers having regard to the qualifications of the individual delegates. The organisations are subject to the monitoring activities of the CAA under the Civil Aviation Act.

Individuals employed by the following organisations hold delegations of the power to approve modifications and repairs:

- Air New Zealand
- Pacific Aerospace Corporation
- NTech Limited
- Safe Air
- Aviation Design Solutions Limited
- Analysis and Design Associates Ltd

The delegations are valid for a period of five years, unless revoked by the Director.

STATEMENT OF IMPACTS AND CONSEQUENCES

A. INTRODUCTION

The aviation safety outcome measures, which relate to the Government's desired outcomes to which the Civil Aviation Authority must contribute, were established in 1993/94.

As the CAA is only one contributor to the achievement of such targets, various aviation industry representative organisations have been consulted on these or other possible targets and ways to reduce accident rates and improve levels of safety. While full agreement on aviation accident rates has not been achieved, accident rate reduction targets were established for specific categories of operations and aircraft for achievement by the year 2000.

Improvements continued to be made to the collection of data in support of these aviation safety outcome measures and the CAA's analytical tools to assess this data, and to identify causal factors and underlying trends.

B. OUTCOME MEASURES

The Government's desired outcomes to which the Civil Aviation Authority must contribute are:

1. **A safe, sustainable transport system at reasonable cost**
2. **A commitment to contribute to key Government goals**

Note: "Reasonable cost" is defined in section 14 of the Civil Aviation Act 1990 as meaning "where the value of the cost to the nation is exceeded by the value of the resulting benefit to the nation.

"Key Government Goals" are as defined in the letter from the Department of the Prime Minister and Cabinet dated 22 February 2000, entitled "Key Government Goals to Guide Public Sector Policy and Performance".

The overall aviation safety measures relating directly to the first outcome above, and indirectly to the second, are the rates of the following compared to established targets:

1. **Aircraft accidents**
2. **Aircraft incidents**
3. **Airspace incidents**
4. **Aircraft defects**
5. **Level of industry safety performance**

Note: "Accident" is defined in section 2 of the Civil Aviation Act 1990 as meaning "an occurrence that is associated with the operations of an aircraft .. in which a person is fatally or seriously injured .. or the aircraft sustains damage or structural failure .. or the aircraft is missing or completely inaccessible".

"Incident" is also defined in section 2 of the Act as meaning "any occurrence, other than an accident, that is associated with the operation of an aircraft and affects or could affect the safety of operation".

The objective of these measures is to identify:

- (a) the safety performance of the aviation industry;
- (b) areas where action needs to be taken by the CAA;
- (c) the consequences of action taken by the CAA (i.e. the impact and consequences of the CAA's outputs).

C. OUTCOME RESULTS

The significance of reporting trends cannot be determined using current systems, as there is currently no means of determining if a changing trend represents a change in actual safety performance or a change in reporting patterns by industry.

A project has been started to develop a defined level of confidence in the level of industry reporting. This will allow the significance of reporting trends to be determined, allowing appropriate action to be initiated when required.

Notes: *The establishment of New Zealand Aviation Safety Outcome Targets is an ongoing process. It is important to appreciate that:*

- (a) *the CAA is only one contributor to the achievement of these targets, with the aviation industry the major contributor;*
- (b) *while consultation with the aviation industry has taken place on the setting of the aviation accident targets, full agreement has not been possible as some sectors of the industry do not consider such targets to be necessary or desirable;*
- (c) *the community's expectations in terms of acceptable levels of safety have not yet been established;*
- (d) *while benchmarking against other countries' rates is a useful measure, it still must be decided whether the rates achieved by these other countries are acceptable in the New Zealand environment;*
- (e) *in future safety target setting will take place in a multi-model framework intended to reflect the Government's transport goals.*

1. Aircraft Accidents

Fixed Wing Aircraft

Target:

- 1. A downward trend in the rate of aircraft accidents involving fixed wing aircraft.**
- 2. By the year 2005, to reduce the rate of aircraft accidents involving fixed wing aircraft as shown in the table below.**

Measure: The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

TYPE OF OPERATION FIXED WING AIRCRAFT	AIRCRAFT WEIGHT BREAK	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
			<i>Target</i>	Achieved 00/01	<i>Target</i>	Achieved 00/01
Commercial passenger and freight air transport operations	13600kg and above	10 years	<i>0.4</i>	0.50	<i>Trending down</i>	Trending down
	5700 to 13600kg	10 years	<i>0.5</i>	0.65	<i>Trending down</i>	Trending down
	2730 to 5700kg	5 years	<i>5</i>	6	<i>Trending down</i>	Trending down
	Below 2730kg	12 months	<i>7</i>	8	<i>Trending down</i>	Trending up
Commercial other than passenger and freight air transport operations	Below 2730kg	12 months	<i>7</i>	10	<i>Trending down</i>	Trending down
Private non-revenue	Below 2730kg	12 months	<i>21</i>	42	<i>Trending down</i>	Trending down

Helicopters

- Target:**
- 1. A downward trend in the rate of aircraft accidents involving helicopters.**
 - 2. By the year 2005, to reduce the rate of aircraft accidents involving helicopters as shown in the table below.**

Measure: The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

TYPE OF OPERATION HELICOPTERS	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
		<i>Target</i>	Achieved 00/01	<i>Target</i>	Achieved 00/01
Commercial passenger and freight air transport operations	12 months	<i>4</i>	9.1	<i>Trending down</i>	Trending down
Commercial other than passenger and freight air transport operations	12 months	<i>11</i>	11.8	<i>Trending down</i>	Trending down
Private non-revenue	12 months	<i>25</i>	100.7	<i>Trending down</i>	Trending up

Overall Accidents

AIRCRAFT WEIGHT BREAK	ALL ACCIDENTS		FATAL ACCIDENTS	
	2000/2001	1999/2000	2000/2001	1999/2000
13,608 kg and above revenue passenger and freight	1	1	0	0
5,670 to 13,608 kg revenue passenger and freight	0	0	0	0
2,721 to 5,670 kg revenue passenger and freight	0	2	0	0
Below 2,721 kg revenue passenger and freight	5	3	1	0
Below 2,721 kg revenue other	20	18	0	0
Below 2,721 kg non-revenue	20	28	1	4
Helicopters revenue passenger and freight	3	2	0	2
Helicopters revenue other	10	16	2	3
Helicopters non-revenue	11	9	2	1

Note: Excludes 'revenue other' and 'non-revenue' accidents in the 13,608 kg and above, 5,670 to 13,608 kg, and 2,721 to 5,670 kg groups

2. Aircraft Incidents

Target: A downward trend in the rate of aircraft incidents for fixed wing aircraft and helicopters.

Measure: The number of incidents per 100,000 flight hours with reports based on aircraft weight breaks as per those under Accidents above.

Aircraft Group	Trend
13,608 kg and above	Trending up
5,670 to 13,608 kg	Trending up
2,721 to 5,670 kg	Trending up
Below 2,721 kg	Trending down
Helicopters	Trending down

The number of reported aircraft incidents for the below 2,721 kg and helicopter groups continue to be low in comparison to the respective number of reported accidents.

Safety outcomes are best expressed in terms of accident rates or other relevant measures of “social cost”. The term accident is a descriptive term used to represent the serious end of a Safety Occurrence scale that has Incident at its other (low-level) extreme. In risk management terms, the concept of identifying and dealing with low-level failure (Incidents) is receiving wide acceptance, and accordingly, the CAA promotes the detection and reporting of such events. This initiative, which is expected to have a long-term beneficial effect on aviation safety, may give the reader the impression that the actual number of safety events has increased. The CAA believes that the current upward trend in Aircraft Incident rates reflects an

increase in reported events rather than an identifiable increase in actual safety events.

3. Airspace Incidents

Target: A downward trend in the rate of pilot-attributable and ATS-attributable airspace incidents for fixed wing aircraft and helicopters.

Measure: Airspace incidents will be recorded by the number of incidents:

- (a) per 100,000 flight hours to allow comparison with accident and other incident rates, and overseas trends; and
- (b) in the case of ATS attributable incidents, per 100,000 movements in view of the relevance of movements to ATS operations.

Pilot-attributable airspace incidents will be categorised by weight breaks as per those under Accidents above.

Aircraft Group	Trend (ATS and Pilot)
13,608 kg and above	Trending down
5,670 to 13,608 kg	Trending up
2,721 to 5,670 kg	Trending up
Below 2,721 kg	Trending down
Helicopters	Trending down

Unlike Aircraft Incidents (which are identified and reported by aircraft operators), Airspace Incidents are, for the most part, identified and reported by the New Zealand airways service provider. For this reason, it is believed that changes in reporting levels are an indication of changing levels of safety within the aviation system. It is therefore disappointing to see that Airspace events for the 5,670 to 13,608 kg and 2,721 to 5,670 kg groups increased in 2000 causing overall upward trends for these groups.

4. Reportable Aircraft Defects

Target: A downward trend in the rate of reportable aircraft defects for fixed wing aircraft and helicopters.

Measure: The number of defects per 100,000 flight hours with reports based on aircraft weight breaks as per those under Accidents above.

Aircraft Group	Trend
13,608 kg and above	Trending up
5,670 to 13,608 kg	Trending up
2,721 to 5,670 kg	Trending up
Below 2,721 kg	Trending up
Helicopters	Trending down

5. Level of Compliance with Civil Aviation Safety Rules

Target: An upward trend in the average compliance figure for specific industry sectors as measured against audit checklists.

Measure: Until all new civil aviation safety Rules are implemented plus an automated monitoring system to measure compliance with each specific Rule or Rule Part, measurement of compliance will be based on the audit ratings for each sector across all existing audit checklists relevant to that sector. Each of these existing checklists covers a compilation of standards, regulations and Rules relevant to the sector concerned rather than one specific Rule or Rule Part.

With the full implementation of the new Rules which are in most instances sector-specific, compliance rates will be recorded on the basis of the number of times compliance or non-compliance is found compared to the number of times each specific Rule or Rule Part is tested (e.g. during audits and spot checks using more rule-specific checklists).

This will allow comparison of compliance with each Rule or Rule Part with the safety achievement of the sector to which that Rule or Rule Part relates, and also provide a means of testing whether the Rules are targeting the correct safety elements to produce safe operations.

D. VALUE FOR MONEY TARGETS AND MEASURES

Following the initial implementation of the following performance measures it was recognised that they may not in fact be fair indicators of either cost efficiency or cost effectiveness. Accordingly a new set of measures has been agreed. Reporting against these new measures will commence in 2002 when a report on the 2001/2002 year is compiled.

