

ANNUAL REPORT

2012/2013





CIVIL AVIATION AUTHORITY OF NEW ZEALAND (THE CAA)

Level 15, 55 Featherston Street
P O Box 3555, Wellington, New Zealand
Tel: +64 4 560 9400
Fax: +64 4 560 2024
Email: info@caa.govt.nz
www.caa.govt.nz



AVIATION SECURITY SERVICE (AVSEC)

Level 15, 55 Featherston Street
P O Box 2165, Wellington, New Zealand
Tel: +64 4 495 2430
Fax: +64 4 495 2432
Email: reception@avsec.govt.nz
www.avsec.govt.nz

This Annual Report has been prepared in accordance with:

- Section 38A of the Third Schedule to the Civil Aviation Act 1990; and
- Section 150 of the Crown Entities Act 2004.

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2012 to 30 June 2013.

A handwritten signature in black ink, appearing to read 'Nigel Gould', written over a light blue horizontal line.

NIGEL GOULD

Chairman of the Civil Aviation Authority of New Zealand
23 October 2013

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

A handwritten signature in black ink, appearing to read 'Mark Wheeler', written over a light blue horizontal line.

MARK WHEELER

General Manager, Aviation Security Service
23 October 2013

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

CONTENTS

CHAIRMAN'S FOREWORD	1
DIRECTOR'S INTRODUCTION	3
PART A: THE CIVIL AVIATION AUTHORITY'S STRATEGIC CONTRIBUTION	4
SECTION 1: THE CIVIL AVIATION AUTHORITY AT A GLANCE	6
SECTION 2: THE YEAR IN REVIEW	8
SECTION 3: OUR STRATEGIC DIRECTION	10
SECTION 4: MANAGING KEY STRATEGIC RISKS	21
SECTION 5: MANAGING ORGANISATIONAL HEALTH AND CAPABILITY	23
PART B: STATEMENT OF SERVICE PERFORMANCE AND FINANCIAL STATEMENTS	28
STATEMENT OF RESPONSIBILITY	29
AUDITOR'S REPORT	30
SECTION 6: STATEMENTS OF SERVICE PERFORMANCE	33
SECTION 7: FINANCIAL STATEMENTS	46
PART C: APPENDICES	82

CHAIRMAN'S FOREWORD



Our skies are amongst the safest in the world, but the Civil Aviation Authority continues to seek ways to drive down the number of accidents and improve our systems and policies for the benefit of all New Zealanders.

In last year's foreword I signalled a need for a paradigm shift to make this happen – and it is very satisfying to report that we have achieved considerably more than we originally planned. The organisation has undergone a period of profound change. This programme continues, however our focus is now moving towards bedding-in this change, and realising the benefits to the aviation sector in New Zealand.

Advancing to risk-based regulation

This year, the Authority consulted with the industry on moving towards a risk-based approach to regulation. We received 48 written submissions, and more than 300 people attended a series of forums across the country to give their views. Risk-based regulation has been shown internationally to be an effective way of continuing to reduce accident numbers, and the Authority supports it. The response from the industry has been positive, reflecting the sector's consensus that more is needed to improve safety.

World leading adventure aviation

New Zealand's reputation as a destination for thrill-seekers means that the adventure tourism sector, in all its forms including aviation, is a key part of New Zealand's vibrant tourism sector.

New Zealand has emerged as the only country in the world with comprehensive regulation for its popular adventure aviation sector. I am pleased to note that all adventure aviation operators are now certificated and audited for the first time. Other countries, such as Australia and the UK, are now looking to New Zealand for guidance on implementing similar regulations in their jurisdictions.

Sustainable funding

Over the past two years, the Authority has been focusing on developing a viable funding arrangement for its regulatory and aviation security activities. This work continues. On the regulatory side, adequate funding has been arranged, and the Board expects a balanced budget. The Aviation Security Service's business

model is being comprehensively reviewed, with initial reporting due in November.

Economic contribution and international connections

The Authority has been working closely with New Zealand Trade and Enterprise (NZTE) to advise on potential growth opportunities for New Zealand. In January 2013 the Director and senior managers of the Authority, hosted by NZTE, met members of the Waikato Aviation Cluster to discuss potential regulatory and economic barriers to the development of aviation exports. The Authority is also working with NZTE on the Top of the South Aviation Cluster in Marlborough and Nelson. The Authority continues to be committed to removing unnecessary aviation regulatory barriers to economic development.

Most recently the Authority has been working with Boeing and Air New Zealand to issue a type-acceptance certificate for the new 787-9. Air New Zealand hopes to introduce the aircraft into service in mid-2014.

Improved stakeholder engagement

The Authority has been identifying further opportunities for engagement with the aviation sector, both domestically and internationally. Over the year, we engaged with stakeholders on the important decisions facing our industry, holding country-wide forums on Safety Management Systems and risk-based regulation. Abroad, New Zealand continues to influence international civil aviation policy by sharing our good practice in areas such as quality control for security screening, and regulatory compliance for new aircraft.

Aviation Security Service leadership transition

After 23 years as head of the Aviation Security Service, Mark Everitt is taking up a new safety role in the Authority. He will now use his considerable knowledge and experience in the Pacific to focus on building capability and capacity in our partner nations in the region.

During his time at the Aviation Security Service, Mark built a formidable reputation as a result of the work he has done, including setting up the International Civil Aviation Organization aviation security training centre in Auckland.

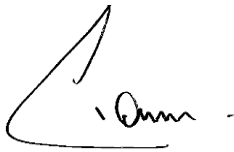
As Mark moved into his new role as Regulatory Advisor (Pacific Islands), David Wright acted as interim General Manager of the Security Service until Mark Wheeler's permanent appointment on 1 October 2013. Mr Wheeler was previously Land

Component Commander in the New Zealand Joint Forces HQ.

In conclusion

My thanks to the wider aviation industry who have worked closely with the Authority to make New Zealand's skies among the safest in the world.

I would like to thank the Director Graeme Harris, the Senior Leadership Team and all staff at the Authority for their commitment over the past year. Alongside industry we are setting new global standards for aviation safety and with our on-going work and leadership, long may it continue.

A handwritten signature in black ink, appearing to read 'Nigel Gould', with a large, sweeping initial stroke on the left.

Nigel Gould

CHAIRMAN

DIRECTOR'S INTRODUCTION



In the 2012 Annual Report I described a year of considerable and positive change for the organisation. That has continued over the last 12 months, with the funding improvements introduced during the period providing a solid basis for future investment in enhanced capability and resources. The focus of our efforts has moved from optimising the organisational structure to improving both the effectiveness and the efficiency of our activities.

From a financial perspective both the regulatory and security service elements of the Authority faced and overcame challenges during the year. The planned reduction of the security service's reserves occurred earlier than expected, and required interim funding arrangements to provide enough time to conduct the business review - which was designed to maximise business efficiency and establish appropriate funding levels.

The financial support of the regulatory function was also increased during the year. This resulted from Government recognition of the need to increase the capability and capacity of the organisation following external reviews that were critical of its performance. The significant underspend against budget during the year, noted in the financial section of this report, was due primarily to my decision to postpone a number of financial commitments associated with capability improvements until the extra funding was in place in the second half of the year.

I'm also conscious of the imposition that funding the Authority places on the aviation sector, and while I feel strongly that the national and public interest is best served by an effective regulator, I'm also aware of the need to balance the burden on the sector while at the same time protecting those interests. This means that additional planned

increases in capability will be introduced in a systematic way, and the need will be continually monitored. To make sure that the additional capacity and capability is acquired, it is expected that expenditure will increase significantly in the next year.

In the past year the security service identified and committed to a solution to the upgrade of its Hold Baggage Screening equipment, which has provided very significant savings. The regulatory function also completed the bulk of its risk profile of the agricultural aviation sector. While risk treatments are yet to be developed and agreed, the achieved is notable both for the collaborative approach being taken with the sector and the holistic nature of the risk analysis. The work on the agricultural sector will continue, and the lessons gained will be applied in other sectors.

The Authority has spent time strengthening its relationships with other transport sector agencies, which has seen the sharing of ideas, knowledge and resources. Resource sharing has already taken place with the Authority providing infrastructure services to Maritime NZ. It is expected that other tangible benefits will arise from this work over the next 12 months.

Another key focus for the Authority in the past year is in risk assurance, and the ISO 9001:2008 recertification by Verification NZ means that we have retained our internationally recognised standing.

Many challenges still lie ahead for the Authority. Even if the coming year was to produce a benign external environment - which it won't - we have set ourselves some demanding objectives. We can now face those demands with confidence, knowing that during the past year we have built a sound foundation to work from.



Graeme Harris
Director of Civil Aviation



PART A:

THE CIVIL AVIATION AUTHORITY'S STRATEGIC CONTRIBUTION

SECTION 1: THE CIVIL AVIATION AUTHORITY AT A GLANCE

OUR ORGANISATION

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

At 30 June 2013, the regulatory function employed 214.40 full-time equivalent staff (FTEs). Most are technical experts responsible for certifying and monitoring aviation participants. Staff are based in Wellington, Auckland, and Christchurch.

At 30 June, the security service employed 718.33 FTEs. Of these, 97 percent are front-line service delivery staff based in airports around the country, with a small management team based in Wellington.

An organisational chart is attached in Appendix 1.

OUR CORE FUNCTIONS

Our primary objective mandated in the Civil Aviation Act 1990 is safety and security.

We carry out 'safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system' (Civil Aviation Act 1990 s72AA). We do this through five core outputs:

1. **System design and evaluation**
2. **Outreach**
3. **Certification and licensing**
4. **Surveillance and investigation**
5. **Security service delivery**

OUR OPERATING ENVIRONMENT

Aviation document holders

New Zealand has a high rate of participation in aviation per capita relative to other countries. The numbers of aviation document holders are:¹

	At 30 June 2013	At 30 June 2012
Organisations	775	756
Individuals	43,969	43,189
Aircraft	4,851	4,755

¹ A detailed breakdown of these participants is shown in Appendix 3.

International and domestic air passenger movements

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

Changing global regulations

Through global cooperation, regulators are able to share aviation safety information and to cooperate in certifying civil aircraft. This is achieved through membership of the International Civil Aviation Organization, and through a series of bilateral aviation agreements between New Zealand and other countries. Risk-based regulation, in conjunction with Safety Management Systems, is emerging as the global standard in the aviation industry. It is seen as the next step in the evolution of aviation safety, and is used increasingly in managing other critical areas.

The Authority issued its Regulatory Operating Model (ROM) in 2012, incorporating contemporary approaches to risk-based regulation and sector oversight.

Changing technology

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

Aviation security

As the global marketplace continues to grow, millions of international travellers and tonnes of freight are exposed to various types of aviation-related services. The global civil aviation industry is subject to enormous change² and volatility, and the Authority must keep track of these changes to ensure that New Zealand's civil aviation system meets international expectations. The Authority is regarded as a world-class provider of aviation security services.

² Air passenger and cargo traffic are highly sensitive to natural disasters, the economy, politics, levies imposed on emissions trading schemes, and fuel price fluctuations.

Sustainable growth in aviation

Aviation fuel efficiency continues to improve as advances in technology, operations, and infrastructure are applied. We are also committed to meeting environmental performance targets. The International Civil Aviation Organization sets international aviation goals, working on market-based measures and promoting sustainable biofuels in aviation. The Authority takes part in these forums and developments.

OUR STRATEGIC FRAMEWORK

Government's transport outcome

The Government's overall objective for transport is expressed as 'an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our country's economy, to deliver greater prosperity, security and opportunities for all New Zealanders.'³

The Authority's Strategic Framework supports the Government's objectives for the transport sector:

- *to minimise harm; and*
- *to maximise the economic and social benefits for New Zealand.*

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

The Authority has three key areas of focus:

- *increasing overall system effectiveness;*
- *improving sector safety performance;*
- *becoming a more responsive and results-driven organisation.*

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

Authority's outcome

The outcome of the Authority:

Safe flight for social connections and economic benefits

describes the desired results that it focuses on, strongly aligned with the Government's objective for the transport system.

The objective of 'safe flight' is achieved through the contributions made by the Authority and a wide range of other stakeholders and aviation system users. We measure the progress that the aviation system is making towards that outcome annually with our performance measurement framework.

Impacts of the Authority's work

The impacts describe how our work will affect the aviation system and the expected results.

We achieve our intended impacts principally through our own efforts, although other organisations also contribute.

Each of the Authority's areas of emphasis and impacts contributes to more than one item in the next step up in the framework. We have shown the main relationships in the diagram on page 10.

³ As stated in the policy direction document for transport, *Connecting New Zealand*.

SECTION 2: THE YEAR IN REVIEW

The 2012/13 year saw the completion of the Authority's changes made in response to the 2010 recommendations of the Office of the Auditor-General. We created new roles, built organisational capability, established new team structures, including common support functions across the regulatory function and the security service, and began upgrading key systems to support the current and future work of the organisation.

These organisational changes have supported a significant shift in our approach to regulation and a new way of engaging the industry in contributing to safety and security outcomes. Our core focus on aviation safety remains strong. We are establishing new capabilities and developing skills to meet the challenges of maintaining New Zealand's excellent safety record in a complex and fast changing sector. A summary of the key activities delivered in support of our focus areas to 30 June 2013 is described on pages 13-20.

The progress the Authority is making towards the outcomes and results described in the 2012-15 Statement of Intent are presented in detail in Section 3: Our Strategic Direction. The connection to how successfully we are delivering our outputs and the link from these to our strategy is provided in the Statements of Service Performance and the Financial Statements in Part B of this report.

Financial Overview 2013

Introduction

In 2013, the Authority incurred a deficit of \$19.1 million, an improvement against budget of \$3.1 million. This is summarised in figure 1. The result reflects the continued focus by the Authority on achieving a sustainable funding baseline for both the regulatory function and security services. In an environment where revenue is primarily derived from third party levies and from charges paid by airline passengers, the Authority has persisted with challenging operational drivers to achieve a justifiable cost structure. It is also committed to establishing a prudent pricing framework that seeks to minimise the impost on the aviation industry and the travelling public.

Highlights

Regulatory Function

For the regulatory function, November 2012 marked the completion of the Cabinet-approved Funding Review and the introduction of new fees, charges and passenger levies through to 30 June 2015. This pricing review was the first for 15 years; we have now established a process for it to occur every three years. The additional funding levels that were approved by Cabinet support a much-needed investment in

organisational capability to ensure the sustainability of the regulatory function.

The 2013 year produced a better year than budget. Factors which contributed to this included the decision to delay the recruitment of some staff (refer the Director's introduction on page 3) and the beginning of some projects (including capital investment), until the outcome of the 2012 Funding Review had become known. There were also savings from the longer than anticipated time to fill some vacancies for technical positions.

Security Service

For the security service, the financial year produced a result broadly aligned to budget. The planned deficit of \$20 million continued the deliberate strategy of having a pricing structure that under-recovered cost in order to deplete excessive accumulated reserves. This strategy achieved its desired result during the year and the Minister approved a two-stage review process to restore pricing to a sustainable level. The first stage has been successfully concluded, with Cabinet approving increases to the passenger security charges effective 1 June 2013. The second stage, encompassing a more fundamental business review, is due for Cabinet consideration in November 2013.

Financial Health

The Authority is comfortable with the progress being made with restoring the financial health of the organisation to an appropriate level. The key indicators of this are provided in figure 2.

The regulatory function funding review signalled it will be looking to the Crown to support capital funding, now planned over 2013-15, for the replacement of core regulatory business systems that better support business requirements. Further, the outcome of the second stage of the security service business review provides an opportunity to test the appropriateness of the Authority's balance sheet. While the security service has an acceptable level of domestic passenger security charge reserves, the international passenger security charge reserve is well below the minimum threshold set by the Authority and agreed with the industry. At 30 June 2013, the domestic and international security charge reserves were \$3.9 million and a deficit of \$0.1 million respectively, contrasting with the minimum level of reserves set of \$3.0 million and \$4.5 million respectively. The appropriate level and purpose of reserves will be addressed as part of the security service business review. The regulatory function is currently meeting the Authority's requirement of maintaining \$4 million of cash reserves.