1. Cost Efficiency

Performance Measures	2000/01 Results	
The ratio of output expenditure to the number of domestic air transport seat-kilometres flown.	Output expenditure	\$20,383,000
	Number of domestic air transport seat-kilometres flown (millions)	5,425
	Ratio	\$3,758
	<i>Ratio (2000)</i>	<i>\$3,312</i>
	<i>Trends from year to year and three year rolling average.</i>	
	Yearly Trend	+\$445
	Three year rolling average	\$3,384
The ratio of output expenditure to the number of organisation aviation document holders.	Output expenditure	\$20,383,000
	Number of organisation aviation document holders	392
	Ratio	\$51,997
	<i>Ratio (2000)</i>	<i>\$46,431</i>
	<i>Trends from year to year and three year rolling average.</i>	
	Yearly Trend	+\$5,566
	Three year rolling average	\$46,917
The ratio of output expenditure to the number of registered aircraft in New Zealand as compared to the ratio ⁽¹⁾ for the authorities of Australia, USA, UK, and Canada (where comparable data is available).	Output expenditure	\$20,383,000
	Number of registered aircraft in NZ	3,305
	Ratio	\$6,167
	<i>Ratio (2000)</i>	<i>\$5,718</i>
	<i>Trends from year to year.</i>	
	Yearly Trend	+\$449

Explanation of Trend Variations

A combination of increased output expenditure (10.0%) and increased seat-kilometres flown (2.4%) resulted in a (7.4%) deterioration in cost efficiency (\$3,312) in 2000 as compared to (\$3,084) in 1999, and an (7.6%) increase in output expenditure in 2001 resulted in a further (13.4%) deterioration in cost efficiency to (\$3,758) in 2001.

A 0.2% increase in the number of organisational document holders in 2000 and increased output expenditure (10.0%) resulted in a (9.7%) deterioration in cost efficiency (\$46,431) in 2000 as compared to (\$42,322) in 1999, and an (7.6%) increase in output expenditure in 2001 resulted in a further (12.0%) deterioration in cost efficiency to (\$51,997) in 2001.

A 0.4% reduction in the number of registered aircraft in 2000 and increased output expenditure (10.0%) resulted in a (10.4%) deterioration in cost efficiency (\$5,718) in 2000 as compared to (\$5,177) in 1999, and an (7.6%) increase in output expenditure in 2001 resulted in a further (7.9%) deterioration in cost efficiency to (\$6,167) in 2001.

2. Cost Effectiveness

Performance Measures	2000/01 Results	
The ratio of the change in the number of reported aircraft accidents per 100,000 flight hours to the average output expenditure for the previous two years.	Change in the number of reported aircraft accidents per 100,000 flight hours ⁽²⁾	-1.033
	Average output expenditure	\$19,663,500
	Ratio	-5.25x10⁻⁸
	<i>Ratio (2000)</i>	<i>8.30x10⁻⁸</i>
<i>Trends from year to year and three year rolling average.</i>	Yearly Trend	+13.55x10 ⁻⁸
	Three year rolling average	-1.85x10 ⁻⁸
The ratio of the change in the number of accidents causing death or serious injury per 100,000 flight hours to the average output expenditure for the previous two years.	Change in the number of accidents causing death or serious injury per 100,000 flight hours ⁽²⁾	-0.408
	Average output expenditure	\$19,663,500
	Ratio	-2.08x10⁻⁸
	<i>Ratio (2000)</i>	<i>1.25x10⁻⁸</i>
<i>Trends from year to year and three year rolling average.</i>	Yearly Trend	-3.33x10 ⁻⁸
	Three year rolling average	1.93x10 ⁻⁸
Ratio of output expenditure to the number of accidents causing death or serious injury in New Zealand compared to the same ratio ⁽¹⁾ for the authorities of Australia, USA, UK, and Canada (where comparable data is available).	Output expenditure	\$20,383,000
	Number of accidents causing death or serious injury in NZ ⁽³⁾	11
	Ratio	\$1,853,000
	<i>Ratio (2000)</i>	<i>\$1,353,143</i>
<i>Trends from year to year.</i>	Yearly Trend	-\$499,857

- Notes:**
1. Comparable data for the same ratio are not yet available.
 2. The number of reported aircraft accidents per 100,000 flight hours for sport, hang glider, and parachutes are not available.
 3. Number of accidents excludes sport, hang glider, and parachutes.

E. CAUSAL FACTORS

Since 1999/2000 financial year, Safety Summary Reports continue to be submitted to the Minister on a quarterly basis. These reports contain the details of causal factors relating to aircraft accidents.

AVIATION SECURITY SERVICE

AVIATION SECURITY SERVICE

FUNCTIONS

The Aviation Security Service is responsible for:

- screening all departing international passengers and baggage at all international airports in New Zealand to standards laid down in relevant legislation, regulations and rules as may be determined from time to time;
- providing such other aviation security services and screening, such as screening of domestic passengers and baggage, as is judged advisable by the Director of Civil Aviation from time to time;
- undertaking searches, where necessary, of passengers, baggage, cargo, aircraft, aerodromes, and navigation installations;
- carrying out patrols at security designated aerodromes and navigation installations;
- reviewing, inquiring into, and keeping itself informed on security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it;
- undertaking, encouraging or supervising such experimental or research work in respect of any aspect of aviation security as the Director of Civil Aviation may specify;
- co-operating with the Police, Government departments, airport authorities, operators, and authorities administering the airport security services of other countries, and with any appropriate international organisation for the purpose of better carrying out the Service's functions;
- exercising and performing such other functions and duties as may be conferred on it by any enactment.

In addition to and in furtherance of the above statutory functions, the Aviation Security Service also:

- provides aviation security services as required by the aviation industry including aircraft guards, aircraft searches and passenger protection;
- issues, on behalf of the Director of Civil Aviation, official Airport Identity Cards utilising the National Airport Identity Card database;
- provides advice on aviation security activities to the Government and the aviation industry, including draft replies to Ministerial correspondence related to the Service.

During the course of the 2000/2001 financial year, the Aviation Security Service may be required by the Director of Civil Aviation to introduce hold stow baggage screening, which is a Recommended Practice under Annex 17 to the Convention on International Civil Aviation.

MISSION, STRATEGIC GOALS, OUTCOMES AND OUTPUTS

Mission Statement

We improve the safety of Aviation by the application of specific security measures.

1. Strategic Goals

In order to achieve its Mission the Service has seven major Goals:

1. Ensure the cost effective delivery of Aviation Security Service's core business, through the development of quality systems and the application of best practice across the Service.
2. Expand further into enforcement and other aviation security related activities.
3. Respond to Government requests for specialist security services.
4. Ensure the Service's human resources meet the future demands of the organisation, and facilitate implementation of the strategic plan.
5. Be recognised as a leader in the provision of aviation security services and expertise, through active marketing and promotion.
6. Exert an influence on the external environment through promoting viable working relationships with the aviation industry and other key stakeholders.
7. Have a funding regime that supports the future development requirements of the Service.

2. Outcomes

The Government Outcomes towards which the Aviation Security Service were required to contribute during the 2000/2001 financial year were:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals
3. Community security

Note: "Reasonable cost" is defined in section 14 of the Civil Aviation Act 1990 as meaning "where the value of the cost to the nation is exceeded by the value of the resulting benefit to the nation".

3. Outputs

The Output for which the Aviation Security Service was responsible during the 2000/2001 financial year was *Aviation Security Services*.

SUMMARY OF ACTIVITIES DURING THE YEAR

1. Changes to Funding Regime

11 July 1997 saw the introduction of a new funding regime for the Aviation Security Service with a reduction in the international departing passenger levy from \$5.00 (GST inc.) to \$4.00 (GST inc.). The effect of the change continued to be felt during the 2000/2001 year. However, the number of passengers increased to such an extent that the Service was able to record a small surplus for the first time since the change.

2. Trans-Tasman Operations

The Service's commitment to these operations at Hamilton, Palmerston North, Queenstown and Dunedin continued throughout the year. During the year the four regional airports experienced strong growth in passenger numbers (25% against a national growth figure of 9.5%). However, despite these increases the cost of the operations at these airports continued to exceed the revenue earned there.

Early in the year staffing was a challenge at two of the regional operations, due to flight schedules requiring early starts and split shifts. However, these problems settled down during the year.

The demise of Qantas New Zealand and the resulting moves by other operators to fill the gap created have involved considerable work for the Service. These activities are continuing.

3. VIP Movements

During the year a total of 132 hours were committed to facilitating routine VIP movements. This was an increase of 51 hours (37%) over the previous year.

4. Planning

A focus of planning activities during the year was implementation of the 2000/2001 business plan. Projects undertaken included an assessment of the impact of the Employment Relations Act 2000 on AvSec, the development of a new performance management system, a review of rewards and recognition policies, a review of aspects of AvSec's quality approach and development of strategies for addressing training requirements in the South Pacific.

As part of the review of rewards and recognition policies a new long service certificate and clasp were introduced for those officers with more than ten years service with AvSec.

In December the Explosive Detector Dog Unit and senior management held a strategic planning session to develop a new five-year strategy for the dog unit. Implementation of the recommendations from that planning session, including the proposed appointment of three additional dog teams, will commence during 2001/2002 year.

A review of AvSec's strategic and business planning processes was also undertaken in consultation with the Board. It was decided that from 2001/2002 AvSec would develop a new Strategic Plan every three years (replacing the current five-year cycle), with an update

to be conducted in the intervening years. The annual Business Plan will reflect the updated strategic plan.

5. Audits

The year was a busy one for audits. In August BVQI audited AvSec's operations at Dunedin, Christchurch and Wellington against the ISO 9002 international standard for quality management systems. BVQI audits of Auckland and Hamilton operations were conducted in January. The Civil Aviation Authority conducted audits of aspects of operations at National Office, Christchurch, Queenstown and Wellington in late 2000.

The Airport Identity Card System was also audited in conjunction with the Civil Aviation Authority as part of a review of the agreement between the General Manager and the Director for the provision of these services.

The Civil Aviation Authority also carried out tests of AvSec's arrangements for the screening of domestic flights at six of the seven international airports. These tests demonstrated the effectiveness of AvSec arrangements for contingency domestic screening.

Internal quality audits of all aspects of AvSec's operations at all airports were carried out throughout the year. No audit finding notices were issued, although some opportunities for improvement were found and some best practices identified for transfer to other stations.

Monthly audit checklists provided additional snapshots of operations. These are completed by the managers for each station and forwarded to the General Manager.

Throughout the year, AvSec's audit approach featured use of monthly audit checklists from each station, providing regular snapshots of various aspects of AvSec's operations and administration.

6. Appointments

In February AvSec established the new position of Contracts Manager and made an appointment to the position. The position is intended to oversee the development of contracts with key clients, particularly the airlines, to enable AvSec to better address the requirements of those clients, at both operational and strategic levels. This initiative is intended to reflect the findings of the 1998 independent review.

Since the new Contracts Manager took up his position a number of memoranda of understanding with clients have been negotiated.

Appointments and promotions made during the year used the selection system introduced previously. This system has been further developed in the light of experience in its use. It continues to provide AvSec with good staff.

7. IT Developments

Information Technology was another busy area of activity for AvSec during the year.