Figure 1 Group Financial Result

	Regulatory function 2013		Security service 2013		Group 2013	Regulatory function 2012	Security service 2012
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Actual \$m	Actual \$m
COMPREHENSIVE INCOME							
Income	33.9	34.6	58.1	56.4	91.9	30.4	56.5
Expenditure	33.4	37.2	77.6	76.0	111.0	35.3	77.5
Surplus / (Deficit)	0.5	(2.6)	(19.5)	(19.6)	(19.1)	(4.9)	(21.0)
PASSENGER NUMBERS (000's)							
International	4,760	4,765	4,760	4,765	4,760	4,776	4,776
Domestic	10,379	10,122	6,006	5,821	10,379	9,955	5,641

Figure 2 Organisation Financial Health indicators

	Regulatory function 2013		Security service 2013		Group 2013	Regulatory function 2012	Security service 2012
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Actual \$m	Actual \$m
EQUITY							
Equity	10.1	7.2	17.3	17.5	27.4	9.7	36.8
SPECIFIC RESERVES							
General funds	10.1	7.2	13.9	14.1	24.0	9.7	13.9
Domestic passenger security charge	-	-	3.9	0.5	3.9	-	5.7
International passenger security charge	-	-	(0.1)	3.0	(0.1)	-	17.4
Other fees and charges	-	-	(1.1)	(0.8)	(1.1)	-	(0.9)
Property, plant and equipment revaluation reserve	-	-	0.7	0.7	0.7	-	0.7
LIQUIDITY							
Working capital	8.1	3.0	12.1	9.3	20.2	7.2	29.7
Bank and investments	8.9	4.2	15.7	17.3	24.6	7.6	36.8
CAPITAL EXPENDITURE							
Capital expenditure	0.5	1.4	1.8	3.9	2.3	1.0	2.1

SECTION 3: OUR STRATEGIC DIRECTION

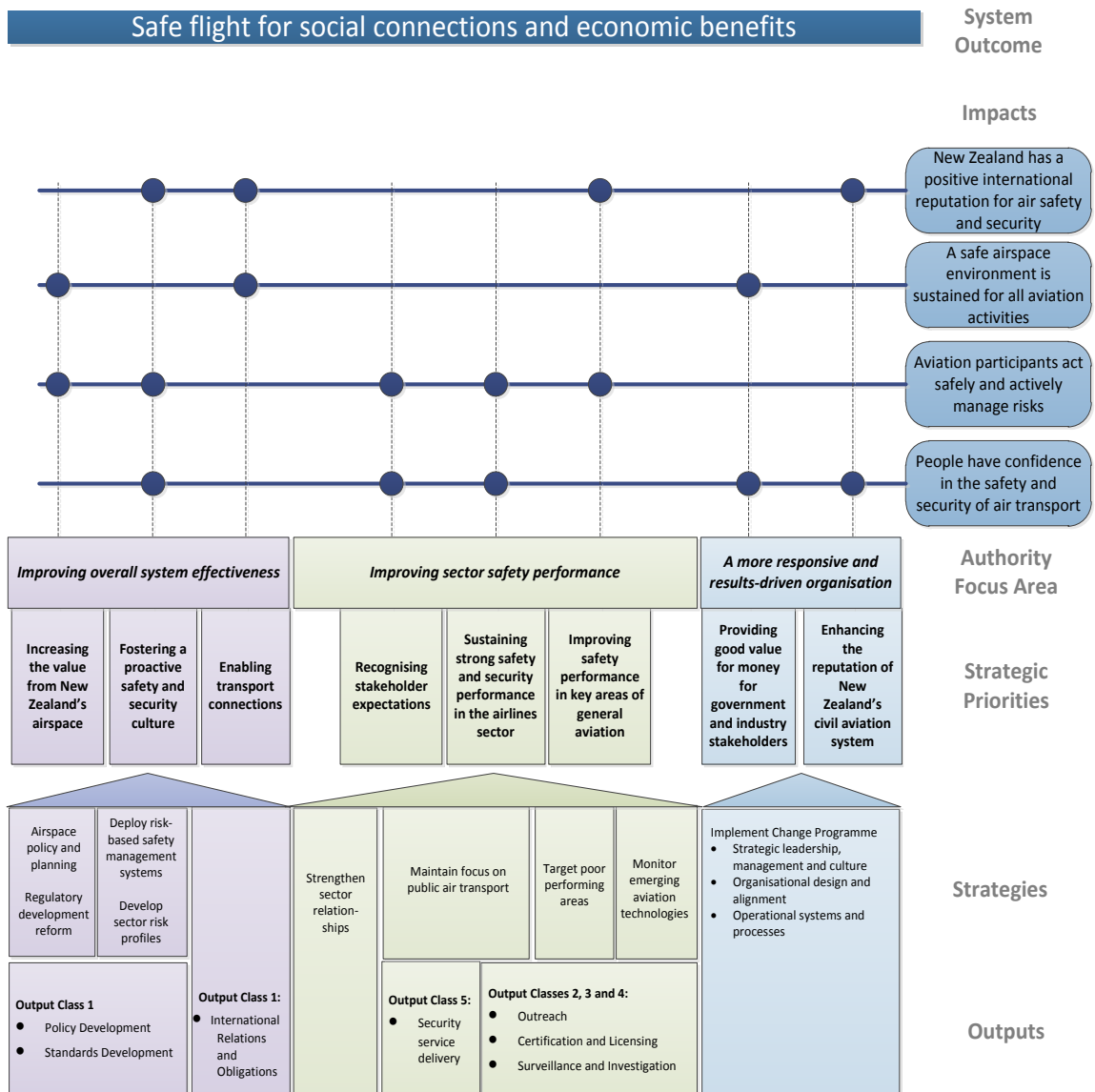
Valuing the Authority's contribution

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

The Authority's influence is through the efficiency of the regulatory system and airspace

environment; the disciplines for participants; and its credibility with the aviation community in New Zealand and internationally. We also provide services that enhance security through deterrence and detection.

The following diagram and narrative detail how the Authority's strategies and outputs contribute to achieving system outcomes.



OUTCOME AND IMPACTS

Overall outcome

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

‘Safe flight for social connections and economic benefits’

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

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

Appendix 5 illustrates the current trends in New Zealand across many of these measures. Where failure rates are already nil or very close to nil, and where residual risk is at an acceptable level, safety performance is unlikely to improve further. However, in these areas we work to ensure that safety performance remains at current levels.

Impacts of our work

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

‘Being safe’ means that air passengers arrive at their destinations safely and securely. Our long-term aims are that aviation participants act safely and actively manage risks, and that a safe airspace environment is maintained for all aviation activities.

However, the benefits of a safe and secure civil aviation system will only be fully realised if aviation participants experience ‘feeling safe’. Our long-term aims are that New Zealand has a positive international reputation for air safety and security, and that people have confidence in the safety and security of air transport.

The table below outlines the key performance indicators against which we measure the impacts of our work.

IMPACT AREA	LEAD INDICATORS	2012–15 STATEMENT OF INTENT	TARGET 2012-2015	
			Direction of travel	Target 2016
New Zealand has a positive international reputation for air safety and security	<ul style="list-style-type: none"> New Zealand’s ability to enter into and maintain bilateral agreements and service contracts for public transport and air freight Assessments of national aviation safety and security performance by the International Civil Aviation Organization (ICAO) Intensive quality audit process to ensure Security Service operations meet the requirements of the Civil Aviation Act and rules 	<ul style="list-style-type: none"> Bilateral Agreements: Australia and the USA Working Arrangements: European Aviation Safety Agency and Transport Canada Working to extend the scope of the Bilateral Aviation Safety Agreement with the USA and progress towards a Working Arrangement with the Civil Aviation Administration of China In ICAO’s 2005–2010 Safety Audit Cycle, New Zealand’s safety ratings were on a par with the OECD average, or higher for a number of the critical elements assessed. New Zealand’s overall rating was the same as Australia’s and higher than the OECD average (see Appendix 1 for detail) ICAO’s current assessment of non-compliance with its recommendations places New Zealand at the 17th percentile in the world and in the middle of OECD countries. (New Zealand’s score of 16.18% non-compliance includes areas where New Zealand has chosen not to implement ICAO’s recommendations where they are inappropriate to the New Zealand environment) While the results of ICAO’s Universal Security Audit Programme (USAP) are used internally, they cannot be publicly disclosed for international security and diplomatic reasons The Aviation Security Service has consistently achieved a high standard of verification from security audits and meets any additional measures required by some airlines 	<ul style="list-style-type: none"> Maintain and extend bilateral agreements and service contracts Maintain ICAO ratings at average of the OECD countries or better Continue to achieve high standards in Civil Aviation Authority security audits and additional airline requirements 	No deterioration in New Zealand’s ratings
Progress for year ended 30 June 2013	We are continuing to progress bilateral technical agreements with other states. For example, the working arrangement with the Civil Aviation Administration of China, signed on 13 December 2012, means the Chinese government can issue Pacific Aerospace with a type certificate for the P-750 XSTOL, allowing the aircraft to operate in China.			

IMPACT AREA	LEAD INDICATORS	2012–15 STATEMENT OF INTENT						TARGET 2012-2015		
								Direction of travel	Target 2016	
A safe airspace environment is sustained for all aviation activities	'Near misses'/ loss of separation incidents	CLOSE PROXIMITY EVENTS						Fewer 'near misses'/ loss of separation incidents through time	5–10% improvement since 2007	
		Year ending June	2008	2009	2010	2011	2012			2013
		Count	84	101	76	93	115			163
		Count per 100,000 hours	8.8	10.6	8.0	9.8	11.3			15.6
	Uncontrolled incursions (into controlled airspace)	UNAUTHORISED AIRSPACE INCURSIONS						Fewer uncontrolled incursions (into controlled airspace) through time		
		Year ending June	2008	2009	2010	2011	2012			2013
Count		283	259	291	255	370	355			
	Count per 100,000 hours	29.5	27.1	30.7	27.0	36.5	34.0			
Progress for year ended 30 June 2013	<p>In late 2012 we identified an increasing trend in the number of reported 'close proximity' events. Following a detailed analysis in February 2013, it became apparent that the number of reports from the Hamilton area had increased significantly (mostly related to light aircraft conducting flight training) while remaining almost static in most other areas. What was evident was that this was not a system-wide issue but a specific problem with identified contributors.</p> <p>To manage this emerging risk, a team of safety investigators and air traffic control subject-matter experts engaged with the Airways Corporation of New Zealand and the pilot training organisations to seek an understanding and resolution of the problem. While this work is still in progress, a subsequent small reduction in the percentage of incidents categorised as 'critical' suggests that the heightened awareness is leading to earlier interventions and a reduced risk.</p> <p>This is a significant initiative for the Authority. Through the risk-based use of dedicated resource to address an identified safety issue, mitigations were implemented to minimise the risk of an accident.</p>									
Aviation participants act safely and actively manage risks	Sector risk profiles: average risk scores	Risk scores have reduced for most sectors over the last 5 years (Appendix 5 provides details)						Improved risk profiles: the average risk score by sector improves over time	5–10% improvement over average risk scores from 2007	
Progress for year ended 30 June 2013	Risk scores across most activities from 30 June 2007 to 30 June 2013 reduced on average by 29%. Surveillance and safety promotion with operators appear to be improving their management of risks.									
People have confidence in the safety and security of air transport	<p>Surveys of perceptions of air safety and security:</p> <ul style="list-style-type: none"> ▪ by the travelling public ▪ by other stakeholders, including participants 	<p>At June 2011:</p> <ul style="list-style-type: none"> ▪ 72% of resident travellers felt 'extremely' or 'very' safe and secure on their most recent domestic or international flight ▪ 86% of overseas travellers felt 'extremely' or 'very' safe and secure on domestic flights or on international flights departing from New Zealand ▪ 44% of 27 key stakeholders were satisfied with the safety and security performance of our civil aviation system <p>A repeat survey will measure confidence in the safety and security of air transport in 2014</p>						Improved user perceptions as shown by survey results for safe and secure air transport	<p>Public surveyed: better than 90% confidence</p> <p>Key stakeholders: 100% confidence</p>	
Progress for year ended 30 June 2013	<p>No survey was conducted in 2013 however, the latest survey result at 30 June 2012 is as follows:</p> <ul style="list-style-type: none"> ▪ 75% of NZ resident travellers felt extremely, or very, safe and secure on their most recent domestic or international flight. ▪ 90% of overseas visitors feel extremely, or very, safe and secure on domestic or international flights departing from NZ ▪ 61% of 33 stakeholders are satisfied with the safety and security performance of the civil aviation system in NZ 									

OUR FOCUS AREAS AND STRATEGIC PRIORITIES

Areas of focus

During 2012/13 the Authority developed its Strategic Direction statement, which describes its focus, aims, and priorities over the next 3–5 years.

The Authority's strategic direction is underpinned by our Regulatory Operating Model; this contains the regulatory principles and strategies that guide the Authority's approach as regulator of the civil aviation system. The Authority has identified two areas of focus, for *increasing overall system effectiveness* and for *improving sector safety performance*. A third area of focus is *becoming a more responsive and results-driven*

organisation to support business operations and initiatives, and to plan for future delivery.

Each focus area includes the strategic priorities pursued over the period of the Annual Report to optimise the Authority's contribution to system outcomes. These priorities were set in the context of the developments in civil aviation outlined above, and in response to Government directions for better public services, its transport policy, and ministerial expectations of the Authority.

The strategies for each focus area are described in the following pages.

Focus Area 1: Improving overall system effectiveness

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

The year in review

Key advances in 2012/13 were:

- ➔ **Safety Management Systems:** A key driver to enhance future regulatory performance will be the implementation of risk-based methodologies⁵ to enhance aviation safety oversight. Progress has been made on developing and promoting the adoption of risk-based systems within the Authority and the wider aviation community. We have engaged directly with airlines to promote risk-based safety management systems and hosted a series of roadshows across the country with the industry. We have produced an Advisory Circular which will complement on-going rule development and we continue to work closely with the Ministry of Transport to develop risk-based regulatory policy for implementation across the sector.
- ➔ **National Airspace and Air Navigation Plan:** Internationally there have been significant technological advances in air navigation and air traffic services. These include Global Navigation Satellite Systems (GNSS), Performance-Based Navigation, and Automatic Dependent Surveillance-Broadcast (ADS-B), as well as greater integration of all kinds of aeronautical information into the Air Traffic Management (ATM) system. These technological advances will impact the full spectrum of airspace- and air navigation-related services in New Zealand. On 26 April 2012 the Government issued a National Airspace Policy of New Zealand statement. The Policy provides

guidance to the New Zealand aviation sector on the direction that the development and modernisation of the airspace and air navigation system will take over the next decade. The Policy also provides a mandate for the development of a National Airspace and Air Navigation Plan. The plan will set out the practical steps that all participants in the aviation system will need to take to transition to using the new technologies, and to manage airspace as demand increases and technology advances. We are responsible for developing and publicising the plan, and for regular reviews. Eight task groups comprising industry and regulators were formed to prepare papers on the various elements of the air navigation and airspace system. A representative industry peer review group has been working with us to complete the plan before formal consultation in October/November 2013. The plan is scheduled for delivery to the Minister of Transport in early 2014.

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

⁵ refer to the 2012-15 Statement of Intent, page 9

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

Outputs that contribute to this priority → System Design, and Evaluation, Outreach, Certification and licensing, Surveillance and investigation

Action: Activity and Progress:

Regulatory development reform → **worked with the Ministry of Transport, and industry, on implementing the new regulatory development reform programme:** We have implemented processes and procedures for policy and rule development, following the Ministry of Transport Regulatory Development and Rule Production Handbook. We have also worked with the Ministry of Transport policy development team to progress work on Performance-Based Navigation and other matters relating to air navigation, Unmanned Aerial Systems, and Part 141 Flight Training issues.

→ **delivered the 2012/13 civil aviation rules development programme, as approved by Cabinet:** Refer to appendix 4 for supporting detail on the rules development programme.

STRATEGIC PRIORITY: Fostering a proactive safety and security culture

Outputs that contribute to this priority → System Design and Evaluation, Outreach, Certification and Licensing and Surveillance and Investigation

Action: Activity and Progress:

Work with industry to continue developing a positive safety culture → We developed and published Advisory Circulars on Safety Management Systems to Aerodrome User Groups following consultation with the industry. We also delivered a Flight Examiner seminar and a seminar for approved adventure aviation operators on standardisation. We participated in the activities of the New Zealand Flight Safety Committee⁶. We promoted Safety Management Systems to the industry through a series of roadshows (Auckland, Wellington/Palmerston North, Christchurch, and Queenstown) and provided guidance material, as well as meeting directly with airlines.

Continue to promote a strong security culture → We attended the Aviation Security Quality Council meeting with senior management in October 2012. The Quality Council is focused on enhancing quality security outcomes and culture across the organisation. We liaised with the industry to ensure full compliance with amendments to security Rules that came into effect in mid-January 2013. We attended a meeting of industry Air Cargo Council to support communication and coordination on international air cargo security matters.

Deploy risk-based Safety Management Systems → **Change the policy settings of civil aviation rules to increase participant focus on identifying and managing risk:** We delivered a paper seeking permission to release a risk-based regulation discussion document, and assisted the Ministry of Transport with the associated Cabinet Paper. We consulted with key stakeholders on the proposed policy, and completed work on the draft Notice of Proposed Rule-making to reflect the final policy.

→ **Build internal capability to adequately support industry:** Risk management training on Safety Management Systems has been conducted to develop Subject-Matter Experts. We recruited an avionics engineer into the aircraft certification unit and started their training. We have established a role in cabin safety to increase our ability in expert oversight and to give us greater credibility with the industry.

Develop sector risk profiles → **Continue refining sector risk profiling adopted over 2011/12:** We have agreed an approach with the Agricultural Aviation Association to profile the agricultural aviation sector risks, and established a joint working group. We engaged an analyst to collect data and to work with the industry on a review.

STRATEGIC PRIORITY: Enabling transport connections

Outputs that contribute to this priority → System Design, and Evaluation, Outreach and Certification and Licensing

Action: Activity and Progress:

Continue to work with ICAO and other aviation regulatory agencies to ensure that international aviation connections are maintained and enhanced → **Attended:**

ICAO meetings about airspace design and security matters that contribute to our National Airspace Plan. 49th Directors General of Civil Aviation meeting and Asia-Pacific regional ICAO meeting.

ICAO Air Navigation Conference, to discuss strategic issues in air navigation and technical policy development. This also contributed to the National Airspace Plan.

Liaison meetings with the Australian Office of Transport Security on mutual aviation security and the medical section of the Civil Aviation Safety Authority of Australia on mutual medical aviation matters.

The FAA/Asia bilateral partners meeting in India in April to influence discussions on aircraft airworthiness affecting New Zealand.

⁶ Includes Air New Zealand, New Zealand Defence Force, Airways Corporation, and representatives of other airlines and aviation groups

Action:	Activity and Progress:
	<p>Attended and co-chaired ICAO Asia-Pacific Seamless Air Traffic Management meeting—this forum promotes coordinated Air Traffic Management policies and inter-operability across the Asia-Pacific region.</p> <ul style="list-style-type: none"> ➔ Signed: Working arrangement with the Civil Aviation Administration of China for export of New Zealand aviation products to China. ➔ Hosted: South African aviation authority certification specialists to compare each other’s operations. Meeting of ICAO Aviation Security Panel Working Group on security guidance material—discussed ways to promote sustainable and consistent levels of international compliance with security requirements. ➔ Participated in: The Russian type-validation visit to Hamilton for the Pacific Aerospace 750XL to support issues of Russian type certificates. ➔ Worked with: The Civil Aviation Safety Authority of Australia on air transport operations and adventure aviation, to develop mutual understanding of safety risks and associated interventions. The Civil Aviation Safety Authority attended the adventure aviation seminar held in Wellington in March.
<p>Improve ability to introduce new technologies through:</p> <ul style="list-style-type: none"> ➔ staff development ➔ maintaining technical connections with overseas agencies and suppliers ➔ working with key stakeholders on new approaches to aviation management. 	<ul style="list-style-type: none"> ➔ We have held meetings with the Civil Aviation Safety Authority (Australia) to harmonise approaches to aviation safety issues, particularly for operators under the Australia New Zealand Aviation Agreement. ➔ We successfully facilitated Russian type acceptance of New Zealand-manufactured aircraft. ➔ We have developed an advisory circular on approval of required navigation performance and required navigation approaches. ➔ We have started a project to oversee the introduction of the technologically advanced Boeing 787-9 aircraft into Air New Zealand’s fleet. As a part of this, we hosted a joint meeting of Boeing, the FAA, and Air New Zealand to ensure the Boeing 787-9 aircraft enters service smoothly for Air New Zealand, its launch customer. We are monitoring in-service issues affecting the Boeing 787-8 (lithium ion battery), which may affect our type acceptance of the Boeing 787-9. ➔ We have developed guidance material for night vision imaging systems in response to their wider use by New Zealand operators. ➔ We refined authorisation criteria for Remotely Piloted Aircraft Systems (RPAS), also known as Unmanned Aerial Systems (UAS).

Focus Area 2: Improving sector safety performance

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

The year in review

Key advances in 2012/13 were:

- **Part 115 Adventure Aviation:** Work continued on Part 115 drugs and alcohol risk management. In the middle of 2012 we developed and published an expectation statement that addressed what we would expect to see an operator doing about drug and alcohol policies, practices and testing. Initial surveillance visits conducted in August 2012 found that 23 of the 28 operators visited were carrying out testing (7 had been conducting testing prior to publication of the expectation statement). The remaining 5 operators have since implemented testing programmes. Our operational staff have completed training in the new requirements, and the next audit round (begun in May 2013) will enable us to verify compliance levels and to gain insight into how effective the behavioural change that was intended with the new rule announced in December has been.
- **Monitoring and preparing for emerging aviation technologies:** We are monitoring the international acceptance of the technologically advanced Boeing 787 Dreamliner prior to the introduction to the Air New Zealand fleet of the Boeing B787-9. A project to identify and enable the appropriate organisational response has been established to ensure the Boeing B787-9 is introduced safely and in a timely manner. We are engaged with all stakeholders in this project including Air New Zealand, Boeing and the Federal Aviation Authority (FAA).

The security service is required to screen all baggage on departing international flights to meet an ICAO standard that has been in place since 2005. The existing hold baggage screening equipment conforms to a European Civil Aviation Conference or European Union (ECAC/EU) Standard 1 screening compliance and we must upgrade, as a minimum, to a Standard 2 compliance by 1 January 2014. We are also required to conform to new screening methods required by either the ECAC or the EU. Over the past year the security service completed a competitive process to identify and procure replacement equipment that will ensure the security service meets the EU compliance standards through to 2022. The implementation of the replacement started on 1 July 2013.

- **Our role in the Pacific:** The Authority participates in activities to support Pacific Island countries in both the regulatory function and the security service. Through the Pacific Security Fund, the security service provides aid to six Pacific Island countries in the areas of physical, economic and border security. One example of our success in this field is the technical assistance provided to the Solomon Islands to support the development of their aviation security service.

Through our regulatory function we coordinate advice and assistance to the Pacific Aviation Safety Office and the four island States we have bilateral agreements with. We have also obtained funding from the Ministry of Foreign Affairs and Trade to appoint a Pacific Island Coordinator in 2013 to provide advice to the Pacific Island States and to enhance the safety of air travel in the region.

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

STRATEGIC PRIORITY: Recognising stakeholder expectations

Outputs that contribute to this priority	→ System Design, and Evaluation, Outreach, Certification and Licensing, Surveillance and Investigation, and Security Service Delivery
Action:	Activity and Progress:
Strengthen sector relationships	<ul style="list-style-type: none"> → Build more effective working relationships with industry bodies (the Aviation Industry Association, the New Zealand Airports' Association, etc.) and support appropriate industry safety initiatives: We have worked with the industry and with the Agricultural Aviation Association to determine ways to improve the safety performance of the sector and to agree courses of action. We have participated in customer liaison meetings to support effective relationships and communication between the Authority and the industry on airspace and air traffic management issues. We identified and took opportunities to host industry seminars such as on runway excursions. We have participated in the New Zealand Flight Safety Committee and established the Aviation Community Medical Liaison Group as a forum to discuss technical-level medical issues and to promote consistent decision making and common understanding. → Strengthen international relationships and linkages to assist technical knowledge transfer and forewarning of emerging technologies: The Authority attended ICAO meetings to ensure New Zealand took part in discussions in the areas of airspace design, air navigation, security and medical matters. We have continued to work with the FAA on extending bilateral agreements that will benefit the New Zealand industry and give us opportunities to enhance capability in certification.

Action:	Activity and Progress:
	<ul style="list-style-type: none"> ➔ Continue to strengthen relationships with the Ministry of Transport, the Transport Accident Investigation Commission (TAIC), and other relevant agencies: Relationships across the Transport sector continue to be strengthened through quarterly executive meetings held between the Ministry of Transport, the Director, and regulatory function General Managers. Quarterly review meetings with the TAIC are also held and the Director of Civil Aviation is a member of the Transport Sector Leader Group.
STRATEGIC PRIORITY: Sustaining a strong safety and security performance in the airlines sector	
Outputs that contribute to this priority	➔ System Design, and Evaluation, Outreach, Certification and Licensing, Surveillance and Investigation and Security Service Delivery
Action:	Activity and Progress:
Strengthen sector relationships	<ul style="list-style-type: none"> ➔ Work closely with airlines and airports to ensure security service delivery is advised of new or changed airline schedules which require security services, and to help in developing and configuring airport infrastructure: ➔ Auckland International Airport: A centralised domestic screening point project was progressed; out-of-gauge screening equipment was repositioned; transit screening point changes were completed; and we continued to participate in planning meetings with the airport company on the longer-term domestic terminal redevelopment project ➔ Queenstown Airport: The security services base building was completed. The domestic and international screening point changes were also completed. ➔ Wellington International Airport: The security service participated in planning meetings with the airport company on new terminal expansion and south-west pier screening point upgrade. The security service is now assessing the impact of a proposed extension to the runway. <p>During 2012/13 the security service entered into a Memorandum of Understanding with the relevant airport companies for implementing the Hold Baggage Screening Replacement programme, which started on 1 July 2013.</p> <ul style="list-style-type: none"> ➔ Continue the survey programme to gauge public and participant perceptions about the safety and security of the civil aviation system, building on the baseline data for the 2011/12 year: Received the report on the 2011/12 confidence survey, and evaluated the survey results to inform the process for revising the Authority's Strategic Directions document.
Maintain focus on public air transport	<ul style="list-style-type: none"> ➔ Work closely with New Zealand airline operators to ensure their systems, training, technology, safety, and security data and processes address all relevant safety risks: Regular meetings have been held with New Zealand airline operators (see 'Build more effective working relationships with industry bodies', above). We liaised with the industry to ensure full compliance with amendments to security Rules that came into effect in mid-January 2013. We attended the meeting of the Air Cargo Council to support communication and coordination on international air cargo security matters. As part of the Authority's targeted risk assessments, monitoring continued on the use of specific airspace (for example, in Queenstown, Milford Sound, and Hamilton) and we held regular meetings with airline participants to promote safety management systems. ➔ Ensure that changes in services and flight schedules can be responded to, and that security service delivery meets user expectations, without compromising security: Flight schedules (and changes to schedules) received daily from airlines were incorporated into staffing rosters. Changes to services and flight schedules did not affect security. ➔ Develop behavioural analysis and security questioning techniques. Work on behavioural analysis has been deferred for further consideration in the security service review.
STRATEGIC PRIORITY: Sustaining strong safety and security performance in key areas of general aviation	
Outputs that contribute to this priority	➔ System Design, and Evaluation, Outreach, Certification and Licensing, Surveillance and Investigation and Security Service Delivery
Actions:	Activity and Progress:
Target poorly performing areas in commercial and recreational sectors	<ul style="list-style-type: none"> ➔ Implement the rule for Adventure Aviation over 2012/13: We started surveillance monitoring for recently certificated adventure aviation operators and introduced rules on drug and alcohol use. We continue to monitor operators, focusing on their management of the fitness of safety-critical personnel, including impairment prevention. ➔ Increase use of non-rule-based interventions to influence participant behaviour: We have promoted Safety Management Systems and operational risk management to the industry through a series of roadshows (in Auckland, Wellington/Palmerston North, Christchurch, and Queenstown). We have commenced an Aviation Issues resolution process. ➔ Improve safety regulation and performance in key areas of general aviation: We started a risk-based approach to surveillance of selected operators. We increased our flight operations capability in the Helicopter and Agricultural Unit through recruitment and training to improve safety oversight and develop guidance material (e.g. night vision imaging systems, performance class 1 helicopters). We are working with industry representative bodies, including the Aviation Industry Association of New Zealand, New Zealand

Actions:	Activity and Progress:
	<p>Helicopter Association, Aviation Industry Association, and others, to foster professional relationships and influence safety improvements.</p> <p>→ Further develop sector risk-profiling to help identify where intervention in sub-sectors is needed: We agreed with the Agricultural Aviation Association on an approach to profile sector risks, and established a joint working group. Once the profile is developed, non-rule-based actions that can be taken will be identified, and deployed by the sector, the Authority, or both.</p>
Monitor and prepare for emerging aviation technologies	<p>→ Build an information base on emerging aviation technologies: We liaised with regulators in other jurisdictions (for example, Australia, the USA) about introducing new technologies. We monitor new technology and safety initiatives, and are working on how the Authority responds to them.</p> <p>→ Develop and apply interim policy and procedures on emerging aviation technologies: No specific action has been taken on interim policy or procedures for emerging technologies for the year ending 30 June 2013.</p> <p>→ Maintain and enhance staff technical currency: We designed a competency-based training and development framework to improve this aspect of the business, and to manage our training resources (discussed under 'Managing organisational capability' in Section 5). In addition, we have trained selected staff in new technologies (e.g. E-enablement of Aviation Systems) and trained six participants in risk management related to Safety Management Systems, to develop Subject-Matter Experts.</p>

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

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

The year in review

Key advances in 2012/13 were:

- **Organisational capability and development:** 2012/13 has been a year of stabilisation within the Authority as we settle into a new structure, new chairmanship, new senior leadership and a single-organisation structure. On 31 July 2012, the Auditor General confirmed to the Authority that nine of the thirteen recommendations directed to the Civil Aviation Authority in its report of 2010 were completed and closed. This represents the completion of a significant programme of work to meet the expectations of change in our operations that were identified by the Government, the Office of the Auditor-General, and the Authority itself. Much has been achieved in capability building, system and process improvement, and culture change over the last two years. These changes have impacted positively on our regulatory approach and efficacy, and will continue. The remaining four recommendations of the Auditor-General are discussed under Section 5: Managing Organisational Health and Capability on page 23.
- **Sector shared services:** The Authority assumed responsibility for the hosting of Maritime New

Zealand's information technology infrastructure services under a shared services arrangement on 15 December, 2012. Phase 2 of infrastructure hosting for Maritime New Zealand and the Rescue Coordination Centre of New Zealand is progressing. All of Maritime's wide area network circuits have now been moved to the one.govt solution used by the Authority.

- **Stakeholder engagement:** We recognise the need to be proactive in our engagement with the industry, locally and internationally. We have targeted our engagement over the past twelve months at opportunities to influence international policy development through attendance at appropriate forums such as the International Civil Aviation Organization. Locally we have worked with New Zealand Trade and Enterprise (NZTE) to identify possible regulatory barriers to exports, and to provide advice on potential opportunities. This is shown through the working arrangement with the Civil Aviation Administration of China, formally signed on 13 December 2012, and the discussions with members of the Waikato Aviation Cluster on regulatory and economic barriers to aviation export development.

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

STRATEGIC PRIORITY: Providing good value for money for government and industry stakeholders

Outputs that contribute to this priority	System Design and Evaluation, Outreach, Certification and Licensing, Surveillance and Investigation and Security Service Delivery
Action:	Activity and Progress:
Implement the Strategic Direction and the Regulatory Operating Model	<ul style="list-style-type: none"> → Review the Strategic Directions document to integrate regulatory and security strategies: The revised Strategic Direction document was presented to the Authority in April 2013 to seek feedback and further amendments. It is now a live document. → Reinforce the Regulatory Operating Model through staff training: The Authority has supported the Regulatory Operating Model through Lead Auditor courses, on-the-job trainer audit courses, and operational risk-management courses. All review recommendations for administrative action are considered against the model.
Develop leadership and culture	<ul style="list-style-type: none"> → Continue the leadership and management development programmes: The Authority's management development programme addressed competencies identified as lacking in the original gap analysis in 2010. The foundation programme is now completed with workshops evolving to meet the changing skill levels. → Realign organisational policies and processes to reinforce the desired culture, particularly performance management practice: Human Resource and Finance policies were reviewed, and harmonised policies across the regulatory function and security service have been drafted where appropriate. The remainder of corporate policies are now being assessed.
Continue organisational design and alignment	<ul style="list-style-type: none"> → Implement Phase 1 and Phase 2 organisational design work into 2012/13: The changes arising from Phase 2 of the Organisational Design Review were implemented on 30 April 2012. → Implement changes from Phase 3 of organisational design work: The decisions outlined in the Phase 3 Organisational Design Review document represented the final phase of combining the Authority's regulatory and security services. The new organisation structure has been in place since 4 September 2012.

Action:	Activity and Progress:
Improve core regulatory processes: certification and surveillance	<ul style="list-style-type: none"> ➔ Monitor results of the Certification Improvement and Surveillance Improvement Projects: We continued to validate the Effectiveness of Interventions Review process. We conducted quarterly reviews of selected samples of surveillance and certification activities for policy and procedural compliance (refer Section 6, Certification and Surveillance Quality and Timeliness). In addition the Manager Quality, Assurance and Risk undertook six field audits from March to June. The results of these audits will guide surveillance training for operational groups in 2013/14.
Improve effectiveness and efficiency of the security service	<ul style="list-style-type: none"> ➔ Plan for and implement the replacement/upgrade of existing Hold Baggage Screening (HBS) system in December 2013: The Authority signed a contract in May 2013 to replace/upgrade the security service existing HBS system. The contract includes the pricing for acquisition, installation, and maintenance. Memoranda of Understanding have been finalised with each of the six affected international airports for installing the replacement equipment. Implementation of new equipment started on 1 July 2013. ➔ Monitor international best practice and innovations in detection technology to anticipate developments in security deployment and enhance security operations in New Zealand: We continue monitoring for impact on New Zealand of: emerging screening equipment and technology; international developments and trends in body imaging processing; international developments for Liquids, Aerosols, and Gels (LAGs) and refining the plan for the replacement of the security service cabin baggage screening system.
Improve safety analysis and intelligence capabilities	<ul style="list-style-type: none"> ➔ Invest in analytical and intelligence capability and develop more effective safety analysis capability: New safety analysts have been recruited, with position descriptions designed to increase intelligence capability.
Develop enhanced performance reporting and financial forecasting	<ul style="list-style-type: none"> ➔ Implement improvements in performance measurement and reporting: We have developed outcome and impact measurements and included them in accountability reports. ➔ We implemented an integrated Risk Management Framework (refer to Section 4).
Secure funding for regulatory activities	<ul style="list-style-type: none"> ➔ Following Cabinet agreement to its funding proposal, the Authority implemented the new funding arrangements from 1 November 2012. We also introduced an online system for paying new medical certificate application fees.
Secure funding for security service delivery	<ul style="list-style-type: none"> ➔ Consult with the industry to review passenger security charges during 2012/13, with increases to take effect by 1 July 2013: The security service passenger security charges review has two stages. Stage 1 of the review (with the Board of Airline Representatives New Zealand only) was concluded in the first quarter of 2013, with Cabinet approving the new passenger security charges to take effect from 1 June 2013. The new international charge is \$11.98 and the domestic charge is \$4.60 (both GST inclusive). In Stage 2 of the passenger security charges review we consulted the full industry from August 2013. The review is being independently led and Cabinet requires it to 'include a thorough assessment of the security service's total revenue and expenditure and of the effectiveness of its financial management, to put in place a durable and efficient business model that will deliver security services'. The timeline for implementing the amended fees is 1 April 2014. Stage 2 of the review is supported by three project work streams and a number of sub-workstreams.
STRATEGIC PRIORITY: Enhancing the reputation of New Zealand's Civil Aviation System	
Outputs that contribute to this priority	<ul style="list-style-type: none"> ➔ System Design and Evaluation, Outreach, Certification and Licensing, Surveillance and Investigation and Security Service Delivery
Action:	Activity and Progress:
Enhance the reputation of New Zealand's civil aviation system	<ul style="list-style-type: none"> ➔ Continue active engagement with ICAO, and other international stakeholders, seeking to contribute as appropriate: Refer to Focus Area 1.