In the first quarter the new web site was launched. Further work was undertaken on enhancement of the Intranet and Internet facilities.

An audit of the AIM Airport Identity Card System was completed in conjunction with the Civil Aviation Authority (CAA). The final report was prepared by the CAA auditor and work commenced on the implementation of the recommendations.

Independent reviews of IT Risk and IT Security were carried out by outside consultants. The results are now being reviewed and assessed for implementation.

A contract was signed with NANSUS Technology Limited for ongoing systems support. This provides for limited regular support and also for support in the absence of the IT Systems Manager.

Work was commenced on a proposal to redevelop the AIM Identity Card System to provide improved reliability and functionality.

The data cabling at the National Office was completely refitted in conjunction with the accommodation refit

A project involving issue of new ID cards to employees of the now defunct Qantas New Zealand was successfully completed.

8. Explosive Detector Dog Unit

During the year members of the unit were called out on 301 occasions. Most of these were calls were to unattended bags or parcels, while others were to check items of cargo too large to be x-rayed. Members of the unit were also occasionally called upon to support the Police, including an incident in June when an Auckland handler was flown by helicopter to Tauranga to search an aircraft on which the Prime Minister was scheduled to travel and which had been the subject of a bomb threat.

A new strategic plan for the dog unit was developed during the year, with implementation of the recommendations scheduled to commence in mid 2001/2002.

9. Accommodation

During the year AvSec negotiated a new lease for its national office, which included an expansion of space. The ensuing alterations and repaint of the entire national office were completed in late March. The additional space was required to accommodate the finance function and the relocated training co-ordinator.

In late 2000 approval was given for the construction of a new dedicated building for AvSec at Christchurch International Airport. The previous accommodation at the airport was very cramped and impeded the performance of duties and the raising of the aviation security profile at the airport. Construction on the new building commenced in early January and it was ready for occupation in late May. The building was officially opened by the Chief Executive of Christchurch International Airport Limited on Tuesday 17 July.

With the completion of terminal expansions at Queenstown, AvSec moved into a new screening point and now has an office on the airport.

10. Transfer of the Finance Function

At its February meeting the Board approved the transfer in-house of the finance function, which was performed on AvSec's behalf by the Civil Aviation Authority. Implementation

of the decision proceeded throughout March to June, with the process managed by a transition team, reporting to AvSec and CAA management and the Board. New positions of Manager Finance and Finance Support Officer were established and appointments made.

The transfer has proceeded relatively smoothly and by year-end systems were in place and the main finance functions were being performed effectively. The June year-end finance report was completed successfully in house. Bedding down of systems will continue into 2001/02.

11. Employment Contract

Negotiations for a new collective agreement were successfully concluded during June. The term of the new agreement, negotiated with the NZ Public Service Association, is 1 April 2001 to 30 June 2003. Approximately 55% of officers are covered by the new collective agreement with the remaining officers receiving the same terms and conditions on an individual basis.

12. Triennial Independent Performance Review

Implementation of the recommendations of the PricewaterhouseCoopers review report continued during the year. By year-end action on most of the recommendations was complete. Remaining recommendations have been included in the 2001/2002 Business Plan.

GOOD EMPLOYER REQUIREMENTS

The primary influences on the Aviation Security Service's human resources policies and practices are the good employer requirements of sections 28 to 30 of the Third Schedule to the Civil Aviation Act 1990 and the Service's commitment to the principles of total quality management and progressive human resources management.

1. Staff Numbers

	1999/2000	2000/2001	Variance
Female	77	79	+2
Male	103	107	+4
TOTAL	180	186	+6

2. Training

Training was an important priority for AvSec during the year. The training co-ordinator's position was relocated to National Office in October and a new training co-ordinator appointed. The new job description reflects the greater strategic and planning role intended for the position. A new strategic direction for training was developed and strategies put in place to ensure a better integration of training and broader strategies.

All officers undertook a comprehensive two-day refresher programme during the year and a framework put in place in each station for ensuring refresher training is provided on an ongoing basis. Harassment prevention and health/welfare training programmes were also launched and by year-end most officers had completed both courses.

A priority for AvSec during the year was the development of its senior sergeants and sergeants. Work progressed on separate training and development programmes for the seven senior sergeants and nineteen sergeants, prepared in conjunction with the individuals and their managers. The training programmes have been derived from an assessment of individual needs and consist of a number of elements personal to the individuals and elements that will be applied to the full groups. This activity will continue into 2001/2002.

Training in dangerous goods handling continued during the year and seventeen officers attended and passed five day dangerous goods recertification courses, conducted for AvSec by an external convenor, Milton Cassidy. All participants received excellent marks with one Auckland officer receiving a very creditable 100%.

During the year the three regional training officers received kiwi host certification. Certification enables the Service to offer Kiwihost/essential customer service training in-house. Previously, such training has been obtained from external providers.

Security awareness training to staff of a number of airport agencies was provided at the various stations.

Three sergeants attended a course run by SATS Security in Singapore in January and the training co-ordinator attended and passed an ICAO Instructors course in Penang in February. Certification as an ICAO instructor enables the recipient to instruct in ICAO

courses. AvSec's northern regional quality training officer was invited to act as an instructor for this course and received very positive feedback for her performance.

The Service's Auckland station accepted a secondment of a supervisor from the Rarotonga Airport Authority for a period of four weeks. Having exposure to the Auckland operation was a very useful experience for this officer. The Service welcomes such secondments from the Pacific region as part of its programme to assist regional countries improve their aviation security infrastructure.

The fifth First in Line course for budding supervisors finished in November with pass marks achieved by all thirteen participants including two from the NZ Customs Service. The top candidate received a very creditable 98%. Following completion of this course, AvSec commenced a review of the structure of the First in Line concept. A revamped course is to be launched in late 2001.

Lastly, the year saw preparation of a structured/integrated training and development programme for the South Pacific region. This initiative is to be discussed with the Board and Ministry of Transport in the near future.

STATEMENT OF IMPACTS AND CONSEQUENCES

A. OUTCOME MEASURES

The overall aviation security measures which relate directly to the first and third outcomes above, and indirectly to the second are:

1. **Inflight security incidents**
2. **Airside security incidents**
3. **Dangerous goods introduced into aircraft**

B. OUTCOME RESULTS

1. Inflight Security Incidents

Target: To achieve a nil rate of incidents involving offences against the Aviation Crimes Act 1972 on board of aircraft which have been screened by the Aviation Security Service.

Measure: Number of inflight security incidents.

Result: There were no inflight security incidents reported on aircraft screened by the Aviation Security Service.

2. Airside Security Incidents

Target: To achieve a nil rate of incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.

Measure: Number of airside security incidents.

Result: There were no airside security incidents reported in areas covered by the Aviation Security Service.

3. Dangerous Goods Introduced Into Aircraft

Target: To achieve a nil rate of incidents involving the introduction of dangerous goods into aircraft that have been screened by the Aviation Security Service.

Measure: Number of incidents involving dangerous goods

Result: There were no dangerous goods incidents reported regarding aircraft screened by the Aviation Security Service.

FINANCIAL STATEMENTS

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

These Financial Statements have been prepared pursuant to the requirements contained in Part V of the Public Finance Act 1989.

The Financial Statements cover the grouped financial performance of the Civil Aviation Authority of New Zealand in respect of the responsibilities of the Authority under section 72B of the Civil Aviation Act 1990 for:

- a) the regulation of civil aviation safety in New Zealand,
- b) the provision of Class III search and rescue services, and
- c) the provision of aviation security services in New Zealand.

STATEMENT OF RESPONSIBILITY

Pursuant to Section 42 of the Public Finance Act 1989, we acknowledge that:

- a) The preparation of the grouped financial statements of the Civil Aviation Authority of New Zealand, includes the Civil Aviation Authority, Search and Rescue Service and the Aviation Security Service (hereinafter referred to as the **Authority**) and the judgements used therein are our responsibility;
- b) The establishment and maintenance of an internal control system designed to provide reasonable assurance as to the integrity and reliability of the grouped financial statements for the year ended 30 June 2001 are our responsibility; and
- c) In our opinion the grouped financial statements for the year ended 30 June 2001 fairly reflect the service performance, financial performance, financial position and cash flows of the Authority.



Rodger H Fisher
Chairperson
Civil Aviation Authority
of New Zealand



Max B Stevens
Acting Director
Civil Aviation Authority



Mark T Everitt
General Manager
Aviation Security Service

26 September 2001

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

2000 Actual \$000		Notes	2001 Actual \$000	2001 Revised Budget \$000	2001 Original Budget \$000
REVENUE					
23,213	Levies		24,655	24,314	23,624
4,145	Crown		2,627	2,627	2,627
3,076	Fees and Charges		4,227	5,162	4,738
415	Interest		486	457	388
1,166	Other	1	262	-	
32,015	TOTAL REVENUE		32,257	32,560	31,377
EXPENDITURE					
19,260	Personnel	2	19,862	20,537	19,801
8,817	Other Operating		9,526	8,264	7,807
1,497	Depreciation		1,586	1,466	1,416
950	Capital Charge	3	950	958	962
883	Rental and Leases		836	991	991
109	Authority Members Fees	4	112	110	110
(3)	Bad and Doubtful Debts	5	443	36	36
32	Audit		30	32	32
31,545	TOTAL EXPENDITURE		33,345	32,394	31,155
470	NET SURPLUS / (DEFICIT)		(1,088)	166	222

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF MOVEMENTS IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2001

2000 Actual \$000	Notes	2001 Actual \$000	2001 Revised Budget \$000	2001 Original Budget \$000
9,440	Taxpayers' Equity as at 1 July	9,469	7,085	7,269
470	Net Operating Surplus	(1,088)	166	222
93	Revaluation Reserve	-	-	-
563	Total recognised revenues and expenses for the year	(1,088)	166	222
-	Retention of previous years surpluses	-	2,338	2,338
(534)	Provision for the payment of surplus to the Crown	(371)	(210)	(210)
9,469	Taxpayers' Equity as at 30 June	8,010	9,379	9,619

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

2000 Actual \$000		Notes	2001 Actual \$000	2001 Revised Budget \$000	2001 Original Budget \$000
9,469	TAXPAYERS' EQUITY	6	8,010	9,379	9,619
	Represented by:				
	CURRENT ASSETS				
8,070	Cash	7	6,299	6,041	5,225
2,198	Receivables		2,312	2,843	3,164
291	Work in Progress		367	388	700
185	Prepayments		191	341	280
10,744	TOTAL CURRENT ASSETS		9,169	9,613	9,369
	NON-CURRENT ASSETS				
4,350	Fixed Assets	8	4,580	3,921	3,905
15,094	TOTAL ASSETS		13,749	13,534	13,274
	CURRENT LIABILITIES				
1,878	Payables		1,538	1,425	1,125
2,345	Provision for employee entitlements	9	2,455	1,630	2,220
534	Provision for payment of surplus to Crown	6	675	210	210
4,757	TOTAL CURRENT LIABILITIES		4,668	3,265	3,555
	NON-CURRENT LIABILITIES				
868	Provision for employee entitlements	9	1,071	890	100
5,625	TOTAL LIABILITIES		5,739	4,155	3,655
9,469	NET ASSETS		8,010	9,379	9,619

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**GROUPED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001**

2000 Actual \$000	Notes	2001 Actual \$000	2001 Revised Budget \$000	2001 Original Budget \$000
Cash Flows from Operating Activities				
Cash was provided from:				
23,196	Levies	24,198	24,381	24,312
4,145	Crown	2,627	2,627	2,627
4,506	Fees, Charges & Other	4,273	4,254	4,254
403	Interest	490	459	390
<u>32,250</u>		<u>31,588</u>	<u>31,721</u>	<u>31,583</u>
Cash was applied to:				
(17,697)	Payments to employees	(18,325)	(23,472)	(23,472)
(10,474)	Payments to suppliers	(12,157)	(7,493)	(6,129)
(950)	Payments of Capital Charge to the Crown	(950)	(958)	(962)
<u>(29,121)</u>		<u>(31,432)</u>	<u>(31,923)</u>	<u>(30,563)</u>
3,129	Net Cash Flow from Operating Activities	156	(202)	1,020
Cash Flows from Investing Activities				
Cash was provided from:				
199	Sale of Assets	176	-	-
(2,473)	Purchase of Assets	(1,873)	(1,310)	(1,325)
<u>(2,274)</u>	Net Cash Flow from Investing Activities	<u>(1,697)</u>	<u>(1,310)</u>	<u>(1,325)</u>
Cash Flows from Financing Activities				
Cash was applied to:				
(50)	Repayment of Surplus to Crown	(230)	(68)	(68)
<u>(50)</u>	Net Cash Flow from Financing Activities	<u>(230)</u>	<u>(68)</u>	<u>(68)</u>
805	Net Increase/(Decrease) in Cash held	(1,771)	(1,580)	(373)
7,265	Add cash at 1 July	8,070	7,621	5,598
<u>8,070</u>	Cash held at 30 June	<u>6,299</u>	<u>6,041</u>	<u>5,225</u>

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
RECONCILIATION OF NET OPERATING SURPLUS
TO NET CASH FLOW FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2001

2000 Actual \$000		2001 Actual \$000	2001 Revised Budget \$000	2001 Original Budget \$000
470	Net Operating Surplus / (Deficit)	(1,088)	166	222
	Add non-cash items			
(3)	Bad and Doubtful Debts	443	36	36
1,497	Depreciation	1,586	1,466	1,416
1,494	Total Non-Cash Items	2,029	1,502	1,452
	Movements in Working Capital			
368	Decrease/(Increase) in Receivables	(552)	(773)	690
54	Decrease/(Increase) in Work in Progress	(76)	(97)	(350)
134	Decrease/(Increase) in Prepayments	(6)	(35)	(15)
170	(Decrease)/Increase in Payables	(386)	(503)	(981)
564	(Decrease)/Increase in Employee Entitlements	313	(462)	2
1,290	Movements in Net Working Capital	(707)	(1,870)	(654)
	Movements in Investing Activities			
(97)	(Decrease)/Increase in Payables - Assets	84	-	-
(28)	Gain on sale of Assets	(162)	-	-
(125)	Total Movements in Investing Activities	(78)	-	-
3,129	Net Cash Flow from Operating Activities	156	(202)	1,020

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF COMMITMENTS
AS AT 30 JUNE 2001

Commitments disclosed include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Operational commitments are related to term leases on buildings and operational leases. Commitments relating to employment contracts are not included.

2000 Actual \$000		2001 Actual \$000
	Capital commitments	
175	Purchase of additional x-ray machines	-
83	Other	-
258	Total Capital commitments	-
	Non-cancellable operating lease commitments	
789	- Less than one year	851
687	- One year but less than two years	831
1,097	- Two years but less than five years	1,070
832	- Longer than five years	1,247
3,405		3,999
	Other non-cancellable contracts	
296	- Less than one year	324
281	- One year but less than two years	112
89	- Two years but less than five years	71
	- Longer than five years	321
666		828
4,329	Total Commitments	4,827

STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 2001

Contingent liabilities are noted at the time that the contingency becomes evident. Such contingencies are evidenced by action taken by a third party and will in the normal course of business be rigorously defended.

The outstanding contingent liabilities of the Authority as at 30 June 2001 amounted to \$2.905m (2000 \$2.464m). These relate to legal claims against the Authority where the court decisions are uncertain.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
STATEMENT OF OPERATIONS OF INDUSTRY SEGMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Segmental reporting has been applied to identify the 3 Industry segments operated within the Authority.

Industry Segment	Aviation Safety		Class III SAR		Security Service		Elimination		Grouped	
	2000 Actual \$000	2001 Actual \$000	2000 Actual \$000	2001 Actual \$000	2000 Actual \$000	2001 Actual \$000	2000 Actual \$000	2000 Actual \$000	2000 Actual \$000	2001 Actual \$000
Operating Revenue										
Revenue Outside the Group	18,959	18,919	1,360	1,350	11,696	11,988	-	-	32,015	32,257
Inter-Segment Revenue	184	214	-	-	-	-	(184)	(214)	-	-
Total Revenue	19,143	19,133	1,360	1,350	11,696	11,988	(184)	(214)	32,015	32,257
Segment result	(64)	(1,459)	230	154	304	217	-	-	470	(1,088)
Segment Non-Current Assets	1,194	1,334	693	442	2,463	2,804	-	-	4,350	4,580

The Authority operates predominantly in three industries – Regulation of Civil Aviation Safety, Class III Search and Rescue Co-ordination and Aviation Security Service. Regulation of Civil Aviation Safety comprises of the development of, and monitoring of compliance, with Aviation Rules. Class III Search and Rescue Co-ordination comprises of the provision of a co-ordination search and rescue service for persons in distress. Aviation Security Service comprises of the screening of international departing passengers and cabin baggage.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

GROUPED STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of the Civil Aviation Authority of New Zealand (including the Aviation Security Service), a Crown Entity in terms of the Public Finance Act 1989.

The grouped financial statements for the year ended 30 June 2000 have been prepared to comply with Part V of the Public Finance Act 1989 and Sec 72B(3B) of the Civil Aviation Act 1990.

The grouped financial statements comprise the following Output Classes:

Civil Aviation Authority

- **Policy Advice**
 - Advice to government
 - International Multilateral and Bilateral aviation safety related agreements
 - Legislation and Standards (including Rules) Development
- **Safety Assessment and Certification**
 - Aviation document assessment
 - Monitoring and corrective action identification
- **Safety Analysis and Information**
 - Safety investigation and analysis
 - Safety education and information
- **Enforcement**
 - Responses to Regulatory Breaches

Search & Rescue

- **Search & Rescue**
 - Provision of Class III search and rescue services

Aviation Security Service

- **Aviation Security Services**
 - Aviation security services for domestic and international air operations.

Measurement Base

The measurement base adopted is that of historical cost, adjusted by the revaluation of the Auckland building.

Basis of Grouping

The financial statements for the Authority have been grouped. All inter-entity transactions have been eliminated in the preparation of the grouped financial statements.

Budget Figures

The original budget figures are those approved by the Authority at the beginning of the financial year and disclosed in the Statement of Intent 2000/2001 – 2002/2003. The revised budget figures are those approved by the Authority in September 2000. The revision was necessary following the restructuring of the CAA.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Authority for the preparation of the financial statements.

Income Tax

The Authority is not required to pay income tax on its Net Operating Surplus in terms of the Income Tax Act 1994 and accordingly no charge for income tax has been provided for.

Goods and Services Tax

All items in the financial statements are shown exclusive of Goods and Services Tax, except for Receivables and Payables, which are GST inclusive. The amount of GST owing at balance date being the difference between output/input tax is included in Payables.

Revenue Recognition

The Authority earns revenue from levies on air travel, provision of policy to the Crown, services to third parties and interest income from short-term investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Output Costing

Criteria for Direct and Indirect Costs

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

Direct costs account for 90% (1999 91%) of the of the Authority's costs.

Cost Drivers for allocation of Indirect Costs

Personnel costs are charged on the basis of actual time incurred. Property and other occupancy costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Computer costs are charged on the basis of actual PCs in use. Depreciation and the capital charge are charged on the basis of asset utilisation.

Other indirect costs are allocated to business units on the proportion of direct costs to each output.

Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

Receivables

Receivables are stated at their estimated realisable value after providing for doubtful and uncollectable debts.

Work in Progress

Work in Progress consists of incomplete safety assessment and certification or other jobs not yet invoiced at the balance date. Work in Progress is stated at its estimated realisable value, after deducting a provision for un-collectable work in progress.

Fixed Assets

Buildings are stated at net current value as determined by an independent registered valuer as at 31 January 2000. Buildings are revalued every three years.

Upward revaluations of buildings are credited to the appropriate asset revaluation reserve. Downward revaluations of these assets are debited to the appropriate asset revaluation reserve. Where this results in debit balance in the asset revaluation reserve, this balance is expended in the statement of financial performance.

The other assets of the Authority are recorded at cost at the time of purchase. All fixed assets costing more than \$0.002m are capitalised and recorded at historical cost or valuation.

Depreciation

Depreciation is calculated on a straight-line basis at rates that write off the cost or valuation of the assets over their estimated useful lives.

The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

Buildings	24 years	4.2%
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 - 5 years	33% - 20%

Employee Entitlements

Provision is made in respect of the Authority's liability for annual leave, long service leave and retirement leave.

Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service leave and retirement leave have been calculated on an actuarial basis.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and short term deposits in which the Authority invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Financing activities comprise the change in equity and debt capital structure of the Authority.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financial Instruments

The Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the Statement of Financial Position. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with the previous year.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
NOTES TO THE GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Note 1: Other Revenue

2000		2001	2001 Revised Budget
Actual \$000		Actual \$000	\$000
591	APEC Security Services	-	-
162	Sale of APEC Equipment	-	-
369	Miscellaneous Income	100	-
44	Gain on disposal of Assets	162	-
1,166		262	-

Note 2: Personnel

2000		2001	2001 Revised Budget
Actual \$000		Actual \$000	\$000
18,580	Personnel	19,068	19,465
386	Training	416	868
294	Recruitment	378	204
19,260		19,862	20,537

The remuneration of employees who received remuneration and other benefits of \$100,000 or more per annum, shown in \$10,000 bands are as follows:

2000	Total remuneration and other benefits	2001
2	\$100,000 to \$109,999	4
1	\$110,000 to \$119,999	2
1	\$120,000 to \$129,999	2
2	\$130,000 to \$139,999	1
-	\$140,000 to \$149,999	2
2	\$150,000 to \$159,999	1
1	\$160,000 to \$169,999	3
1	\$180,000 to \$189,999	-
1	\$200,000 to \$209,999	1

The Director of Civil Aviation lies in the \$200,000 to \$209,999 band and the General Manager of Aviation Security Service remuneration lies in the \$160,000 to \$169,999 band.