SECTION 4: MANAGING KEY STRATEGIC RISKS

Quality, assurance, and risk management

The Authority implemented an integrated Quality, Assurance, and Risk framework which targets our resources to manage risk (Figure 3).

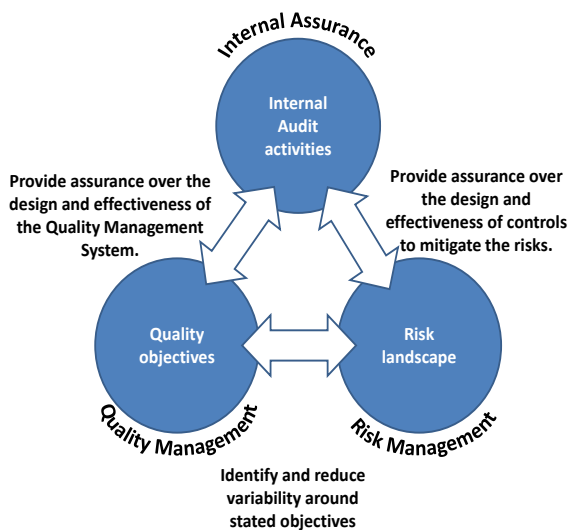


Figure 3: Authority - Integrated Quality, Assurance and Risk framework

Managing quality

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

In December 2012, Verification New Zealand (VNZ) audited the Authority against the ISO9001 requirements. The audit noted considerable improvement including:

- appointing a specific Quality, Assurance and Risk manager;
- implementing a new risk management framework;
- implementing the Regulatory Function Steering Panel;
- developing a comprehensive internal training and competency framework for Authority employees;
- making progress towards a new strategic direction document; and
- developing a new document control system.

VNZ noted we are managing complaints effectively through the internal QI2 online quality improvement system.

Based on the ISO 9001 surveillance audit, and on an

internal review, a QMS improvement work plan has been formulated. This will be put in place in 2013/14 to continue the focus on maturing our quality management.

Managing risk

The Authority's risk management process is modelled on the Joint Australian/New Zealand International Risk Management Standard (AS/NZ ISO 31000:2009).

Risk management initiatives for 2012/13 included developing and maintaining organisation-wide risk management, refining risk assessment, monitoring, and reporting.

The risk management framework recognises the interactions between organisational and operational risks.

Our corporate and strategic risk management process is now in place. The Senior Leadership Team regularly review the corporate and strategic risk registers, and also discuss the broader risk landscape which the Authority operates in.

Managing internal assurance

PricewaterhouseCoopers (PwC) provides contracted internal assurance services to the Authority. The appointment of the Manager, Quality, Assurance and Risk has increased our capability to conduct internal assurance (with less reliance on external assistance).

We have been working with PwC to move from a fully outsourced model to one of shared audit provision. This has focused on transferring skills and organisational knowledge, and developing a 'one team' approach. This approach is enabling us to identify resources for conducting internal audits as appropriate.

Internal assurance framework

Internal assurance is closely integrated with the quality and risk frameworks. The corporate and strategic risk register is one of the four sources used to prioritise our annual internal assurance programme. The 2013/14 assurance programme is the first to be generalised using this approach and is more comprehensive, and has improved focus. Figure 4 illustrates how the quality, risk, assurance, and emerging issues contribute to the internal assurance planning process.

In our corporate environment the framework is a fundamental change from a traditional compliance-based auditing model to a modern risk-based audit approach.

Internal Assurance Framework

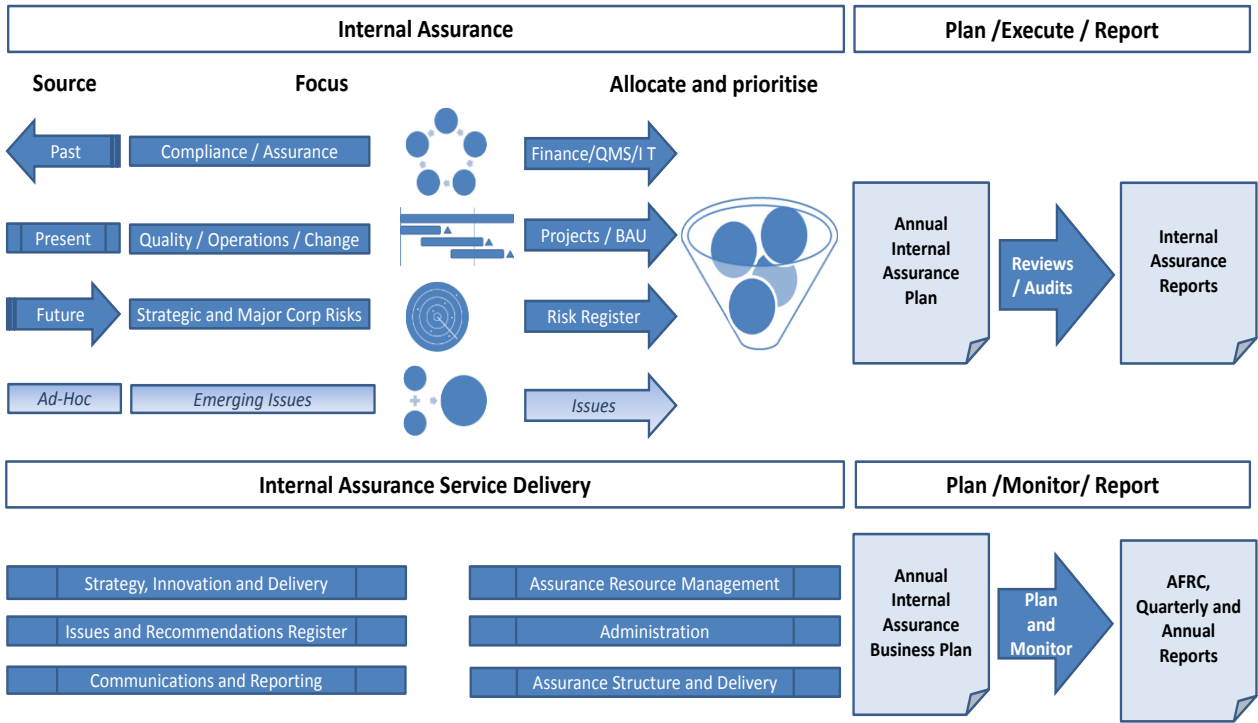


Figure 4 - Internal Assurance Framework

SECTION 5: MANAGING ORGANISATIONAL HEALTH AND CAPABILITY

The Authority's organisational development programme arose from its change programme. This followed the recommendations of the Office of the Auditor-General in its 2010 report. The programme is now part of our 'business as usual'.

We have improved governance, management, and leadership:

- The Regulatory Operating Model has improved our approach to governance of the regulatory function and security services.
- The management and leadership style of the Authority is becoming more flexible and responsive.
- An intensive management development programme is improving the quality of leadership and performance management.
- Intensive management and technical training for our operational staff has improved performance.

We are developing our relationships with stakeholders:

- We continue to work to enhance the confidence of key stakeholders in the Authority and its services.
- A shift in understanding how participants impact on the safety culture is leading to an 'enlightened' approach to managing stakeholder relationships.

We continue to make systems and procedures more effective:

- New systems and procedures have been implemented following the report of the Auditor-General, improving the quality of regulatory strategy and the delivery of regulatory functions.
- We have redeveloped organisational performance monitoring systems and measures.
- We have completed implementation of common services (for finance, human resources management, information management) for the regulatory function and the security service. The technical integration of processes and services is well under way. This work will remove duplicated processes, functions, and activities while increasing capability.

Recommendations of the Office of the Auditor-General

On 31 July 2012, the Auditor-General confirmed that nine of the thirteen recommendations directed to the Civil Aviation Authority in 2010 were completed and closed. This was a significant programme of work. Much has been achieved in terms of building capability, improving systems and processes, and changing the culture over the last 2 years; this will continue.

We have included actions to follow up the Auditor-General's recommendations, which have been completed in our business plans. Progress is monitored through our internal management and reporting systems.

Recommendations 1, 2, and 5 concern the development, review, and implementation of a system to assess the effectiveness of certification and surveillance functions to improve performance.

- **Status:** The 'Effectiveness Measurement Tool' developed for the Civil Aviation Authority has been tested against three areas of our work. A post-implementation review of the effectiveness of the tool was completed in December 2012. The review concluded that the evaluation tool provides a useful methodology for assessing the effectiveness of interventions, but would benefit from modification. The modified tool will be implemented in 2013/14.

Recommendation 7 relates to improving the integrity and reliability of safety data in the Authority's Aviation Safety Management System. Improving how this data is analysed will mean that it can contribute to regulatory decision-making.

- **Status:** We have started planning to introduce a new core safety information system. This will provide a framework for the system requirements needed to develop the business case in the first half of 2013/14.

Monitoring and reporting

Progress against the remaining recommendations is being monitored by regular management reporting through the Director to the Authority (or by Internal Audit reporting to the Authority's Audit, Finance and Risk Committee, as appropriate).

Audit New Zealand reviews progress on the

implementation of these recommendations as part of its regular audit of the Civil Aviation Authority.

We will continue to report to the Minister of Transport as part of our regular quarterly reporting.

2012 Workplace survey

We surveyed staff in September 2012. The key priority areas identified are set out below.

1. Build leadership capability – and hold people accountable: *Confidence in leadership and treating people fairly through consistent leadership practices drives engagement in the Authority.*

Authority response: The Senior Leadership Team, stakeholders and Tier 3 managers attended four workshops to aid in building capability and future-proofing our organisation through aligning our activities.

Our purpose as an organisation has been identified and refined, as have our beliefs, spirit, character, and focus.

In addition, we are committed to providing a safe and productive work environment for all staff. Following the results from the all-staff survey, the Authority commissioned a special PwC inquiry to investigate security service staff concerns about potentially unacceptable behaviour in the workplace. The feedback from this work led to the Authority appointing two Special Advisors to work with security service staff at the Christchurch and Auckland sites. They identified three action points for immediate follow-up:

- review the way leave is managed and supported by Quintiq Rostering System;
- align reporting requirements across all sites;
- develop an improved working culture across the organisation.

The Authority will monitor these actions.

2. Involve your people: Find ways to use employee suggestions for improvements – and recognise their contributions: *Civil Aviation Authority staff feel that their ideas and suggestions are being ignored, and they want to be more involved and feel a greater sense of achievement.*

Authority response:

- Tier 3 management leadership forums were established; their sessions, led by the Senior Leadership Team, provide an opportunity to set expectations and objectives that demonstrate the requirement for increased

accountability;

- group objectives are aligned to our strategic priorities;
- staff workshops are held on the spirit and purpose of the Authority;
- managers are trained to ensure a consistent approach is applied to performance management across the organisation;
- performance issues and concerns are dealt with appropriately.

We will continue to monitor this, and consider other result areas in the staff survey to enhance staff engagement.

Recruitment

Global demand for specialised technical aviation skills is increasing. Regulators across the world are reporting higher demand for these experts, as well as unplanned staff losses to the private sector. The Authority is currently experiencing this pressure, with recent turnover affecting key specialist roles in technical aviation and in regulatory functions. Our response to this includes developing an organisational resourcing model to provide sustainability of staffing. Work has also started on identifying the Employment Value Proposition to target the specialist skills needed.

Developing capability

Following the Management Development Programme, we have incorporated leadership development, operational certification, and individual professional development into the Learning Management Framework. This programme links directly to our learning plan, group training plans, and individual professional development plans to meet the business objectives.

Our learning plan identifies specific learning modules based on needs analysis, curriculum mapping, and professional development plans. The learning framework will help us to maintain long-term key technical competency. Learning modules under this plan include:

- Report writing: A plain English course within the Management Development Programme has been completed. The report writing module will expand on that to develop internal expertise in designing an Authority writing standard.
- Health & Safety Act: Targeted health & safety training has been delivered, and courses from

the Ministry of Business, Innovation and Employment will be used once the programme becomes operational.

- Surveillance upgrade: The initial rollout of surveillance training is complete. Surveillance training has been reduced to two or three deliveries per year. Data from audits and curriculum mapping may suggest a different methodology for upgrading the surveillance programme to meet our future needs.

Other projects which support the Learning Management Framework are:

- Induction programme: Our induction programme targets recruiting, interviewing, hiring, certifying, and recurring learning requirements for all Authority employees.
- Curriculum Mapping/Competency Matrix: We set up a project to identify individual learning, education, and development needs for each job position and validating those needs with current job holders. This was completed by the end of June 2013.
- A project to implement a Human Resources Management Information System (HRMIS) incorporating a Learning Management System (LMS) has begun.
- A cross-functional capability pilot has been designed to integrate business groups into operational, support, and planning teams. This pilot will provide an integrated toolbox for cross-functional problem identification and solving.

The Authority's change programme

The Authority has approved the 2012/13 budget for the remaining items in the change programme, noting that the capability to continue organisational development is essentially in place.

The savings achieved from the change programme were modelled as part of the Funding Review and are built into the 'baseline' numbers. Specifically, the savings assumption built into the 'Proposed

Scenario' for the Funding Review is that value-for-money savings of \$2.85 million will be achieved over the 3 years to 2014/15, at an annual average rate of \$0.95 million a year.

The Funding Review set in place a framework for new fees, hourly charges, and levies from 1 November 2012. The detailed project planning for delivering the Funding Review objectives is still being assessed and considered for cost efficiencies and cost-effective delivery.

Realising the benefits of the change programme

The Authority has undergone a period of transition from late 2011. A change programme was delivered over three phases ending in late 2012. We are now focussed on bedding-in the changes and realising their benefits.

For further information on the changes sought and the work completed to date, refer to appendix 6.

Good employer programme

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

Equal employment opportunities programme

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

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

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

Staff Profile

Staff Profile (as at 30 June 2013)	Regulatory function		Security service	
	2012/13	2011/12	2012/13	2011/12
Total Staff Numbers				
Head count (including contractors)	223	212	793	827
Full-time equivalent (FTE)	214.4	188.3	718.33	768.58
Contract staff (total FTE)	3	12	2	0
Gender Profile				
Male	143	Not reported in 2011/12	480	Not reported in 2011/12
Female	77		311	
Management Profile (Tier 2 – Tier 5)				
Male	5	Not reported in 2011/12	5	Not reported in 2011/12
Female	1		1	
Total Tier 2 Management	6		6	
Male	20		5	
Female	1		3	
Total Tier 3 Management	21		8	
Male	11		9	
Female	5		3	
Total Tier 4 Management	16		12	
Male	-		38	
Female	-		12	
Total Tier 5 Management	-		50	
Total Male Management %	84%		75%	
Total Female Management %	16%		25%	
Total Management	43		76	
Length of service				
Less than 1 year	25	28	22	56
1 year to less than 2 years	33	28	51	70
2 years to less than 5 years	38	52	94	52
5 years to less than 10 years	57	39	405	457
10 years to less than 15 years	35	30	154	124
15 years to less than 20 years	18	10	20	27
20 years and over	14	13	45	41
Total	220	200	791	827
Employment status				
Members of collective agreement	61	46	663	760
Individual employment agreements	159	154	128	67
Total	220	200	791	827
KiwiSaver Enrolments				
Employees contributing to KiwiSaver	171	147	568	564
Frontline or Operations/ Management Support				
Frontline operations	124	132	750	770
Managerial and support (including the Director & General Managers)	96	68	41	57

Staff Profile (as at 30 June 2013)	Regulatory function		Security service	
	2012/13	2011/12	2012/13	2011/12
Total	220	200	791	827
Staff turnover				
Annualised attrition rate	16.0%	17.2%	7.0%	6.6%
Staff movement				
Headcount 30 June 2012	200	171	827	822
Resignations	(23)	(31)	(40)	(55)
Retired	(2)	(1)	(4)	-
Recruited	50	66	24	65
Retrenched	(7)	(5)	(16)	(10)
Long Term Leave without pay	2	-	-	5
Headcount 30 June 2013	220	200	791	827

Note: Changes following the organisational review shifted a number of FTEs in core support roles between the two arms of the Authority to provide efficiencies in service delivery.