Note 3: Capital Charge and Related Party Disclosures

The Authority pays a capital charge to the Crown based on its taxpayers funds at 30 June and 31 December each year. The capital charge for 2000/2001 was 10% (1999/2000 10%).

The Authority undertakes transactions with the Crown, Government Departments and other Crown Entities. These transactions are carried out on an arm's length basis and these are not considered to be related party transactions.

Catherine Taylor was General Manager- Customer Services of Origin Pacific Airlines Limited from 20 September 2000 to 31 March 2001. During that time Origin Pacific were billed for compliance assessment and ID Cards to a value of \$9,572. These transactions were supplied on normal commercial terms.

Rodger Fisher is a director of Waste Management Limited, during the year the Authority purchased cleaning services from the company for \$4,426 (2000: nil). These transactions were supplied on normal commercial terms.

Note 4: Authority Fees

2000		2001	2001
Actual		Actual	Revised
\$000		\$000	Budget
\$000		\$000	\$000
37	R H Fisher (Chair)	39	39
19	C J Taylor (nee Hales) (Deputy Chair)	28	26
16	T Ryan	15	15
-	G Vette	15	15
-	J Gabriel	15	15
1	J E Aburn	-	-
20	M R Dean	-	-
16	R M Inglis	-	-
109	Honoraria	112	110

The Authority pays honoraria and actual or reasonable expenses to members in accordance with Cabinet Office Circular CO (99) 11 and CO (99) 12. No member received any payment for severance, ex-gratis or consultancy work. R H Fisher and C J Taylor receive an extra honorarium for their work on the sub-authority relating to the Aviation Security Service.

Note 5: Bad Debts

2000		2001	2001
Actual		Actual	Revised
\$000		\$000	Budget
\$000		\$000	\$000
(36)	Movement in provision for doubtful debts	1	-
33	Bad debts written off	442	36
(3)		443	36

Note 6: Taxpayers' Equity

2000		2001	2001
Actual		Actual	Revised
\$000		\$000	Budget
\$000		\$000	\$000
8,755	General Fund	7,296	8,665
500	Risk Reserve	500	500
214	Revaluation Reserve	214	214
9,469	Taxpayers' Equity as at 30 June	8,010	9,379
Provision for repayment of surplus			
304	Security Service surplus for previous year	304	-
-	Security Service surplus for current year	217	210
230	Search & Rescue surplus for current year	154	-
534	Provision for repayment of surplus	675	210

Note 7: Cash

2000		2001	2001
Actual		Actual	Revised
\$000		\$000	Budget
\$000		\$000	\$000
150	Cheque	109	106
7,920	Short-term investments	6,190	5,935
8,070	Total	6,299	6,041

Note 8: Fixed Assets

2000 Cost or Valuation \$000	2000 Accumulated Depreciation \$000	2000 Carrying Value \$000	Grouped	2001 Cost or Valuation \$000	2001 Accumulated Depreciation \$000	2001 Carrying Value \$000	2001 Revised Budget Value \$000
4,929	3,609	1,320	Plant and Equipment	4,232	2,983	1,249	1,059
5,130	3,592	1,538	Computer Equipment	5,942	4,320	1,622	1,454
1,353	638	715	Motor Vehicles	1,548	807	741	650
720	15	705	Auckland Building	720	45	675	643
524	481	43	Furniture and Fittings	1,586	1,326	260	73
177	148	29	Office Equipment	189	156	33	42
12,833	8,483	4,350	TOTAL ASSETS	14,217	9,637	4,580	3,921

The Auckland Building was revalued to net current value as determined by Seagar & Partners (Registered Valuers) as at 31 January 2000.

Note 9: Employee Entitlements

2000 Actual \$000		2001 Actual \$000	2001 Revised Budget \$000
1,139	Annual Leave	1,153	929
725	Performance Based pay	768	502
481	Salaries and Wages	534	199
202	Long Service Leave	409	224
666	Retirement Leave	662	666
3,213	Total	3,526	2,520
2,345	Current	2,455	1,630
868	Non-current	1,071	890
3,213	Total	3,526	2,520

Note 10: Financial Instruments

The Authority is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable, accounts payable, loans and foreign currency forward contracts.

Credit risk is the risk that a third party will default on its obligation to the Authority causing the Authority to incur a loss.

The Authority has minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits and accounts receivable.

The Authority places its investments in registered banks. This reduces the risk of any loss that could arise from its investment activities. The Authority does not require any collateral or security to support financial instruments.

There is no significant credit risk.

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

The Authority has no significant exposure to currency risk. Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of settlement.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2001 (2000 nil). The interest rates on the Authority's investments ranged from 4.5% to 6.82% pa (2000 – 4.0% to 6.82% pa).

ADDITIONAL INFORMATION

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Financial Performance

Grouped	Statement of Financial Performance	Aviation Safety		Search & Rescue		Security Service		Elimination		Grouped	
2000		2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
Actual		Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	Revenue										
23,213	Levies	13,457	13,612			11,198	10,702			24,655	24,314
4,145	Crown Funding	1,327	1,327	1,300	1,300					2,627	2,627
3,076	Fees / Charges	3,866	4,622			366	540	(5)		4,227	5,162
415	Interest	261	237	50	70	175	150			486	457
1,166	Other Revenue					100				100	
	Gain on Disposals	13				149				162	
	Inter-Group Income	209	170					(209)	(170)		
32,015	Total Revenue	19,133	19,968	1,350	1,370	11,988	11,392	(214)	(170)	32,257	32,560
	Expenditure										
19,260	Personnel Costs	11,819	12,636	182	208	7,861	7,693			19,862	20,537
8,817	Other Operating Costs	6,641	5,661	567	861	2,323	1,742	(5)		9,526	8,264
1,497	Depreciation	656	550	258	220	672	696			1,586	1,466
950	Capital Charge	409	415	113	118	428	425			950	958
883	Rental Property and Equipment	510	500	42	47	284	444			836	991
109	Authority Members' Costs	96	98			16	12			112	110
(3)	Bad debts	440	36			2				442	36
-	Provision for doubtful debt	1								1	
32	Audit Fee	20	32			10				30	32
-	Inter-Group Expense			34		175	170	(209)	(170)		
31,545	Total Expenditure	20,592	19,928	1,196	1,454	11,771	11,182	(214)	(170)	33,345	32,394
470	Net Operating Surplus/(Deficit)	(1,459)	40	154	(84)	217	210			(1,088)	166

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)

Movement in Taxpayers' Equity

Grouped	Statement of Movement in Taxpayers' Equity	Aviation Safety		Search & Rescue		Security Service		Grouped	
		2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000
2000									
Actual \$000									
9,440	Taxpayers' Equity at start of year	4,001	4,001	1,128	1,175	4,340	1,909	9,469	7,085
470	Net Operating Surplus/(Deficit)	(1,459)	40	154	(84)	217	210	(1,088)	166
93	Revaluation Reserve								
563	Total recognised revenues and expenses for the year	(1,459)	40	154	(84)	217	210	(1,088)	166
	Capital contribution								
	Repayment of capital								
	Retention of previous years surpluses						2,338		2,338
(534)	Provision for repayment of surplus to the Crown			(154)		(217)	(210)	(371)	(210)
9,469	Taxpayers' Equity at end of year	2,542	4,041	1,128	1,091	4,340	4,247	8,010	9,379

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**GROUPED FINANCIAL STATEMENTS
AS AT 30 JUNE 2001 (CONTINUED)**

Financial Position

Grouped	Statement of Financial Position	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
2000		2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
Actual		Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised	Actual	Revised
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
9,469	TAXPAYERS' EQUITY	2,542	4,041	1,128	1,091	4,340	4,247			8,010	9,379
	Represented by:										
	CURRENT ASSETS										
8,070	Cash	2,757	3,071	827	772	2715	2198			6,299	6,041
2,198	Receivables	1,271	1,759	8	6	1062	1078	(29)		2,312	2,843
291	Work in Progress	229	388			138				367	388
185	Prepayments	20	181	95	60	76	100			191	341
10,744	Total Current Assets	4,277	5,399	930	838	3,991	3,376	(29)		9,169	9,613
4,350	Non-Current Assets	1,334	1,229	442	338	2804	2354			4,580	3,921
15,094	Total Assets	5,611	6,628	1,372	1,176	6,795	5,730	(29)		13,749	13,534
	CURRENT LIABILITIES										
1,878	Payables	1,142	1,087	75	65	349	273	(29)		1,538	1,425
	Provisions										
2,345	Employee Entitlements	1,927	1,500	15	20	1584	1000			3,526	2,520
534	Repayment of Surplus to the Crown			154		522	210			676	210
4,757	Total Current Liabilities	3,069	2,587	244	85	2,455	1,483	(29)		5,739	4,155
	NON-CURRENT LIABILITIES										
868	Employee Entitlements	-	-	-	-	-	-	-		-	-
5,625	Total Liabilities	3,069	2,587	244	85	2,455	1,483	(29)		5,739	4,155
9,469	NET ASSETS	2,542	4,041	1,128	1,091	4,340	4,247			8,010	9,379

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001 (CONTINUED)**

Cash Flows

Grouped	Statement of Cash Flows	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
		2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000
	Cash from Operating Activities										
	Cash was provided from:										
23,196	Levies	13,081	13,207			11,117	11,174			24,198	24,381
4,145	Crown funding	1,327	1,327	1,300	1,300					2,627	2,627
4,506	Fees, Charges & Other	3,971	4,424			511		(209)	(170)	4,273	4,254
403	Interest	258	237	62	72	170	150			490	459
32,250		18,637	19,195	1,362	1,372	11,798	11,324			31,588	31,721
	Cash was applied to										
(17,697)	Payments to employees	(10,679)	(13,100)	(155)	(184)	(7,491)	(7,188)			(18,325)	(23,472)
(10,474)	Payments to suppliers	(8,600)	(6,611)	(666)	(1,048)	(3,101)	(3,000)	209	170	(12,157)	(7,493)
(950)	Payments of Capital Charge	(409)	(419)	(112)	(118)	(428)	(425)			(950)	(958)
3,129	Net Cash Flow	(1,051)	(935)	429	22	778	711			156	(202)
	Cash from Investing Activities										
	Cash was provided from:										
199	Sale of Assets	28				148				176	
(2,473)	Purchase of Assets	(811)	(585)	(90)	(25)	(972)	(700)			(1,873)	(1,310)
(2,274)	Net Cash Flow	(783)	(585)	(90)	(25)	(824)	(700)			(1,697)	(1,310)
	Cash from Financing Activities										
(50)	Repayment of Surplus to Crown										
	Repayment of capital			(230)			(68)			(230)	(68)
(50)	Net Cash Flow			(230)			(68)			(230)	(68)
805	Increase/(Decrease) in Cash	(1,834)	(1,520)	109	(3)	(46)	(57)			(1,771)	(1,580)
7,265	Add Opening Cash balance	4,591	4,591	718	775	2,761	2,255			8,070	7,621
8,070	Cash held at 30 June	2,757	3,071	827	772	2,715	2,198			6,299	6,041