Capital and asset management

The table below shows comparative actual capital expenditure against budget:

	Actual 2012/13 (\$000)	Budget 2012/13 (\$000)	% of budget spent	Variance Comment
Regulatory function				
Computer hardware	49	120	41%	
Computer software	340	1,125	30%	This variance relates to the upgrade of business systems and infrastructure, which has been postponed until the next financial year.
Plant & equipment	4	10	40%	
Furniture & fittings	-	-	-	
Motor vehicles	65	80	81%	
Leasehold improvements	12	-	-	
TOTAL	470	1,335	35%	
Security service				
Computer hardware	4	80	5%	
Computer software	135	180	75%	
Plant & equipment	1,202	2,663	45%	The variance relates to the replacement of x-ray equipment which has been postponed until the next year.
Furniture & fittings	-	-	-	
Motor vehicles	422	1,009	42%	This variance relates to the savings made as a result of the review of the fleet of vehicles.
Leasehold improvements	103	-	-	
TOTAL	1,866	3,932	47%	



PART B:

STATEMENTS OF SERVICE PERFORMANCE AND FINANCIAL STATEMENTS

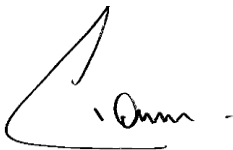
STATEMENT OF RESPONSIBILITY

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

- The preparation of the financial statements and the statement of service performance and for the judgments used therein.
- The establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Authority, the financial statements and Statement of Service Performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2013.

Signed on behalf of the Board:



NIGEL GOULD

Chairman of the Civil Aviation Authority of New Zealand

Date: 23 October 2013



PETER GRIFFITHS

Deputy Chairman

Date: 23 October 2013

Independent Auditor's Report

To the readers of the Civil Aviation Authority's financial statements and non-financial performance information for the year ended 30 June 2013

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

We have audited:

- the financial statements of the Authority on pages 46 to 80, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Authority that comprises the statement of service performance on pages 33 to 45 and the report about outcomes on pages 11 to 12 and 91 to 96.

Opinion

In our opinion:

- the financial statements of the Authority on pages 46 to 80:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Authority's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 11 to 12, 33 to 45, and 91 to 96:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 23 October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the preparation of the Authority's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

An audit also involves evaluating:

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

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

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

Responsibilities of the Board

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

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

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

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

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in the Authority.



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

SECTION 6: STATEMENTS OF SERVICE PERFORMANCE

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

	Output Classes:
Regulatory Function	Output Class 1: System Design and Evaluation Output Class 2: Outreach Output Class 3: Certification & Licensing Output Class 4: Surveillance & Investigation
Security Service	Output Class 5: Security Service Delivery

OUTPUT CLASS 1:	System Design and Evaluation
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> → Coordinates New Zealand's response to the International Civil Aviation Organization; → Develops and administers bilateral agreements with the civil aviation safety regulatory authorities of other countries; → Undertakes Ministerial servicing; → Provides policy advice to Government; → Designs and implements interventions in the civil aviation system; → Develops Civil Aviation Rules to improve aviation safety and security; → Works with Pacific Island states to improve aviation safety and security objectives.
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	System design and evaluation contributes to all three focus areas described in the diagram on page 10.

1.1 International Relations and Obligations

The Authority continues to be fully engaged in the international aviation sector policy process by enabling, managing and influencing:

- New Zealand's obligations under the Convention on International Civil Aviation;
- International policy and expectations of the International Civil Aviation Organisation, the Federal Aviation Administration (USA), the Civil Aviation Safety Authority (Australia), the Transportation Security Administration (USA), the Office of Transport Security (Australia), and other civil aviation regulators with whom New Zealand transacts; and
- Connection with non-regulatory international 'players' in aviation, including monitoring international trends and requirements.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity: → Number of reports and responses	51	Demand driven and provided as required	n/a	n/a
Timeliness: → Percentage of advice and representation to the International Civil Aviation Organization completed by due date	93%	100%	(7%)	n/a
Quality: → Percentage of advice and representation to the International Civil Aviation Organization that meets the priorities and goals of the Government and the Authority	100%	100%	-	100%
WHAT DO OUR RESULTS SHOW?	The percentage of advice and representation to the International Civil Aviation Organization did not meet the target of 100% due to staff changes following the organisational review. Processes have since been implemented to ensure on-going timeliness to future responses to state letters.			

1.2 Government Support

Enables the Authority to be fully engaged in the aviation sector policy process by:

- Managing the relationship with the Minister, the Minister's office, and the Ministry of Transport;
- Ensuring accountability mechanisms are in place and carried out;

- Providing briefings and reports to the Minister on sector and Authority activity and issues;
- Participation in the Civil Defence National Emergency Plan, Transport Sector Cluster meetings, etc.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Reports and briefings to the Minister of Transport and other Ministers ⁶	72	50-70	2	43
→ Responses to Ministerial correspondence	36	20-50	In range	33
→ Responses to Parliamentary Questions	2	15-40	(13)	42
→ Responses to Select Committees	5	4-6	In range	1
Timeliness				
→ Percentage of on time submission of responses and reports at due dates	97%	100%	(3%)	100%
Quality				
→ Percentage of briefings, responses or reports to ministerial correspondence and Parliamentary questions acceptable to the Minister and advisers (annual survey).	100%	100%	-	100%
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

1.3 Policy Advice

Enables the Authority to be fully engaged in aviation sector policy by:

- Monitoring government policy;
- Analysing and formulating advice to Ministers with respect to international and domestic issues;
- Providing robust advice to Government on the administration of the civil aviation system in New Zealand (including matters of both aviation safety and aviation security), and on other matters impinging on aviation safety (such as changes to labour law).

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Number of reports, briefings and responses provided to the Minister of Transport	41 (excludes briefings captured under 1.2 above)	90-185	(49)	n/a
Timeliness				
→ Percentage of on time submission of responses and reports at due dates	100%	100%	-	100%
Quality				
→ Percentage of policy reports, briefings, and responses provided to the Minister of Transport that meet the Minister's expectations (annual survey).	100%	100%	-	100%
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

⁶ Includes Statement of Intent, Quarterly Reports and Annual Report

1.4 System Intervention Design and Development

The Authority has in place various aviation system interventions that are fit-for-purpose, fair, as light-handed as reasonable, and enforceable when necessary; by:

- Initiation, analysis, development, and evaluation of appropriate interventions;
- Stakeholder engagement and management in relation to initiation and development;
- Design and implementation planning;
- Project management of the intervention design process.

The Authority distinguishes this activity from Government “policy advice” and “rule-making”.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity → Number of reports and responses.	42 papers 1 formal consultation 4 Aviation Community Advisory Group (ACAG) meetings	Demand driven and provided as required	n/a	n/a
Timeliness → Percentage of on time submission reports, plans and intervention briefs at due dates.	100%	100%	-	n/a
Quality → Percentage reports, plans and intervention briefs acceptable to the recipients.	100%	100%	-	n/a
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

1.5 Rules and Standards Development

The Authority designs, develops and plans implementation of actions and interventions to improve aviation safety and security. Rule development is carried out on behalf of the Ministry of Transport. The Authority develops a rule-set that is fit-for-purpose, fair, as light-handed as reasonable, and enforceable when necessary, by ensuring:

- Aviation Rules in New Zealand are internationally compliant, or differences are clear;
- Development of Regulatory Impact Statements and Notices of Proposed Rule-making are carried out in a timely fashion;
- New rules are disseminated to all stakeholders with sufficient time for the rules to be implemented;
- Reviews and updates of existing rules take place regularly.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity → Number of rules under development agreed between the Authority and the Ministry of Transport.	9	6-10	In range	7
→ Number of completed rules agreed between the Authority and the Ministry of Transport.	3	3-5	In range	4
Timeliness → Percentage of rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness requirements.	100%	100%	-	During this period the Authority and the Ministry of Transport adjusted project timelines as necessary to accommodate capacity and prioritisation
→ Percentage of rules provided to the Ministry of Transport that are completed on time.	89%	100%	(11%)	
Quality → Percentage of rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting quality requirements.	There is no formal assessment carried out over the quality of documentation. The measure is based on the fact that rules can only proceed to the next stage of the development process once the Ministry of Transport representative is satisfied.	100%	-	100%

WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.
----------------------------------	--

1.6 Pacific Support

The Authority seeks to improve the standards of aviation safety and security among Pacific Island states because:

- Their capability and capacity to meet international regulatory requirements is low, and they seek assistance from New Zealand;
- New Zealanders fly within the Pacific and many New Zealanders are resident in the Pacific;
- New Zealand promotes and supports a regional solution to the region's aviation regulatory problems as a Council member of the Pacific Aviation Safety Office.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity → Attendance at Pacific Aviation Safety Office Council meetings provided as required.	6	2 per year	4	n/a
Timeliness → Percentage completed within agreed or required period.	100%	100%	-	100%
Quality → Percentage of participation is consistent with the priorities and goals of the government and the Civil Aviation Authority.	100%	100% and delivery of safety and security is closer to standards defined by International Civil Aviation Organization Standards and Recommended Practices.	-	100%

WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.
----------------------------------	--

Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
Crown Funding (Vote Transport: Policy Advice)	1,779	1,780	(1)	The structure of output classes changed between 2011/12 and 2012/13. Comparative figures for 2011/12 are shown in a table at the end of this section
Ministry of Transport Contract Revenue (rules development)	1,200	1,200	-	
Levies	674	881	(207)	
Fees & Charges	39	-	39	
Other Income	-	206	(206)	
Revenue	3,692	4,067	(375)	
Expenditure	(3,692)	(4,162)	470	
Net surplus/(deficit)	-	(95)	95	

OUTPUT CLASS 2:	Outreach
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> → Covers promotion of health and safety in employment in the civil aviation sector; → Fosters safety and security programmes, and → Raises public awareness on transport of dangerous goods by air.
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Outreach contributes to all four desired long term impacts, as described in the diagram on page 10

2.1 Safety Promotion and Industry Liaison

Participants are better informed about:

- Risks and failures, and the ways in which to address them;
- Causes of accidents or incidents and their prevention;
- Rules and their supporting principles;
- Conditions for entry, continued participation, and exit are clear for those seeking entry, as well as for participants;
- Specific information about the civil aviation system, changes to the system, conditions, and prerogatives or limitations on participants; and
- Specific information regarding health and safety in employment in the aviation sector.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Number of safety summary reports, aviation safety reports and other publications released.	2 safety summary reports and 1 aviation summary report	4 safety summary reports and 2 aviation safety reports are released	(3)	4 safety summary reports and 2 aviation safety reports released
	27	12-18 other publications	9	23
	-	Other activities (on demand)	-	n/a
Timeliness				
→ Percentage of publications issued on time.	50%	4 safety summary reports within 40 days of quarter end and 2 aviation safety reports within 6 months of period end	(50%)	100%
	100%	95% of other publications issued on time	5%	n/a
Quality				
→ Percentage of errata published (to determine accuracy of information).	No publications issued with errata	All publications issued without any errata	-	No publications issued with errata
	100%	95% of survey respondents state that activities have intended impact upon target audience	5%	100%
WHAT DO OUR RESULTS SHOW?	A reallocation of resources following the organisational change programme and a quality audit of the safety summary reports has delayed the publication of two reports. Resource and process changes have ensured this measure will be met in future. All other work completed in this area falls within the Statement of Intent objectives with no material variance.			

2.2 Education Programmes (seminars, workshops and courses)

Participants are:

- Equipped to fulfil a particular role within the civil aviation system;
- Better targeted as to content and skills transfer;
- More aware and knowledgeable, and hence able to make wiser choices.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Number of units delivered	42	20-30	12	34
Timeliness				
→ Percentage of activity delivered on schedule.	100%	95%	5%	100%

Quality → Percentage of survey respondents state that activities have intended impact upon target audience.	100%	100%	-	100%
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives or (in the case of units delivered) exceeds them.			

Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
Levies	4,001	1,750	2,251	The structure of output classes changed between 2011/12 and 2012/13. Comparative figures for 2011/12 are shown in a table at the end of this section
Fees and charges	-	177	(177)	
Other Income	71	15	56	
Revenue	4,072	1,942	2,130	
Expenditure	(4,008)	(2,131)	(1,877)	
Net surplus/(deficit)	64	(189)	253	

OUTPUT CLASS 3:	Certification & Licensing
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> ➤ Exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; ➤ Exercises control over the exit from New Zealand's civil aviation system through the amendment of aviation documents, including the suspension, revocation or imposition of conditions on documents, where such action is necessary in the interests of safety and security.
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Certification and licensing contributes to all four desired long term impacts, as described in the diagram on page 10.

3.1 Certification

Certification:

- Ensures that organisations entering the civil aviation system have the requisite knowledge, skill and attributes for entry; i.e. they meet the defined standards of being a 'fit and proper person';
- Ensures that aircraft and equipment entering the civil aviation system meet the requisite defined standards for approval;
- Ensures that people and organisations within the civil aviation system maintain the requisite knowledge, skill and attributes for continued membership; i.e. they continue to meet the defined standards of being a 'fit and proper person';
- Makes specified changes to the status of organisations, aircraft and equipment within the civil aviation system.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity ➤ Number of certifications carried out. Demand driven.	1,180	1,200-1,500 Organisations	(20)	1,354
	884	930-1,130 Aircraft	(46)	973
	62	35-45 Service providers	17	128
Timeliness ➤ From acceptance of fully compliant documentation, the percentage of certification that will occur for renewals, and for new certification (assessed 6 monthly)	100%	100% of renewals completed within 60 working days	-	100%
	100%	100% Of new certifications within 90 working days	-	100%
Quality ➤ Percentage of certifications where Authority staff follow policy and procedures as demonstrated by a random sample of 5% of events (assessed 6 monthly)	98%	100%	(2%)	100% - Airline Organisation
				94% - Airline and General Aviation Aircraft
				91% - General Aviation Organisation
				100% - Service Provider
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

3.2 Licensing

Licensing:

- Ensures that persons entering the civil aviation system have the requisite knowledge, skill and attributes for entry; i.e. they meet the defined standards of being a 'fit and proper person';
- Ensures that people within the civil aviation system maintain the requisite knowledge, skill and attributes for continued membership; i.e. they continue to meet the defined standards of being a 'fit and proper person';
- Makes specified changes to the status of persons within the civil aviation system.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity ➤ Number of licensing procedures carried out. Demand driven.	6,040	5,000-7,000	In range	6,904

Timeliness → Percentage of, from acceptance of fully compliant documentation, personnel licensing and certifications completed within timeframe (assessed 6 monthly).	100%	95% Completed within 10 working days.	5%	100%
	100%	100% Completed within 15 working days.	-	n/a
Quality → Percentage of licensing procedures where Authority staff follow policy and procedures as demonstrated by a random sample of 2% of events (assessed 6 monthly).	100%	100%	-	99%
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
Levies	11,489	10,714	775	The structure of output classes changed between 2011/12 and 2012/13. Comparative figures for 2011/12 are shown in a table at the end of this section
Fees and charges	4,702	4,840	(138)	
Other Income	287	119	168	
Revenue	16,478	15,673	805	
Expenditure	(16,217)	(16,831)	614	
Net surplus/(deficit)	261	(1,158)	1,419	

OUTPUT CLASS 4:	Surveillance & Investigation
WHAT DO WE DO?	<p>Under this output class the Authority:</p> <ul style="list-style-type: none"> → Monitors the adherence to safety and security standards by participants in the civil aviation system, including carrying out audits and inspections; → Develops and reviews New Zealand airworthiness directives; → Manages inspections and audits under the Health and Safety in Employment Act 1992; → Records complaints of alleged or suspected offences; → Investigates allegations of breaches to the Civil Aviation Act 1990 and takes appropriate action to rectify them.
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Surveillance and investigation contributes to all four desired long term impacts, as described in the diagram on page 10

4.1 Surveillance (including audits and inspections)

Surveillance provides:

- Data/information for safety analysis;
- The basis for carrying out participant and equipment risk assessments;
- An assurance that participants are (or awareness that they are not) meeting the defined standards for behaviour, knowledge or skill;
- Opportunity for participants to willingly comply in areas of non-compliance;
- A basis for the Authority to apply either various intervention(s) to ensure compliance or exit from the civil aviation system.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Number of audits and inspections	689	630-750	In range	701
→ Number of health and safety audits and inspections	36	30-45	In range	12
Timeliness				
→ Percentage of audit/inspection reports issued to the subject (assessed 6 monthly)	93%	95% Completed within 25 working days.	(2%)	n/a measure consolidated for 12/13
Quality				
→ Percentage of audits and inspections where Authority staff follow policy and procedures, as demonstrated by a random sample of 5% of events (assessed 6 monthly).	96%	100%	(4%)	100%
→ Number of major findings raised in a field audit of the conduct of 2-5 (major) safety monitoring activities.	Nil There were no audits closed for the year ended 30 June 2013	Nil	-	n/a
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance. Note that field audits were in process but not completed by 30 June resulting in no findings raised in the financial year.			