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**GROUPED FINANCIAL STATEMENTS
for the Year Ended 30 June 2001 (continued)**

Reconciliation of Net Operating Surplus to Cash Flow from Operating Activities

Grouped	Reconciliation of Net Operating Surplus to Cash Flow from Operating Activities	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
		2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000	2001 Actual \$000	2001 Revised Budget \$000
2000											
Actual \$000											
470	Net Operating Surplus/(Deficit)	(1,459)	40	154	(84)	217	210			(1,088)	166
	Add non-cash items										
1,497	Depreciation	656	550	258	220	672	696			1,586	1,466
(3)	Bad and doubtful debts	441	36			2				443	36
1,497	Total Non-cash items	1097	586	258	220	674	696			2029	1502
	Movements in Working Capital										
365	Decrease/(Increase) in Receivables	(524)	(607)	(8)	2	(42)	(168)	22		(552)	(773)
54	Decrease/(Increase) in Work in Progress	62	(97)			(138)				(76)	(97)
134	Decrease/(Increase) in Prepayments	41	(120)	(10)	(15)	(37)	100			(6)	(35)
170	(Decrease)/Increase in Payables	(218)	(273)	(49)	(103)	(97)	(127)	(22)		(386)	(503)
564	(Decrease)/Increase in Entitlements	(37)	(464)	1	2	349				313	(462)
1,287	Total Movements in Working Capital	(676)	(1,561)	(66)	(114)	35	(195)			(707)	(1,870)
	Movements in Investing Activities										
(97)	(Decrease)/Increase in Payables - Assets			83						83	
(28)	Gain on Sale of Assets	(13)				(148)				(161)	
(125)	Total Movements in Investing Activities	(13)		83		(148)				(78)	
3,129	Net Cash Flow from Operating Activities	(1,051)	(935)	429	22	778	711			156	(202)

STATEMENT OF SERVICE PERFORMANCE

CIVIL AVIATION AUTHORITY

For the Year Ended 30 JUNE 2001

OUTPUT CLASS: POLICY ADVICE

Description

This Output class covers the following outputs, and associated activities and services:

A. *Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements*

- The administration of New Zealand's participation in the International Civil Aviation Organisation (ICAO) and of New Zealand's compliance with the Chicago Convention and related Protocols, Annexes and Standards relating to aviation safety and security which have been ratified by New Zealand.
- The development and administration of bilateral aviation safety and security related agreements with the civil aviation safety regulatory authorities of other countries.
- The provision of advice to Government on all aspects of civil aviation safety and security.
- The development and review of civil aviation safety and security legislation.
- Ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister.
- Supervising and acknowledging correspondence to and from the Chairperson and Members of the Authority.

B. *Exemption Process Management*

Pursuant to the Act and rule making procedures, the assessment of petitions for and the granting of exemptions from requirements prescribed in the Civil Aviation Rules.

C. *Rules Development*

Note that the Authority undertakes Rules Development services under contract to the Ministry of Transport.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals

Output Cost

Actual 1999/2000 \$000	Output Class: Policy Advice	1 July 2000 – 30 June 2001				
		Budget \$000	Revised Budget \$000	Actual \$000	Variance	
					\$000	%
	Revenue					
2,845	Crown	1,327	1,327	1,327		
387	Other	1,468	1,668	1,852	184	11
3,232	Total Revenue	2,795	2,995	3,179	184	6
	Expenses					
1,547	Personnel	1,369	1,289	981	308	24
1,941	Operating (<i>Incl. Allocations</i>)	1,407	1,685	1,868	(183)	(11)
11	Depreciation	12	13	13		
7	Capital Charge	7	3	8	(5)	(167)
3,506	Total Output Expenses	2,795	2,990	2,870	120	4
(274)	Net Surplus/(Deficit)	-	5	309	304	6,080

Civil Aviation Authority - Service Performance

A. ADVICE TO GOVERNMENT

Performance Measures	2000/01 Results	
Quantity		
GENERAL POLICY ADVICE		
Ministerial Servicing	<i>Target</i>	Actual
Draft responses to Ministerial correspondence	70 - 90	66
Provide reports and briefings to the Minister	70 - 90	91
Provide responses to Parliamentary Questions	20 - 40	59
Provide reports and responses to Select Committees	2 - 4	12
Safety Policy Advice		
<i>Cost Recovery Review</i>	<i>Mar 2001</i>	25% completed
The Authority agreed this project should focus on amending the domestic passenger levy. Following the collapse of Tasman Pacific Airlines, the CAA obtained agreement from Qantas Airways to voluntarily pay the current levy while work was performed on amendment to the Levies Order. This allowed a more structured approach to the amendment process. If this had not been achieved, an urgent amendment would have been required to stabilise the CAA's primary funding source. The consultation process for amending the levy commenced during the fourth quarter with the objective to have an amended levy order in place by December 2001.		
<i>Safety Framework Policy Advice</i>	<i>Jun 2001</i>	Not started
Project has not commenced. This project is linked to an MOT project which has yet to commence. See note 1 below.		
<i>Psychoactive Substances Policy Development</i>	<i>Jun 2001</i>	15% completed
A review of the literature has been undertaken and initial proposals will be reported to CAA and MOT outlining options for further consideration.		
<i>Air Traffic Service Policy Review</i>	<i>Dec 2000</i>	35% completed
Work on this project was stopped at the end of the second quarter when staff were diverted to the Civil Aviation Amendment Bill (No 2) 2001 project.		
<i>Regulatory Enforcement Policy</i>	<i>Dec 2000</i>	No progress
No specific work has been carried out on this project because effort has been directed to the review of Civil Aviation Rule Part 61 and the Civil Aviation Amendment Bill (No 2). Consideration of the "just culture" subject is ongoing and is relevant to this subject.		
<i>Aeronautical Information Services - Provision & Funding</i>	<i>Apr 2001</i>	Completed
A Cabinet paper recommending the introduction of an AIS levy was presented to the Finance, Infrastructure & Environment Cabinet Committee in June. Contracts for the purchase of the AIP database and the provision of the AIS were signed in June. This policy project is now complete - follow-up monitoring of implementation will continue into next financial year.		
Note:	A large portion of the policy advice resources were devoted to Civil Aviation Amendment Bill (No 2) during the second half of the financial year which precluded planned policy project work being undertaken.	

Security Policy Advice	Target	Actual
Develop and promulgate security policy advice to maintain the national aviation security programme, taking into account changes: (a) ICAO Standards and Recommended practices; and (b) government policy;	3 to 5 changes	2
From analysis of intelligence and information affecting the level of risk to aviation, develop and promulgate security motivational material, advice, policy and direction where appropriate.	30 to 50 actions	67
Provide security advice to industry and government agencies on high profile events including the Sydney Olympics and the year 2003 America's Cup.	3 to 5 actions	2
Legislation Development	Target	Actual
Provide amendments to Civil Aviation (Offences) Regulations 1997 to the Ministry of Transport in respect of Rule changes. <i>Proposed amendments are incorporated into rule development projects.</i>	As required	Paper completed
Provide amendments to the Civil Aviation Charges Regulations 1991 and the Civil Aviation (Safety) Levies Order in respect of any funding changes needed. <i>Amendments to the Safety Levies Order will follow the Cost Recovery Review project (reported above). A proposal to establish an AIS levy has been put forward to Cabinet for approval.</i>	As required	-
Provide support for Civil Aviation Act amendments. <i>Work has been undertaken on two Bills in conjunction with Ministry of Transport officials. Select Committee work on Bill No 2 was completed in June after extensive input from CAA. Limited attention was required on Bill No 1 during the period.</i>	As required	Multiple action
International Aviation and Safety Related Agreements	Target	Actual
Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters	36 - 48	69
Petition for rule changes to implement ICAO Standards and Recommended Practices adopted by New Zealand	5 - 15	1
Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptances or differences	17 - 28	8
Provide aviation safety and security advice and assistance to Samoa, Niue, and the Cook Islands	20 - 30	6
Provide advice and representation in support of international agreements, projects, and other forums	5 - 10	0
EXEMPTIONS		
Petitions for rule exemptions processed	50 - 70	70

Quality / Timeliness

The Minister and Secretary for Transport will be formally requested, at least every six months, to indicate his/her level of satisfaction with the overall quality and timeliness of CAA policy advice legislation development and correspondence/reports - *To achieve a minimum rating of good.*

Formal requests were made to both the Minister and the Secretary for Transport during the first and second half of the year.

First half: The Secretary responded with a mixed rating of *inferior* and *good*.

Second half: The Secretary responded with a rating of *good*.

Percentage and number of clients surveyed who rate aviation security advice as useful, credible, and timely - *To achieve a target of 75% or better.*

The survey was not undertaken due to resource constraints imposed by internal restructure and concerns that the controversy surrounding Medical issues would unduly affect the results of the survey.

Contribute to the maintenance of CAA ISO certification. – *Maintain.*

ISO certification was maintained.

OUTPUT CLASS: SAFETY ASSESSMENT AND CERTIFICATION

Description

This Output Class covers the following outputs and associated activities and services:

A. *Aviation Document Assessment*

- Entry control - The exercise of control over entry into the New Zealand civil aviation system through the issue or amendment of aviation documents and approvals to organisations, individuals and products (see Section 7, Civil Aviation Act 1990 for a listing of these).
- Exit control - The exercise of control over exit from the 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.

B. *Monitoring and Corrective Action Identification*

- The monitoring of adherence to safety and security standards by participants in the civil aviation system including the carrying out or requiring of inspections and audits.
- The identification and follow-up of corrective actions that need to be taken by participants and holders of aviation documents to ensure adherence to safety and security standards and compliance with the conditions of their documents.
- The updating of entry, exit and monitoring information in the CAA database, including maintenance of the New Zealand Register of Aircraft.
- The provision of information and advice to applicants for aviation documents and approvals, plus support and advice to participants to assist them achieve compliance with the Civil Aviation Rules.
- The maintenance of an effective Field Safety Advisor presence.
- The assessment of overseas information such as airworthiness directives and manufacturers service information, and the taking of appropriate action.
- The development and review of New Zealand airworthiness directives.
- The assessment and approval of alternative means of compliance with airworthiness directives.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals

Output Cost

Actual 1999/2000 \$000	Output Class: Safety Assessment and Certification	1 July 2000 - 30 June 2001				
		Budget \$000	Revised Budget \$000	Actual \$000	Variance	
					\$000	%
	Revenue					
9,544	Crown					
	Other	10,373	10,966	10,258	(708)	(6)
9,544	Total Revenue	10,373	10,966	10,258	(708)	(6)
	Expenses					
5,093	Personnel	5,732	6,091	5,929	162	3
4,985	Operating (<i>Incl. Allocations</i>)	4,685	5,556	6,591	(1,035)	(19)
19	Depreciation	15	30	11	19	63
26	Capital Charge	13	14	9	5	36
10,123	Total Output Expenses	10,445	11,691	12,540	(849)	(7)
(579)	Net Surplus/(Deficit)	(72)	(725)	(2,282)	(1,557)	215

Civil Aviation Authority - Service Performance

A. AVIATION DOCUMENT ASSESSMENT

Performance Measures -	2000/01 Results	
Quantity		
Number of:	<i>Estimated Range</i>	Actual
Personnel Licensing work requests (*)	2,000 – 2,500	2,529
Medical Assessments (98% assessed externally)	7,500 - 8,000	7,940
Operator Certification work requests (*)	1,700 - 2,000	1,031
Aircraft Certification work requests (*)	1,200 - 1,400	839
Aircraft Registration work requests (*)	1,200 - 1,250	1,284
Airworthiness directives to be developed and published.	180 - 200	115
Requests for alternative means of compliance assessed.	50 - 70	111
<i>(*) Work requests include new licences/certifications, amendments, endorsements, and provision of advice on implementation of new rules.</i>		
Quality		
Percentage of entry assessments that are accurate and complete. <i>Entry applications assessed where the assessment process complies with rules and standards, and policy and procedures, as confirmed by internal audit.</i>	Sampling of entry assessments in the manner contemplated by the target was not carried out. However an internal audit of Aircraft Certification carried out during the year resulted in a number of recommendations for improvement. These recommendations have been initiated.	
Contribute to the maintenance of CAA ISO certification. – <i>Maintain.</i>	ISO certification was maintained.	
Timeliness		
Percentage and number of clients surveyed who respond and rate the aviation document assessments as accurate and timely. <i>To achieve a target of 75% or better.</i>	The survey was not undertaken due to resource constraints imposed by internal restructure and concerns that the controversy surrounding Medical issues would unduly affect the results of the survey.	

B. MONITORING AND CORRECTIVE ACTION IDENTIFICATION

Performance Measures -

2000/01 Results

Quantity

Programmed routine audits and inspections:

No. of Certificate Holders			Estimate		Actual	
			No. of Modules to Complete	No. of Hours	No. of Modules Completed	No. of Hours
Jul-00	Jun-01	Industry Category				
8	22	Air Transport Operators - Airlines	81	1,540	111	3,527
155	140	Air Transport Operators - General Aviation	313	2,454	108	975
87	101	Agricultural Operators	102	222	71	318
47	47	Maintenance Organisations	85	2,415	67	1,636
60	104	Other Organisations	161	942	99	1,307
5	22	Aerodromes	70	330	67	430
12	25	Airways Services	32	575	20	344
Total, routine audits and inspections			844	8,478	543	8,537
Special purpose audits			-	260	-	-
Spot Checks			-	2,500	-	1,316
Activity Totals			844	11,238	543	9,853

Quality / Timeliness

Percentage, number and trend of audit findings raised during audits - <i>Number and trend of audit findings raised per hour (on hours audit preparation and on site only) of audit time.</i>	Findings Issued	Actual 703
	Modules Completed	543
	Average Findings per Audit Module	1.29
Percentage and number of scheduled audit and inspection modules completed by the due date set in the audit programme - <i>Percentage and number of on site visits completed/reports completed by due date.</i>	Scheduled in period	Actual 663
	Completed by due date	484
	Percentage	73%
Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance - <i>To achieve a target of 100%.</i>	Actions Registered	Actual 891
	Actions Implemented	825
	Percentage Implemented	93%
	Actions Overdue	153

OUTPUT CLASS: SAFETY ANALYSIS AND INFORMATION

Description

This Output Class covers the following outputs and activities:

A. Safety Investigation and Analysis

- The analysis of civil aviation safety occurrences, received by way of safety occurrence information and safety complaints, to identify causal factors and trends and the feedback of this information to industry in the form of accident briefs, defect summaries, and accident and incident trends.
- The investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety authority (subject to the limitations set out in section 14(3) of the Transport Accident Investigation Commission Act 1990).
- The analysis of audit and investigation reports and preparation of recommendations for corrective action to be taken by participants in the civil aviation system and/or by the Authority such as amendments to rules, education and information, or additional monitoring to improve safety.
- The notification to the Transport Accident Investigation Commission of accidents and incidents reported to the Authority in accordance with section 27 of the Civil Aviation Act 1990.
- Provision of advice to the Director on the safety performance of the civil aviation system.
- The evaluation of safety recommendations made by the Transport Accident Investigation Commission and Coroner's and Criminal Courts, the drafting of responses and the assignment of any necessary actions.
- The assessment of overseas information, aircraft reliability data and flight operations information, and taking appropriate action.
- The preparation of an annual Safety Report summarising the Authority's safety actions and priorities affecting each industry sector.
- The provision of support and advice to civil aviation to assist participants achieve compliance with the Civil Aviation Rules.

B. Safety Education and Information

- The promotion of safety by providing safety education information and advice, and fostering safety programmes.
- The management of the CAA Internet Web Site.
- The co-ordination of CAA information input into the New Zealand Aeronautical Information Service regarding the Aeronautical Information Publication.
- The publishing of feedback information to industry in the form of accident briefs, defect summaries, and accident and incident trends.
- The publication and distribution of all of the CAA's external publications, including Rules, Advisory Circulars, magazines, newsletters, pamphlets, posters and videos.
- The development and maintenance of the CAA's corporate identity programme.

- The oversight of airspace User Groups set up for the purpose of assisting development and co-ordination of local safety procedures.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals

Output Cost

Actual 1999/2000 \$000	Output Class: Safety Analysis and Information	1 July 2000 - 30 June 2001				
		Budget \$000	Revised Budget \$000	Actual \$000	Variance	
					\$000	%
	Revenue					
5,035	Crown					
	Other	4,517	4,721	4,502	(219)	(5)
5,035	Total Revenue	4,517	4,721	4,502	(219)	(5)
	Expenses					
1,904	Personnel	1,958	2,071	1,933	138	7
2,614	Operating (<i>Incl. Allocations</i>)	2,481	2,162	2,274	(112)	(5)
33	Depreciation	40	23	25	(2)	(9)
34	Capital Charge	38	11	14	(3)	(27)
4,585	Total Output Expenses	4,517	4,267	4,246	21	-
450	Net Surplus/(Deficit)	-	454	256	(198)	(44)

Civil Aviation Authority - Service Performance

A. SAFETY INVESTIGATION AND ANALYSIS

Performance Measures	2000/01 Results		
Quantity			
Number of Aviation Safety summary reports. <i>4 quarterly reports provided.</i>	All four required Aviation Safety summary reports were delivered on time.		
Number of investigations initiated into aviation safety occurrences.	Number of Investigations	<i>Estimate</i> 2300 - 2700	<i>Actual</i> 2015
Quality / Timeliness			
Percentage of investigations of critical or major occurrences completed:	% Completed within	<i>Estimate</i>	<i>Actual</i>
<ul style="list-style-type: none"> • 70% within 6 months of registration • 90% within 12 months of registration • 100% within 2 years of registration 	6 months	70%	87% (477)
	12 months	90%	97% (529)
	2 years	100%	100%
Percentage and number of clients surveyed who respond and rate safety information as useful, accurate, timely and credible <i>To achieve a target of 75% or better.</i>	The survey was not undertaken due to resource constraints imposed by internal restructure and concerns that the controversy surrounding Medical issues would unduly affect the results of the survey.		
Contribute to the maintenance of CAA ISO certification. – <i>Maintain.</i>	ISO certification was maintained.		

B. SAFETY EDUCATION AND INFORMATION

Performance Measures	2000/01 Results		
Quantity			
Number of Vector Periodicals		<i>Estimate</i>	<i>Actual</i>
Number of CAA Safety Videos	Vector Periodicals	<i>Minimum of 6</i>	6
Number of Kiwi Safety Seminars	CAA Safety Videos	2	3
	Kiwi Safety Seminars	24	24
Quality			
Percentage and number of clients surveyed who rate the periodicals, videos, and seminars as useful and credible - <i>To achieve a target of 75% or better.</i>	The survey was not undertaken due to resource constraints imposed by internal restructure and concerns that the controversy surrounding Medical issues would unduly affect the results of the survey.		
Contribute to the maintenance of CAA ISO certification. – <i>Maintain.</i>	ISO certification was maintained.		

OUTPUT CLASS: ENFORCEMENT

Description

This output covers the taking of appropriate follow-up action in the public interest, including:

- the recording of public complaints of alleged or suspected offences,
- the investigation of all such allegations and any others as may be referred from other CAA Units, and

the taking of appropriate action; such as the issue of a warning letter, the issue of an infringement offence notice, or the laying of information for a summary offence.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals

Output Cost

Actual 1999/2000 \$000	Output Class: Enforcement	1 July 2000 - 30 June 2001				
		Budget \$000	Revised Budget \$000	Actual \$000	Variance	
					\$000	%
	Revenue					
883	Crown					
	Other	762	879	711	(168)	(19)
883	Total Revenue	762	879	711	(168)	(19)
	Expenses					
310	Personnel	284	264	251	13	5
478	Operating (<i>Incl. Allocations</i>)	478	538	468	70	13
4	Depreciation	-	5	5	-	-
2	Capital Charge	-	3	3	-	-
794	Total Output Expenses	762	810	727	83	10
89	Net Surplus/(Deficit)	-	69	(16)	(85)	(123)

Civil Aviation Authority - Service Performance

ENFORCEMENT

Performance Measures	2000/01 Results		
Quantity			
Number of alleged offences reported/recorded.		<i>Estimate</i>	Actual
Number of detailed investigations undertaken.	Alleged offences reported/recorded	220-250	184
	Detailed investigations undertaken	130-160	136
Quality / Timeliness			
Percentage of alleged offences reported/recorded in the period initially assessed.	100% of alleged offences reported / recorded were initially assessed during the period.		
<i>To achieve a target of 100%.</i>			
Percentage of detailed investigations completed in the period:	Investigations completed within:	<i>Estimate</i>	Actual
• 90% within 6 months of commencement	6 months	90%	94%
• 100% within 12 months of commencement	12 months	100%	100%
High proportions of enforcement action taken are resolved in favour of the CAA - <i>Percentage and number of success.</i>	Enforcement Actions Taken*		Actual
	Number of Success		53
	Percentage of Success		96%
	<i>* Actions taken include prosecutions and formal warnings.</i>		
Contribute to the maintenance of CAA ISO certification. – <i>Maintain.</i>	ISO certification was maintained.		