4.2 Safety and Regulatory (including HSE) investigations: investigation and reporting of accidents and serious incidents

Safety and regulatory investigations:

- Identify specific types of systemic failure that inform the Authority as to specific actions that it should take within existing policy settings to improve aviation safety, or indicate potential changes to those policy settings;
- Enable the Authority (in some circumstances) to take particular action to hold participants to account, where that is deemed to be appropriate;
- Add to the Authority's intelligence base regarding its interventions and the extent of compliance with the defined standards.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quantity				
→ Number of safety and regulatory investigations	670 investigations closed (39 critical investigations carried out)	650-800	In range	739 closed (91 critical investigations carried out)
→ Number of health and safety investigations carried out	7	5-10	In range	4

Timeliness → Percentage completion of safety, regulatory, and health and safety investigations from period of registration (assessed 6 monthly).	92%	75% Completed within 12 months of registration	17%	n/a
	100%	90% Of regulatory investigations completed within 12 months of the event	10%	n/a
	100%	100% Of health and safety investigations issued within agreed timelines	-	65% completed within 12 months and 91% completed within 24 month
Quality → Percentage of safety, health and safety, and regulatory investigations that follow policy and procedures, as demonstrated by a random sample of 5% of events (assessed 6 monthly)	*Safety investigations – not measurable	100%	-	67% - health and safety 100% - others
	Health and safety investigations – 100%			
	**Regulatory investigations (Enforcement) – 100%			
WHAT DO OUR RESULTS SHOW?	<p>*For the safety investigations this could not be measured as the external review used did not explicitly note the number of occurrences that had failed to meet the quality standard. Also, the external report only reviewed occurrences in the period from 1 July 2012-31 December 2012.</p> <p>**Regulatory investigations were only reviewed against the regulatory function enforcement policy and procedures. This does not include Aviation Related Concerns (ARCs) and Section 15A investigations of the Civil Aviation Act 1990.</p> <p>All other work completed in this area falls within the Statement of Intent objectives with no material variance.</p>			

Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
Crown Funding (Vote Transport: health and safety in employment)	440	440	-	The structure of output classes changed between 2011/12 and 2012/13. Comparative figures for 2011/12 are shown in a table at the end of this section
Levies	7,698	10,245	(2,547)	
Fees and charges	1,313	2,151	(838)	
Other Income	168	98	70	
Revenue	9,619	12,934	(3,315)	
Expenditure	(9,488)	(14,041)	4,553	
Net surplus/(deficit)	131	(1,107)	1,238	

OUTPUT CLASS 5:	Security Service Delivery
WHAT DO WE DO?	<p>Under this output class the Authority:</p> <ul style="list-style-type: none"> → Screens all passengers⁷ and their carry-on baggage at security-designated airports⁸; → Screens all hold baggage on departing international flights; → Screens airport workers with access to enhanced security areas at international airports; → Manages the issue of airport identity cards; → Conducts perimeter patrols at security-designated aerodromes and navigation facilities; → Maintains readiness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	<p>Effective screening and security processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.</p> <p>Delays are minimised consistent with good screening and those subject to screening can have confidence in the intent and effectiveness of the security services.</p>

5.1 Screening Activity

This activity ensures that:

- International and domestic aviation security standards are met to the highest possible degree;
- Risks of aviation security incidents are minimised;
- Compliance with international and other regulatory requirements is ensured;
- Delays are minimised consistent with good screening;
- Those subject to screening can have confidence in the intent and efficacy of security services.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Timeliness				
→ Number of flight delays attributable to screening activities (due to security system failure)	Nil	Nil	-	Nil
→ Average passenger wait times ⁹ at international departure screening points	1 min 45 sec	No more than 3 minutes	In range	Auckland – 1 min 13 sec Christchurch – 1 min 11 sec
→ Average passenger wait times ⁸ at domestic departure screening points	1 min 30 sec	No more than 3 minutes	In range	Auckland – 56 sec Christchurch – 57 sec
Quality				
→ Number of verified unauthorised or prohibited items discovered post screening points (due to a security system failure ¹⁰).	0.54 items per million items screened	Less than 3.4 items per million items screened ¹¹	In range	0.9 items per million items screened
→ Number of verified dangerous goods discovered post screening points (due to a security system failure).	Less than 0.01 items per million items screened	Less than 3.4 items per million items screened	In range	0.0 items per million items screened
→ Number of substantiated complaints against security officers involved in the screening function (includes “free riders” ¹²).	One formal complaint per 830,231 passengers screened	No more than one formal complaint per 250,000 passengers screened.	In range	One formal complaint per 698,230 passengers screened

⁷ For 2012/13 the numbers of screened passengers were: International Passengers 4,760,119 (2011/12: 4,775,762) and Domestic Passengers 6,006,189 (2011/12: 5,640,916). Forecasting accuracy of passenger numbers is very pleasing as significant variances can impact on the passenger security charges reserve balances.

⁸ All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

⁹ Benchmark tested six-monthly at Auckland & Christchurch international airports; also note that airport infrastructure can directly impact wait times.

¹⁰ Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

¹¹ “The Six Sigma benchmark is 3.4 defects per million opportunities for each Sigma product or service transaction. *The British Foundation for Quality- publication website www.bfq.org.uk/performance-improvement/about-lean-six-sigma.*

¹² “Free riders” refers to those screened domestic passengers for which no charge is recovered from airlines. The situation arises due to infrastructural configurations at certain airports.

WHAT DO OUR RESULTS SHOW?	The security service has performed positively against all measures. The favourable waiting time measures provide the service with the opportunity of achieving efficiencies in staff deployment to security functions by extending the current screening waiting times.
----------------------------------	---

5.2 Audit Performance

Ensures that aviation security operations are at optimum performance through quality tests and measures of aviation security proficiency and response to any audit findings

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Timeliness → Percentage of any audit findings cleared within the specified timeframes.	95%	100%	(5%)	100%
Quality → Number of corrective action requests issued pertaining to screening functions issued by external auditors during any programmed audit.	2	Nil	(2)	Nil
WHAT DO OUR RESULTS SHOW?	Two findings were raised by an external auditor to 30 June 2013. Both findings related to knowledge gaps in set-up testing of equipment. Both findings have been resolved.			

5.3 Access Control

Ensures that the security service's management of access to controlled space at security designated airports is at optimum performance

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quality → Number of corrective action requests pertaining to access control issued by external auditors.	Nil	Nil	Nil	Nil
WHAT DO OUR RESULTS SHOW?	All work completed in this area falls within the Statement of Intent objectives with no material variance.			

5.4 Maritime security services

The Authority's security service has a standby and readiness role in case of a high threat situation in the maritime arena, primarily the Port of Auckland where staff are well-trained to respond where cruise ships, or their passengers, might be affected. While not significant on a day-to-day basis, this output ensures that the Minister of Transport, or the Director of Maritime New Zealand, can call upon the Authority to help with response to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.

HOW DID WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	Actual 2012/13	Target 2012/13	Variance 2012/13	Actual 2011/12
Quality → Number of major findings from annual audit review of the readiness/provision of Maritime security support.	Nil	Nil	Nil	n/a
WHAT DO OUR RESULTS SHOW?	New measure established in 2012/13 to assess the service provided by the security service to the Port of Auckland. Annual audit conducted in November 2012 identified no issues.			

Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
Contracted services	2,535	2,802	(267)	2,809
Passenger security charges	53,966	51,907	2,059	51,345
Crown funding – Maritime Security Services	145	145	-	145
Other Income	1,433	1,509	(76)	2,208
Revenue	58,079	56,363	1,716	56,507
Expenditure	(77,614)	(75,982)	(1,632)	(77,475)
Net surplus/(deficit)	(19,535)	(19,619)	84	(20,968)

Total Output Classes

For the years ending 30 June

COST TO DELIVER OUTPUTS				
Output Class Financials:	Actual 2012/13 \$000	Budget 2012/13 \$000	Variance \$000	Actual 2011/12 \$000
System Design and Evaluation	(3,692)	(4,162)	470	-
Outreach	(4,008)	(2,131)	(1,877)	-
Certification and Licensing	(16,217)	(16,831)	614	-
Surveillance and Investigation	(9,488)	(14,041)	4,553	-
Security Service Delivery	(77,614)	(75,982)	(1,632)	-
Policy Advice	-	-	-	(3,739)
Assessment and Certification	-	-	-	(24,437)
Investigation, Analysis and Education	-	-	-	(5,780)
Enforcement	-	-	-	(1,356)
Aviation Security Services	-	-	-	(77,330)
Maritime Security Services	-	-	-	(145)
Security Service Total	(77,614)	(75,982)	(1,632)	(77,475)
Regulatory Function Total	(33,405)	(37,165)	3,760	(35,312)

Output Classes Financial Commentary

The structure of the Output Classes have changed for the 2012/13 financial year. The budget figures for the new Output Classes disclosed in the 2012-15 Statement of Intent were established by converting the budgets from the former Output Classes. The actual results for the year have been calculated using an improved costing methodology, and the results may differ from those estimated in the 2012-15 Statement of Intent. Specifically, the Outreach Output Class now includes some expenditure relating to intelligence, safety and risk information and analysis work.

In addition, more activity has occurred within the Certification and Licensing Output Class relative to the Surveillance and Investigation Output Class compared to that originally planned.

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. These eliminations include audit work conducted by the regulatory function for the security service amounting to \$14,000 (2012: \$4,000).

SECTION 7: FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 Actual \$000	2013 Budget \$000	2012 Actual \$000
Income				
Levies revenue	2	23,862	23,590	22,450
Passenger security charges	2	53,966	51,907	51,339
Revenue from other services	2	8,590	9,993	6,587
Crown funding revenue	3	2,364	2,365	2,364
Ministry contract revenue	3	1,355	1,337	1,705
Other income	4	1,789	1,772	2,440
Total income		91,926	90,964	86,885
Expenditure				
Personnel costs	5	83,521	81,038	83,703
Depreciation and amortisation expense	13,14	6,091	6,925	6,001
Finance costs	6	479	107	592
Other cost of services	7	20,914	25,063	22,486
Total expenses		111,005	113,133	112,782
NET SURPLUS / (DEFICIT)		(19,079)	(22,169)	(25,897)
Other Comprehensive Income:				
Loss on revaluation of land and buildings		-	-	-
Total comprehensive income		(19,079)	(22,169)	(25,897)

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	2013 Actual \$000	2013 Budget \$000	2012 Actual \$000
Equity				
Opening balance of equity at 1 July				
General funds		23,575	23,806	27,591
Property, plant and equipment revaluation reserve	20	746	746	746
Passenger security charges and other fees and charges reserves	20	22,176	22,316	43,955
Total opening balance of equity at 1 July		46,497	46,868	72,292
Comprehensive Income				
Deficit		(19,079)	(22,169)	(25,897)
Other comprehensive income		-	-	-
Total comprehensive income for the year		(19,079)	(22,169)	(25,897)
Owner Transactions				
Capital contributions		-	-	102
Total changes in equity during the year		(19,079)	(22,169)	(25,795)
Closing balance of equity at 30 June				
General funds	20	24,031	21,256	23,575
Property, plant and equipment revaluation reserve	20	746	746	746
Passenger security charges and other fees and charges reserves	20	2,641	2,697	22,176
Total closing balance of equity at 30 June		27,418	24,699	46,497

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2013

	Note	2013 Actual \$000	2013 Budget \$000	2012 Actual \$000
Assets				
Current Assets				
Cash and cash equivalents	8	24,644	8,161	19,436
Debtors and other receivables	9	11,578	8,292	8,180
Inventories	10	-	105	31
Services work in progress		-	394	445
Investments - term deposits	11,28	-	13,323	25,000
Total Current Assets		36,222	30,275	53,092
Non-Current Assets				
Property, plant and equipment	13	13,053	16,428	16,344
Intangible assets	14	1,975	3,975	2,579
Investment property	15	415	310	330
Total Non-Current Assets		15,443	20,713	19,253
Total Assets		51,665	50,988	72,345
Liabilities				
Current Liabilities				
Creditors and other payables	16	4,746	5,096	3,844
Employee entitlements	17	9,846	11,626	10,116
Provisions	18	342	233	83
Borrowings	19	1,116	1,087	2,089
Total Current Liabilities		16,050	18,042	16,132
Non-Current Liabilities				
Employee entitlements	17	5,185	4,578	5,455
Provisions	18	72	71	304
Borrowings	19	2,940	3,598	3,957
Total Non - Current Liabilities		8,197	8,247	9,716
Total Liabilities		24,247	26,289	25,848
NET ASSETS		27,418	24,699	46,497
EQUITY				
General funds	20	24,031	21,256	23,575
Property, plant and equipment revaluation reserve	20	746	746	746
Passenger security charges and other fees and charges reserves	20	2,641	2,697	22,176
TOTAL EQUITY		27,418	24,699	46,497

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 Actual \$000	2013 Budget \$000	2012 Actual \$000
Cash Flows from Operating Activities				
Receipts from levies		24,045	27,094	21,625
Receipts from passenger security charges and other services		58,687	62,462	59,329
Receipts from Crown funding and Ministry contracts		3,930	4,417	4,069
Interest received		1,293	1,125	2,535
Payments to employees		(77,849)	(78,014)	(78,063)
Payments to suppliers		(25,889)	(29,248)	(25,990)
Interest paid		(349)	(353)	(471)
Goods and Services Tax (net)		224	(3,040)	(109)
Net Cash Flows from Operating Activities	21	(15,908)	(15,557)	(17,075)
Cash Flows from Investing Activities				
Maturity of investments		25,000	19,677	4,000
Sale of property, plant and equipment		441	480	343
Purchase of property, plant and equipment		(2,094)	(5,595)	(1,896)
Purchase of intangible assets		(241)	(180)	(1,171)
Net Cash Flows from Investing Activities		23,106	14,382	1,276
Cash Flows from Financing Activities				
Capital contributions from the Crown		-	-	102
Repayment of external borrowings		(1,990)	(2,890)	(2,042)
Net Cash Flows from Financing Activities		(1,990)	(2,890)	(1,940)
Net increase/(decrease) in cash and cash equivalents		5,208	(4,065)	(17,739)
Opening cash and cash equivalents at 1 July		19,436	12,226	37,175
CLOSING CASH AND CASH EQUIVALENTS AT 30 JUNE	8	24,644	8,161	19,436

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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory services of the Civil Aviation Authority and the aviation security services of the Aviation Security Service.

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

These financial statements of the Authority are for the year ended 30 June 2013. The financial statements were approved by the Authority on 23 October 2013.

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

Basis of Preparation Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Measurement basis

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

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

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

The following standards, amendments and interpretations that are relevant to the Authority are not yet effective for the year ended 30 June 2013 and have not been applied in preparing these financial statements:

- New Zealand equivalents to International Financial Reporting Standards 9 Financial Instruments will eventually replace New Zealand equivalents to International Accounting Standards 39 Financial Instruments: Recognition and Measurement. New Zealand equivalents to International Accounting Standards 39 are being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard New Zealand equivalents to International Financial Reporting Standards 9. New Zealand equivalents to International Reporting Standards 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in New Zealand equivalents to International Accounting Standards 39. The approach in New Zealand equivalents to International Financial Reporting Standards 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of New Zealand equivalents to International Accounting Standards 39, except for when an entity elects to designate a financial liability at fair value through the Statement of Comprehensive Income. The new standard is required to be adopted for the year

ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to New Zealand equivalents to International Financial Reporting Standards 9 will be applied by public benefit entities. The Authority has not yet assessed the impact of the new standard and expects it will not be adopted early.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

- regulated levies and charges on airlines based on outgoing international passenger volumes and domestic sectors travelled by passengers;
- regulated charges on domestic aerodromes;
- fees and charges for regulatory and aviation safety services and for additional aviation security activities that are outside its core function;
- Interest income;
- Crown funding; and
- Ministry contracts.

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

Provision of fee-based services

Revenue derived from the Authority's provision of regulatory functions and aviation safety services is recognised in the Statement of Comprehensive Income in the period that the services have been rendered, in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

Interest

Interest income is recognised using the effective interest method.

Crown funding and Ministry contracts

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the Statement of Comprehensive Income in the period in which the Authority provides the funded programmes.

Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

Goods and Service Tax

All items in the financial statements are presented exclusive of Goods and Services Tax, except receivables

and payables, which are presented on a Goods and Services Tax inclusive basis. Where Goods and Services Tax is not recoverable it is recognised as part of the related asset or expense.

Net Goods and Services Tax receivable or payable at balance date is included in receivables or payables in the Statement of Financial Position as appropriate.

Commitments and contingencies are disclosed exclusive of Goods and Services Tax.

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

Income Tax

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

Payment of Any Surplus to the Crown

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

Derivative Financial Instruments and Foreign Currency Transactions

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

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

Forward exchange contract derivatives are recognised in the Statement of Financial Position at their fair value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the Statement of Comprehensive Income in the

period in which they arise.

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

Foreign currency transactions

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

Other Financial Instruments

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

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

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

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

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

Impairment of Financial Assets

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

Leases

Finance Leases

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

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

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

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

Operating Leases

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

Cash and Cash Equivalents

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

Services Work in Progress

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

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

Inventories

Inventories held for use in the provision of services

The Authority holds stocks of airport identity security cards and these items are carried at the lower of cost (calculated using the weighted average cost method) and net realisable value.

Inventory write-downs

Any write-down from cost to net realisable value for either services work in progress or inventories held for use in the provision of services, is recognised in the Statement of Comprehensive Income when the write-down occurs.

Investments

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

Bank deposits

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

Property, Plant and Equipment

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

Revaluations

Buildings held for service delivery purposes are valued at least every three years to ensure that the carrying amount does not differ materially from fair value. All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

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

Additions

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

Disposals

Gains and losses on disposals are determined by

comparing the proceeds with the carrying amount of the asset and are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income as they are incurred.

Depreciation

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

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

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

Intangible Assets

Software acquisition and development

Acquired computer software licences and databases are capitalised on the basis of the costs incurred to acquire and bring these to use. Costs incurred by the Authority for the development of software for internal use, other than for the development of software associated with websites, are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs. Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software, staff training and with the development and maintenance of websites, are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised.

The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

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

Impairment of Property, Plant and Equipment and Intangibles

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

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

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

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

Investment property

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

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

Gains or losses arising from a change in the fair value of

investment property are recognised in the surplus or deficit.

Borrowings

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

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

Employee Entitlements

Short-Term Employee Entitlements

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

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

Long-Term Employee Entitlements

Entitlements that are payable beyond 12 months have been calculated on an actuarial basis by Melville Jessup Weaver consulting actuaries. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

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

Post-Employment Entitlements

Superannuation schemes

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

Provisions

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Equity

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

General funds

Property, plant and equipment revaluation reserve

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

Passenger security charges and other fees and charges reserves

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

Passenger safety reserves

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

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Authority at the beginning of the financial year. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, using accounting policies that are consistent with those adopted by the Authority for the preparation of the financial statements.

Output costing

Criteria for Direct and Indirect Costs

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

Indirect personnel, property, occupancy and certain other indirect costs for the Aviation Security Service are charged on the basis of actual staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

Indirect costs for the Authority, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Criteria for apportioning Support Services costs

The delivery of support for both the regulatory function and the security service was established from 7 November 2011. The costs arising in each support services group (Corporate Services, Organisational Development and Strategy, and Legal Services) will be apportioned to the regulatory function and security service applying an allocation methodology reflecting the underlying key business drivers. These business drivers will be reviewed on a regular basis to ensure that both the regulatory function and security service bear an equitable share of the costs of providing support services.

Apart from the change to apportioning the support services costs, there have been no other changes to the cost allocation methodology since the date of the last audited financial statements.

Critical Accounting Estimates, Assumptions and Judgements

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

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

Internally developed computer software intangible assets availability of use

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

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

The Authority has exercised its judgement in

determining the availability for use of particular developed computer software intangible assets while others remain classified as under development.

Lease classification

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

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

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

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in note 17.

2 REVENUE FROM LEVIES AND SERVICES

	Actual 2013 \$000	Actual 2012 \$000
Levies revenue		
International passenger levies	5,578	4,234
Domestic passenger levies	17,600	17,187
Other levies	684	1,029
Total levies revenue	23,862	22,450
Passenger security charges		
International passenger security charges	34,304	33,200
Domestic passenger security charges	19,662	18,139
Total passenger security charges	53,966	51,339
Revenue from other services		
Aviation regulatory and safety services	6,056	3,762
Other contracted aviation security services	2,534	2,825
Total revenue from other services	8,590	6,587

3 CROWN FUNDING AND MINISTRY CONTRACT REVENUE

Crown funding revenue

The Authority has been provided with funding from the Crown through a Multi-Class Output Expense Appropriation and specifically from the Ministry of Transport for the following specific purposes of the Authority as set out in the Civil Aviation Act 1990. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2012: nil).

	Actual 2013 \$000	Actual 2012 \$000
Policy advice	663	663
International relations and international civil aviation organisation obligations	685	685
Ministerial servicing	431	431
Health and safety in employment activities	440	440
Total multi-class output expense appropriation	2,219	2,219
Maritime security	145	145
Total revenue from the Crown	2,364	2,364

Policy advice

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

International relations and international civil aviation organisation obligations

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

Ministerial servicing

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

Health and safety in employment activities

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

The Authority has used the Crown funding provided to:

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

Maritime security

The Authority receives funding directly from the Crown, through the Ministry of Transport, that is restricted in use for the purposes of meeting the Authority's maritime security obligations.

	Actual 2013 \$000	Actual 2012 \$000
Ministry contract revenue		
Rules development (Ministry of Transport)	1,200	1,493
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	155	212
	1,355	1,705

The Authority provides rules development services under contract to the Ministry of Transport and receives funding directly from the Ministry of Foreign Affairs and Trade's Pacific Security Fund (PSF) as a reimbursement of training and consultancy services provided to agencies and airlines of the South Pacific region.

4 OTHER INCOME

	Actual 2013 \$000	Actual 2012 \$000
Interest income	1,037	2,200
Net gain on sale of property, plant and equipment	290	153
Net foreign exchange gains	9	20
Other Income	453	67
Total other income	1,789	2,440

During the year the Authority disposed of vehicles and screening equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$290,000 (2012: 153,000).

The Authority has entered into a shared services agreement with Maritime New Zealand to provide information technology services.

5 PERSONNEL COSTS

	Actual 2013 \$000	Actual 2012 \$000
Salaries and wages	74,247	72,612
Severance costs in accordance with Section 152(d) of the Crown Entities Act 2004	125	323
Employer contributions to defined contribution plans	1,443	1,310
Other personnel expenses	6,004	7,032
Increase/(decrease) in employee entitlements	1,702	2,426
Total personnel costs	83,521	83,703

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

6 FINANCE COSTS

	Actual 2013 \$000	Actual 2012 \$000
Interest on Crown Loan	245	274
Interest on finance leases	104	198
Discount unwind on long-term employee entitlements	130	120
Total finance costs	479	592

7 OTHER COSTS OF SERVICE

	Actual 2013 \$000	Actual 2012 \$000
Fees to auditor:		
- Fees to Audit New Zealand for audit of financial statements	126	104
- Fees to Audit New Zealand for other services	11	19
Audit related fees for assurance and related services	18	-
Operating lease expenses	5,638	5,183
Building operating expenses	923	789
Information technology expenses	2,294	1,886
Staff travel	2,923	3,111
Insurance	1,046	1,021
Impairment of receivables	74	3
Safety information services	2,050	1,852
Consultancy	2,124	2,989
Consumables and maintenance	2,287	2,282
Net foreign exchange losses	1	1
Net loss on disposal of property, plant and equipment & intangibles	-	873
Other expenses	1,399	2,373
Total other cost of services	20,914	22,486

Fees to Audit New Zealand for other services were for an assurance review over Authority's quarterly reports to the Minister of Transport.

Staff travel expense includes all travel related to the Authority's normal business functions. Travel that is incidental to staff training is included within Other Personnel Expenses in Note 5.

The net loss on disposal of property, plant and equipment and intangibles includes the write-off of the Aeronautical Information Service database which has been supersede by new technology resulting in the information being freely available to authorised participants. The write-off amounted to \$860,869 and occurred in the previous financial year.

8. CASH AND CASH EQUIVALENTS

	Actual 2013 \$000	Actual 2012 \$000
Cash on hand and at bank	5,364	7,211
Cash equivalents - short-term deposits	19,280	12,225
Total cash and cash equivalents	24,644	19,436

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

The weighted average effective interest rate for the short-term deposits held is 3.3% (2012: 3.9%).

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

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

9 DEBTORS AND OTHER RECEIVABLES

	Actual 2013 \$000	Actual 2012 \$000
Debtors	11,052	7,319
Other receivables	607	876
Less: provision for impairment	(81)	(15)
Total debtors and other receivables	11,578	8,180

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

As at 30 June 2013 and 2012, all receivables were reviewed for evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

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

	2013			2012		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	10,228	-	10,228	6,215	-	6,215
Past due 1-30 days	746	-	746	1,772	-	1,772
Past due 31-60 days	139	-	139	77	-	77
Past due 61-90 days	194	-	194	72	-	72
Past due over 90 days	352	(81)	271	59	(15)	44
Total	11,659	(81)	11,578	8,195	(15)	8,180

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

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

	Actual 2013 \$000	Actual 2012 \$000
Balance at 1 July	(15)	(14)
Additional provisions made during the year	(74)	(3)
Receivables written-off during the period	8	2
Balance at 30 June	(81)	(15)

10 INVENTORIES

	Actual 2013 \$000	Actual 2012 \$000
Inventories held for use in the provision of services	-	31
Total inventories	-	31

Inventories held for use in the provision of services

Airport Identification Card stocks are held for sale in the ordinary course of business and are in the form of materials to be consumed in the rendering of services.

No inventories are pledged as security for liabilities. However, some inventories are subject to retention of title clauses.

There have been no write-downs (2012: \$nil) or reversals of write-downs (2012: \$nil) for inventories during the year.

11 INVESTMENTS

	Actual 2013 \$000	Actual 2012 \$000
<i>Current investments are represented by:</i>		
Term deposits	-	25,000
	-	25,000
<i>Maturity analysis and effective interest rates of term deposits</i>		
Term deposits with maturities of 4-6 months (91-180 days)	-	25,000
Effective interest rate	0.0%	4.3%
	-	25,000

12 DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has taken a forward exchange contract for USD 500,000 (2012: USD 445,000) to settle liability insurance cover premiums for the 2013/14 financial year. The contract will be settled within six months from balance date.

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

13 PROPERTY PLANT AND EQUIPMENT

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

	Assets under construction	Buildings (incl components)	Leasehold improvements	Furniture & fittings	Plant & equipment	Office equipment	Motor vehicles	Computer equipment	Leased screening equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation										
Balance at 1 July 2011	86	-	8,863	2,146	13,180	720	3,418	4,746	6,207	39,366
Additions/(Transfers)	(50)	-	129	10	912	10	685	200	-	1,896
Revaluation increase	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(2,081)	(119)	(601)	(2,420)	-	(5,221)
Balance at 30 June 2012	36	-	8,992	2,156	12,011	611	3,502	2,526	6,207	36,041
Balance at 1 July 2012	36	-	8,992	2,156	12,011	611	3,502	2,526	6,207	36,041
Additions/(Transfers)	23	-	101	-	1,257	7	487	220	-	2,095
Disposals	-	-	-	-	(1,171)	-	(1,000)	-	(976)	(3,147)
Balance at 30 June 2013	59	-	9,093	2,156	12,097	618	2,989	2,746	5,231	34,989
Accumulated depreciation and impairment losses										
Balance at 1 July 2011	-	-	(1,613)	(460)	(8,841)	(558)	(1,674)	(3,637)	(2,538)	(19,321)
Depreciation expense	-	-	(858)	(212)	(1,548)	(60)	(797)	(468)	(1,552)	(5,495)
Eliminate on disposal	-	-	-	-	2,079	116	504	2,420	-	5,119
Balance at 30 June 2012	-	-	(2,471)	(672)	(8,310)	(502)	(1,967)	(1,685)	(4,090)	(19,697)
Balance at 1 July 2012	-	-	(2,471)	(672)	(8,310)	(502)	(1,967)	(1,685)	(4,090)	(19,697)
Depreciation expense	-	-	(724)	(213)	(1,520)	(38)	(720)	(542)	(1,490)	(5,247)
Eliminate on disposal	-	-	2	3	1,170	-	858	(1)	976	3,008
Balance at 30 June 2013	-	-	(3,193)	(882)	(8,660)	(540)	(1,829)	(2,228)	(4,604)	(21,936)
Carrying amounts										
At 1 July 2011	86	-	7,250	1,686	4,339	162	1,744	1,109	3,669	20,045
At 30 June 2012	36	-	6,521	1,484	3,701	109	1,535	841	2,117	16,344
At 30 June 2013	59	-	5,900	1,274	3,437	78	1,160	518	627	13,053

The total amount of property, plant and equipment in the course of construction is \$59,000 (2012: \$36,000).

The net carrying amount of property, plant and equipment held under finance leases is \$627,000 (2012: \$2,117,000).

Other than items of property, plant and equipment that are subject to finance leases, there are no title restrictions for any of the Authority's property, plant and equipment assets, nor are any items of property, plant and equipment pledged as security for liabilities or contingent liabilities.

Movements for each class of intangible asset are as follows:

	AIS navigation database	Acquired software	Assets under construction	Internally developed software	Software under development	Total \$000
	\$000	\$000	\$000	\$000	\$000	\$000
Cost						
Balance at 1 July 2011	861	2,617	327	1,910	127	5,842
Additions	-	291	742	138	-	1,171
Transfer to available for use	-	472	(472)	107	(107)	-
Disposals	(861)	(248)	-	(167)	(20)	(1,296)
Balance at 30 June 2012	-	3,132	597	1,988	-	5,717
Balance at 1 July 2012	-	3,132	597	1,988	-	5,717
Additions	-	162	9	69	-	240
Transfer to available for use	-	597	(597)	-	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	-	3,891	9	2,057	-	5,957
Accumulated amortisation and impairment losses						
Balance at 1 July 2011	-	(1,365)	-	(1,670)	(20)	(3,055)
Amortisation expense	-	(380)	-	(126)	-	(506)
Disposals	-	248	-	155	20	423
Balance at 30 June 2012	-	(1,497)	-	(1,641)	-	(3,138)
Balance at 1 July 2012	-	(1,497)	-	(1,641)	-	(3,138)
Amortisation expense	-	(728)	-	(116)	-	(844)
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	-	(2,225)	-	(1,757)	-	(3,982)
Carrying amounts						
At 1 July 2011	861	1,252	327	240	107	2,787
At 30 June 2012	-	1,635	597	347	-	2,579
At 30 June 2013	-	1,666	9	300	-	1,975

The total amount of intangibles in the course of construction is \$9,000 (2012: \$597,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Income. There are no title restrictions for any of the Authority's intangible assets, nor are any intangible assets pledged as security for liabilities or contingent liabilities.

Intangible assets

Under the Civil Aviation Act 1990, the Authority is required to ensure that an information service is provided and readily available for the safety, regularity and efficiency of air navigation in New Zealand. To achieve this, the Authority acquired in 2000 the Aeronautical Information Service (AIS) database which comprised maps, charts and other aeronautical information of a lasting character essential to New Zealand air navigation.

This database has been superseded and replaced, with the information in the database being provided by various third party participants. For this reason, the Authority decided that the AIS no longer met the criteria for an intangible asset and this asset was fully written-off in 2011/12. The Authority is still required to ensure that the information is maintained and is available to participants.

15 INVESTMENT PROPERTY

	Actual 2013 \$000	Actual 2012 \$000
Balance at 1 July	330	310
Fair value gains/(losses) on valuation	85	20
Balance at 30 June	415	330

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

The building was revalued at 30 June 2013 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$415,000 (2012: 330,000). Buildings are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

16 CREDITORS AND OTHER PAYABLES

	Actual 2013 \$000	Actual 2012 \$000
Creditors	3,218	1,526
Other payables	1,528	2,318
Total creditors and other payables	4,746	3,844

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

17 EMPLOYEE ENTITLEMENTS

	Actual 2013 \$000	Actual 2012 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	2,737	2,646
Annual leave	6,513	6,784
<i>Current portion of long-term employee entitlements</i>		
Sick leave	148	168
Retiring and long service leave	448	518
Total current portion	9,846	10,116
Non-current employee entitlements are represented by:		
<i>Long-term employee entitlements</i>		
Retiring and long service leave	4,823	5,080
Sick leave	362	375
Total non-current portion	5,185	5,455
Total employee entitlements	15,031	15,571

The present value of the retirement, long service leave, and sick leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Authority considered the interest rates on New Zealand Treasury Bills and Government Bonds which have terms to maturity that match, as closely as possible, the estimated future cash

outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. Term-specific risk-free rates as at 30 June 2013 ranging from 2.71% pa to 5.50% pa (2012: ranged from 2.43% pa to 6.00% pa) and a salary inflation factor of 2.0% pa for the year ended 30 June 2014, with a long term salary inflation rate of 3.5% (2012 2.0% pa and 3.0% respectively) were used.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$450,000 lower/\$529,000 higher respectively (2012: \$501,000 lower/\$581,000 higher respectively).

If the salary inflation factor was 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$475,000 higher/\$409,000 lower respectively (2012: \$522,000 higher/\$456,000 lower respectively).

18 PROVISIONS

	Actual 2013 \$000	Actual 2012 \$000
Current provisions are represented by:		
Restructuring	109	83
Screening equipment decommissioning	233	-
Total current portion	342	83
Non-current provisions are represented by:		
Screening equipment decommissioning	-	233
Lease make-good	72	71
Total non-current portion	72	304
Total provisions	414	387

Movements for each class of provision are as follows:

	Screening equipment decommissioning \$000	Restructuring \$000	Lease make-good \$000	Total \$000
2013				
Balance at 1 July 2012	233	83	71	387
Additional provisions made	-	26	1	27
Balance at 30 June 2013	233	109	72	414
2012				
Balance at 1 July 2011	233	-	83	316
Additional provisions made/(reversed)	-	83	(12)	71
Balance at 30 June 2012	233	83	71	387

Hold Baggage Screening (HBS) equipment decommissioning

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

Leasehold exit obligation

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 22.