CLASS III SEARCH AND RESCUE SERVICES

For the Year Ended 30 JUNE 2001

OUTPUT CLASS: CLASS III SEARCH AND RESCUE SERVICES

Description

This output class involves the provision of search and rescue services and the maintenance and operation of the National Rescue Co-ordination Centre (NRCC). The services provided include the co-ordination of SAR operations within the New Zealand Search and Rescue Region (NZSRR) for surface vessels or aircraft that are missing or in distress and where national civil and military resources are required. It also involves the maintenance and operation of a Local User Terminal (LUT) system capable of detecting and rapidly determining the location of any active Distress Beacons in the NZSRR.

Outcomes

This Output Class contributed to the following Government Outcomes:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals

Output Cost

Actual 1999/2000 \$000	Output Class: Class III Search and Rescue Services	1 July 2000 - 30 June 2001				
		Budget \$000	Revised Budget \$000	Actual \$000	Variance	
					\$000	%
	Revenue					
1,300	Crown	1,300	1,300	1,300		
60	Interest	70	70	50	(20)	(29)
1,360	Total Revenue	1,370	1,370	1,350	(20)	(1)
	Expenses					
181	Personnel	195	208	182	26	12
628	Operating	485	466	405	61	13
-	Search	436	442	238	204	46
206	Depreciation	220	220	258	(38)	(17)
115	Capital Charge	118	118	113	5	4
1,130	Total Output Expenses	1,454	1,454	1,196	258	18
230	Net Surplus/(Deficit)	(84)	(84)	154	238	(283)

Class III Search and Rescue Services - Service Performance

Output Performance

Performance Measures	2000/01 Results		
Quantity			
Number of SAR incidents responded to		<i>Estimate</i>	Actual
Number of SAR Missions undertaken	Incidents responded to	900-1100	745
	Missions undertaken	12-20	10
Quality			
Maintain ISO Certification of National Rescue Co-ordination Centre – <i>Maintain.</i>	ISO certification was maintained.		
Timeliness			
100% of SAR incidents responded to within 10 minutes of notification.	100% of SAR incidents were responded to within 10 minutes of notification.		

Outcome Performance

Performance Measures	2000/01 Results
100% of Search and Rescue operations will be successfully concluded.	99.87% of SAR incidents were successfully concluded. Search for the 'Moeraki Bay' vessel and crew was suspended.

Notes: A search and rescue operation is successful when:

- i) information is obtained that the ship, aircraft, other craft or persons who are the subject of the SAR incident are no longer in distress; or
- ii) the ship, aircraft, other craft or persons for whom SAR unit are searching have been located and the survivors rescued.

AVIATION SECURITY SERVICE

For the Year Ended 30 JUNE 2001

OUTPUT CLASS: AVIATION SECURITY SERVICE

Description

This Output Class involves the provision of aviation security services for international and domestic air operations.

Outcomes

This Output Class contributed to the following Government Outcomes:

1. A safe, sustainable transport system at reasonable cost
2. A commitment to contribute to key Government goals
3. Community Security

Output Cost

Actual 1999/2000 \$000	Output Class: Aviation Security Service	1 July 2000 - 30 June 2001			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
11,561	Other	11,242	11,813	571	5
135	Interest	150	175	25	17
11,696	Total Revenue	11,392	11,988	596	5
	Expenses				
7,472	Personnel	7,693	7,861	(168)	(2)
2,809	Operating	2,368	2,810	(442)	(19)
689	Depreciation	696	672	24	3
421	Capital Charge	425	428	(3)	(1)
1	Loss on disposal of assets	0	0	0	0
11,392	Total Output Expenses	11,182	11,771	(589)	(5)
304	Net Surplus/(Deficit)	210	217	7	3

Aviation Security Service - Service Performance

1. Passenger Screening

Description: Screening of all departing international passengers and their baggage as may from time to time be required by national or international authorities.

Performance Measures	2000/01 Results	
Quantity		
Number of passengers screened - <i>The Aviation Security Service will screen all departing international passengers and their baggage as may from time to time be required by national or international authorities.</i>	Actual screened passengers	3,256,145
	<i>Estimate</i>	3,121,079
	Variance	+135,066
	% Variance	+4.33%
Quality		
98% compliance with the National Aviation Security Programme as audited.	External auditors raised no non-conformance reports during the year.	
95% detection rate in the Recurrent Testing Programme.	Test objects	1,819
	Objects detected	1,777
	Percentage detected	97.69%
During 2000/01 year there will be no more than one (1) formal complaint per 100,000 passengers.	Actual complaints per 100,000 passengers	0.12
	<i>Estimate complaints per 100,000 passengers</i>	1
Timeliness		
No flight delays due to screening activities.	There were no flight delays due to screening activities during the period.	

2. Aircraft Search

Description: Searching of all aircraft as required by national or international regulatory authorities or the operator.

Performance Measures	2000/01 Results	
Quantity		
Number of aircraft searched - <i>The Aviation Security Service will search all aircraft as required by national or international regulatory authorities or the operator.</i>	Actual searched aircraft	1,069
	<i>Estimate</i>	875
	Variance	+194
	% Variance	+22.17%
	The increase in aircraft searched was due to the introduction of smaller aircraft and the reinstatement of searches of United Airlines flights out of Auckland.	
Quality		
Compliance with the National Aviation Security programme.	There were no non-conformance reports raised by external auditors of aircraft search activities during the period.	

95% detection rate in recurrent testing programme as measured by the percentage of test objects detected.	Objects used Objects detected % detected	437 429 98.17%
No more than 5 customer complaints.	Nil	
Timeliness		
Number of flight delays due to search activities.	Nil	

3. Patrols

Description: Patrols at all Security Designated Aerodromes and patrols as required at navigation installations.

Performance Measures	2000/01 Results	
Quantity		
Number of patrol hours	Actual patrol hours	63,198
	<i>Estimate</i>	60,000
	Variance	+3,198
	% Variance	+5.33%
Number of incidents attended	Number of attended incidents	2,324
	<i>Estimate</i>	2,250
	Variance	+74
	% Variance	+3.29%
Quality		
Persons unlawfully within a security area will be detected within five minutes of entry.	There was one report of a person remaining undetected for over five minutes within a security area during the period.	
Timeliness		
Incidents attended within three minutes of coming to notice.	There were no reports of incidents not attended within three minutes.	

4. Access Control

Description: Control of unauthorised access through controlled access points. Issue Airport Identity Cards to all authorised persons requiring them.

Performance Measures	2000/01 Results	
Quantity		
Number of incidents of unauthorised access - <i>There will be no incidents of unauthorised access through controlled access points.</i>	Nil	
Number of Airport Identity Cards issued:		
• 5,500 Permanent	Permanent Cards Issued	11,150
• 20,000 Temporary	Temporary Cards Issued	25,187
	The number of permanent cards issued was inflated by the issue of new cards to the entire staff of the now defunct Qantas New Zealand.	

Quality		
95% compliance by Airport Identity Cardholders with the requirement for use.	Number of checks	9,395
	Number of breaches	122
	Percentage compliance	98.7%
Timeliness		
95% of Airport Identity Cards replaced by expiry date.	Number of checks	9,395
	Number of expired cards	85
	Percentage expired	0.90%
	Percentage current	99.1%

5. Promote Security Awareness and Airline Co-operation

Description: Supply of security awareness training as required.

Performance Measures	2000/01 Results	
Quantity		
Number of courses held. - <i>75 training courses.</i>	Actual courses held	72
	<i>Estimate</i>	75
Quality		
Level of customer satisfaction – needs of customer met based on course evaluations.	All customers were satisfied with the training given.	
Timeliness		
Percentage of training requests met within one week.	100%	

6. Maintain Cost Effective Operations

Performance Measures	2000/01 Results	
Quantity		
The cost of operations will be within budget.	Cost of operations was within budget.	
Quality		
Cost of operations will be maintained by comparative benchmarking.	The third party review carried out by PricewaterhouseCoopers included the General Manager of Singapore Air Terminal Services Security in the team. This enabled them to benchmark the Service against that organisation. AvSec was accepted into the New Zealand Benchmarking Club late in the year. This membership will provide continuing opportunities to benchmark all aspects of its activities against the best organisations in New Zealand. Membership also involves a self-assessment against the New Zealand Business Excellence Criteria each year.	

Financial reporting will be in compliance with the Public Finance Act.

There were no non-compliances reported.

Timeliness

All financial reports produced within deadlines as may be set by the Civil Aviation Authority, Ministry of Transport or Treasury.

There were no cases of late reporting reported.

COST EFFECTIVENESS AND EFFICIENCY

1. Cost Effectiveness

Performance Indicator	2000/01 Results	
The ratio of output expenditure to the number of access and security breach incidents.	Average cost of patrols	\$2,479,291
	Average number of incidents	2619
	Ratio	\$946.66
	<i>Ratio (2000)</i>	<i>\$1227.93</i>
<i>Trends from year to year and three year rolling average.</i>	Yearly trend	-\$281.27
	Three year rolling average	\$1220.68
	The number of incidents reported is higher since the introduction of a new reporting system that captures all incidents attended by AvSec officers, not only those arising from security breaches.	

2. Cost Efficiency

Performance Indicator	2000/01 Results	
The ratio of output expenditure to the number of passengers screened.	Average cost of screening	\$3,074,409
	Average number of passengers	2,999,012
	Ratio	\$1.03
	<i>Ratio (2000)</i>	<i>\$1.11</i>
<i>Trends from year to year and three year rolling average.</i>	Yearly trend	-\$0.08
	Three year rolling average	\$1.06
The ratio of output expenditure to the number of aircraft searched.	Average cost of aircraft search	\$58,450
	Average number of aircraft	936
	Ratio	\$62.45
	<i>Ratio (2000)</i>	<i>\$79.27</i>
<i>Trends from year to year and three year rolling average.</i>	Yearly trend	-\$16.82
	Three year rolling average	\$74.64



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND FOR THE YEAR ENDED 30 JUNE 2001

We have audited the financial statements on pages 57 to 106. The financial statements provide information about the past financial and service performance of the Civil Aviation Authority of New Zealand and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 65 to 68.

RESPONSIBILITIES OF THE AUTHORITY

The Public Finance Act 1989 requires the Authority to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Civil Aviation Authority of New Zealand as at 30 June 2001, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 2001.

AUDITOR'S RESPONSIBILITIES

Section 43(1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Authority. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the Authority in the preparation of the financial statements *and*
- ▲ whether the accounting policies are appropriate to the Civil Aviation Authority of New Zealand's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Civil Aviation Authority of New Zealand.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Civil Aviation Authority of New Zealand on pages 57 to 106:

- ▲ comply with generally accepted accounting practice *and*
- ▲ fairly reflect:
 - the financial position as at 30 June 2001
 - the results of its operations and cash flows for the year ended on that date *and*
 - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 26 September 2001 and our unqualified opinion is expressed as at that date.



S B Lucy
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