Restructuring provision

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

19 BORROWINGS

	Actual 2013 \$000	Actual 2012 \$000
Current borrowings are represented by:		
Finance leases	716	1,689
Advances from the Crown	400	400
Total current portion	1,116	2,089
Non-current borrowings are represented by:		
Finance leases	-	617
Advances from the Crown	2,940	3,340
Total non-current portion	2,940	3,957
Total borrowings	4,056	6,046
Analysis of finance leases		
Minimum lease payments payable:		
Not later than one year	732	1,793
Later than one year and not later than five years	-	634
Total minimum lease payments	732	2,427
Future finance charges	(16)	(121)
Present value of minimum lease payments	716	2,306
Present value of minimum lease payments payable:		
Not later than one year	716	1,689
Later than one year and not later than five years	-	617
Total present value of minimum lease payments	716	2,306

Fair Value

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

The fair value of finance leases is \$716,000 (2012: 2,306,000). Fair value has been determined using contractual cash flows discounted using a rate of 3.5%.

Description of leasing arrangements

The Authority has entered into finance leases for Hold Baggage Screening (HBS) equipment and for various items of office equipment. Approval for these borrowing arrangements is held from the Minister of Finance in terms of the requirements of the Public Finance Act 1989 and the Crown Entities Act 2004.

Leased HBS equipment is disclosed as a separate class of property, plant and equipment in Note 13.

On expiry, the Authority has the option to return the equipment or continue using it. The Authority does not have the option to purchase the equipment. The rental payments are unchanged if the Authority continues to use the asset. There are no restrictions placed on the Authority by any of these finance leasing arrangements.

Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

Description of Advances from the Crown

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

	Actual 2013 \$000	Actual 2012 \$000
General funds		
Opening balance at 1 July	23,575	27,591
Transfer from Statement of Comprehensive Income	(19,079)	(25,897)
Transfer from passenger security charges reserve	19,535	21,779
Capital contributions	-	102
Closing balance at 30 June	24,031	23,575
Reserves		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Closing balance at 30 June	746	746
Passenger security charges and other fees and charges reserves		
Opening balances at 1 July		
Passenger security charges reserve - Domestic	5,682	9,373
Passenger security charges reserve - International	17,442	34,582
Passenger security charges reserve - Other fees and charges	(948)	-
	22,176	43,955
<i>Transfer to General Funds from:</i>		
Passenger security charges reserve - Domestic	(1,779)	(3,691)
Passenger security charges reserve - International	(17,542)	(17,140)
Passenger security charges reserve - Other fees and charges	(214)	(948)
Total transfers to General Funds	(19,535)	(21,779)
Closing balances at 30 June		
Passenger security charges reserve - Domestic	3,903	5,682
Passenger security charges reserve - International	(100)	17,442
Passenger security charges reserve - Other fees and charges	(1,162)	(948)
Total passenger security charges and other fees and charges reserves	2,641	22,176

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that repayment of Aviation Security Service surplus funds to the Crown may be requested by the Minister of Finance at his discretion.

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

	Actual 2013 \$000	Actual 2012 \$000
Net deficit	(19,079)	(25,897)
Add/(less) non-cash items:		
Depreciation and amortisation expense	6,091	6,001
Impairment of receivables	66	3
Net foreign exchange gains	(8)	(19)
Discount unwind on employee entitlements	130	120
Fair value gains on investment property	(85)	(20)
Total non-cash items	6,194	6,085
Add/(less) items classified as investing or financing activities:		
(Gains) / losses on disposal of property, plant & equipment and intangibles	(290)	741
Total items classified as investing or financing activities	(290)	741
Add/(less) movements in working capital items:		
Debtors & other receivables (increase)/decrease	(3,464)	917
Inventories decrease	31	49
Services work in progress (increase)/decrease	445	(131)
Creditors & other payables increase/(decrease)	898	(1,217)
Employee entitlements increase/(decrease)	(670)	2,306
Provisions increase	27	72
Net movements in working capital items	(2,733)	1,996
Net cash from operating activities	(15,908)	(17,075)

22 CAPITAL AND OPERATING COMMITMENTS

	Actual 2013 \$000	Actual 2012 \$000
Capital commitments		
Property, plant and equipment	6,215	36
Intangible assets	-	61
Total capital commitments	6,215	97

The Authority has entered into an agreement for the acquisition of airport screening and related equipment, with the previously leased equipment being replaced in the new financial year.

Non-cancellable operating leases

Not later than one year	5,379	5,479
Later than one year and not later than five years	18,097	18,360
Later than five years	12,805	16,680
Total non-cancellable operating leases	36,281	40,519

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

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

	Actual 2013 \$000	Actual 2012 \$000
Not later than one year	1,292	1,635
Later than one year and not later than five years	3,961	307
Later than five years	5,299	-
Total non-cancellable operating commitments	10,552	1,942

The Authority has entered into several contracts that have non-cancellable terms. The most significant of these is the contract for the maintenance of the airport hold baggage screening equipment.

23 CONTINGENCIES

Contingent liabilities

Legal actions

There are no legal actions pending that have been taken or are being responded to by the Authority that involve aviation participants or external parties (2012: five) or staff members (2012: nil). The Authority has relied on advice from legal counsel in forming the view that contingent liabilities with an estimated value of \$nil (2012: \$nil) exist in relation to these proceedings.

Contingent assets

The Authority has no contingent assets (2012: \$nil).

24 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related party transactions

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

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

The regulatory function has been provided with funding from the Crown of \$2,219,000 (2012: \$2,219,000) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The security service also received \$145,000 (2012: \$145,000) funding for maritime security preparedness, specifically focused on the port of Auckland during the financial year.

During the year, the Authority exercised its statutory obligations and levied Air New Zealand for domestic and international passenger movements. It also conducted safety and regulatory audits on Air New Zealand. These transactions accounted for revenue of \$46,988,000 (2012: \$45,762,000).

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

The Authority purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$3,898,000 (2012: \$3,947,000). These purchases included the purchase of services mainly from Airways Corporation, Air New Zealand, New Zealand Post and New Zealand Debt Management Office.

The Authority also sold goods and services to entities controlled, significantly influenced, or jointly controlled by the Crown. Sales to these government-related entities for the year ended 30 June 2013 totalled \$915,000 (2012: \$1,011,000). These sales included the sale of goods or services mainly to Airways Corporation, Maritime New Zealand, New Zealand Post and the Ministry of Foreign Affairs.

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

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

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

Transactions	Ref	Transaction		Balance	
		2013	2012	2013	2012
		\$	\$	\$	\$
Income					
C Tosswill - Chief Operating Officer, security service	(i)	-	26,000	-	-
P Griffiths - Authority Member	(ii)	674	61	-	-
Expense					
Auckland International Airport Limited	(iii)	1,172,281	-	159	-
Queenstown Airport Corporation Limited	(iv)	82,193	-	976	-

(i) Purchase of surplus vehicle.

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

(iii) P Griffiths (Authority Member) is a shareholder in Auckland International Airport Limited, which leases airport space to the security service.

(iv) G Lilly (Authority Member) is a director of Queenstown Airport Corporation Limited, which leases airport space to the security service.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2012: \$nil).

Key management personnel compensation	Actual	Actual
	2013	2012
	\$000	\$000
Salaries and other short-term employee benefits	3,319	3,625
Post-employment benefits	107	591
Termination benefits	369	867
Total key management personnel compensation	3,795	5,083

Key management personnel include Authority Members, the Director of Civil Aviation and his nine member regulatory function executive team, and the General Manager of the Aviation Security Service and his five member security service executive management team.

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

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

	Actual 2013 \$000	Actual 2012 \$000
J Bartlett (appointed June 2010)	23	24
N Gould (Chairman - appointed April 2011)	49	50
P Griffiths (appointed June 2010)	27	28
S Hughes (resigned July 2011)	-	2
G Lilly (appointed September 2011)	23	20
A Mazzoleni (resigned December 2012)	11	24
Total Authority Member remuneration	133	148

There have been no payments made to committee members appointed by the Authority who were not Authority members during the financial year.

The Authority has effected Directors and Officers Liability and Professional Indemnity insurance cover for the financial year, in respect of any liability or costs it may incur arising from the activities of Authority members and employees.

	Actual 2013 \$000	Actual 2012 \$000
Total remuneration paid or payable		
\$100,000 - \$109,999	42	32
\$110,000 - \$119,999	17	15
\$120,000 - \$129,999	13	8
\$130,000 - \$139,999	10	10
\$140,000 - \$149,999	11	9
\$150,000 - \$159,999	12	9
\$160,000 - \$169,999	3	8
\$170,000 - \$179,999	2	2
\$180,000 - \$189,999	3	1
\$190,000 - \$199,999	1	3
\$200,000 - \$209,999	2	1
\$210,000 - \$219,999	1	5
\$220,000 - \$229,999	4	2
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	-	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	-	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	-	-
\$290,000 - \$299,999	-	1
\$300,000 - \$309,999	-	-
\$310,000 - \$319,999	1	-
\$320,000 - \$329,999	1	-
\$330,000 - \$339,999	-	1
\$480,000 - \$489,999	1	-
\$650,000 - \$659,999	-	1
Total number of employees	126	111

The former Director of Civil Aviation, resigned effective 5th April 2012. His remuneration in that year included cashed up annual leave and retirement entitlements of \$659,000.

During the year ended 30 June 2013, 27 (2012: 18) employees and no Authority Members (2012: nil) received compensation and other benefits in relation to cessation totalling \$1,280,000 (2012: \$1,369,000). No Authority Members received compensation or other benefits in relation to cessation (2012: nil).

27 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

28 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	Actual 2013 \$000	Actual 2012 \$000
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	24,644	19,436
Debtors and other receivables	11,578	8,180
Investments - term deposits	-	25,000
Total loans and receivables	36,222	52,616
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Creditors and other payables	4,746	3,844
Finance lease liabilities	716	2,306
Advances from the Crown	3,340	3,740
Total financial liabilities measured at amortised cost	8,802	9,890

Fair value hierarchy disclosures

Derivative financial instrument assets and liabilities recognised at fair value in the Statement of Financial Position have been determined according to level 2 valuation techniques - observable inputs.

29 FINANCIAL INSTRUMENT RISKS

The Authority's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Authority has a set of policies in place to manage the risks associated with financial instruments and it seeks to minimise its exposure to financial instrument risk.

These policies do not allow the Authority to enter into any transactions that are speculative in nature.

There have been no changes from the previous reporting period in either the types of financial instrument held, the type of risk exposure, or the way in which these financial instrument risks are managed.

Market Risk

Price risk

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

Interest rate risk

The Authority is exposed to interest rate risk on its balances of cash and cash equivalents. The Authority minimises its exposure to interest rate risk exposure to interest rate risk by investing surplus liquid funds at short-term fixed interest rates and limiting its floating rate deposit balances to daily funding requirements.

As the Authority's short-term deposits are invested at fixed interest rates, any change in interest rates prior to deposit maturity has no impact on net surplus/ (deficit). As these financial assets are carried at amortised cost, rather than at fair value, there is no direct impact on equity from any change in interest rates.

Currency risk

The Authority purchases some goods and services from overseas that require it to enter into transactions denominated in foreign currencies. Exposure to currency risk arises as a result of these activities. It is the Authority's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contract derivatives to mitigate the foreign currency risk exposure.

As the Authority has no significant foreign currency monetary items at the balance sheet date, the effect on net

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

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Authority. The Authority is exposed to credit risk on its balances of cash and cash equivalents, debtors and other receivables, and derivative contracts entered into. The Authority manages its exposure by placing all cash and cash equivalents and derivative contracts with New Zealand registered banks having high quality credit ratings and by managing debtors and other receivables in accordance with the Authority's credit management policy.

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

Concentrations of credit risk

Loans & receivables

New Zealand registered banks
New Zealand airports
Domestic and International passenger airlines
Other
Total concentrations of credit risk

	2013 \$000	2013 concentration %	2012 \$000	2012 concentration %
New Zealand registered banks	24,641	68.0%	44,436	84.5%
New Zealand airports	10	0.0%	57	0.1%
Domestic and International passenger airlines	8,941	24.7%	6,496	12.3%
Other	2,627	7.3%	1,627	3.1%
Total concentrations of credit risk	36,219	100.0%	52,616	100.0%

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

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its payment obligations for commitments as they fall due. The Authority manages its liquidity risk by maintaining sufficient cash deposits in accordance with the levels set under its approved liquidity maintenance policy.

Contractual maturity analysis of financial liabilities, excluding derivatives:

The table below analyses the present value of contractual undiscounted cash flows for the Authority's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	Carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	Between 6 months & 1 year \$000	Later than 1 year \$000
2013					
Creditors and other payables (Note 16)	4,746	4,746	4,746	-	-
Borrowings (Note 19)	4,056	4,581	1,125	404	3,052
Total contractual undiscounted cash flows	8,802	9,327	5,871	404	3,052
2012					
Creditors and other payables (Note 16)	3,844	3,844	3,844	-	-
Borrowings (Note 19)	6,046	6,654	1,168	1,165	4,321
Total contractual undiscounted cash flows	9,890	10,498	5,012	1,165	4,321

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$246,000 (2012: \$444,000).

30 CAPITAL MANAGEMENT

The Authority's capital is its equity, which comprises the Crown's capital contributions, accumulated surplus and other reserves. Equity is represented by net assets. The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, the Public Finance Act 1989, and the Civil Aviation Act 1990, which impose

restrictions in relation to borrowings, the acquisition of securities, the issue of guarantees and indemnities, and the use of derivatives.

The Authority manages its equity by prudently managing revenues, expenses, assets, liabilities, and investments in accordance with its written policies and the requirements of the Acts to ensure that the Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

31 SECURITY SERVICE SPECIFIC RESERVES

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

	International Passenger Security Charges \$000	Domestic Passenger Security Charges \$000	Other Fees / Charges \$000	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
2013						
Revenue	34,304	19,670	2,780	56,754	54,990	54,512
Expenditure	(51,846)	(21,449)	(2,994)	(76,289)	(74,609)	(75,480)
Net deficit	(17,542)	(1,779)	(214)	(19,535)	(19,619)	(20,968)
Opening balance at 1 July 2012	17,442	5,682	(948)	22,176	22,316	43,144
Closing balance at 30 June 2013	(100)	3,903	(1,162)	2,641	2,697	22,176
2012						
Revenue	33,203	18,141	3,168	54,512	56,710	65,672
Expenditure	(50,343)	(21,832)	(3,305)	(75,480)	(74,981)	(71,231)
Net deficit	(17,140)	(3,691)	(137)	(20,968)	(18,271)	(5,559)
Opening balance at 1 July 2011	34,582	9,373	(811)	43,144	43,681	48,703
Closing balance at 30 June 2012	17,442	5,682	(948)	22,176	25,410	43,144

32 REGULATORY FUNCTION SPECIFIC RESERVES

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

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

33. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

STATEMENT OF COMPREHENSIVE INCOME

Income

Income for the year ended 30 June 2013 of \$91.9 million was higher than the budget of \$91.0 million by \$0.9 million (1%). The significant variances are as follows:

Levies revenue

Aviation regulatory and safety services levy revenue from departing domestic and international passengers of \$23.9 million was broadly in line with the budget of \$23.6 million. As a reflection of competitive market conditions, domestic passenger volumes were slightly stronger than budget expectations, while international passenger volumes were largely consistent

with budget expectations.

Revenue from passenger security charges

Revenue from passenger security charges of \$54.0 million was higher than the budget of \$51.9 million by \$2.1 million (4%). The international passenger security charge was higher than budget by \$1.2 million and domestic passenger security charges was higher than budget by \$0.9 million, due to the increase in charges from 1 June 2013 and increased domestic passenger volumes.

Revenue from other services

Revenue from other services of \$8.6 million was lower than the budget of \$10.0 million by 1.4 million (14%). The adverse variance is from the regulatory function, arising from a higher proportion of chargeable time occurring at the lower price prior to the increase in the hourly charge, resulting in \$1.1 million lower revenue than planned. The remaining adverse variance of \$0.3 million arises from lower contracted security service revenue.

Expenditure

Expenditure for the year ended 30 June 2013 of \$111.0 million was lower than the budget of \$113.1 million by \$2.1 million (1.9%). The significant variances are as follows:

Personnel costs

Personnel costs of \$83.5 million were higher than the budget of \$81.0 million by \$2.5 million (3.1%). Personnel costs were significantly higher in the regulatory function (\$2.3 million) due to the additional cost of support services positions transferred from the security service, offset by savings as a result of a number of vacant positions occurring over the year. This additional personnel cost is offset by recoveries from the security service.

Personnel costs were slightly higher in the security service (\$0.2 million).

Depreciation and amortisation expense

Depreciation and amortisation expense of \$6.1 million was lower than the budget of \$6.9 million by \$0.8 million (11.6%). This is a result of a significant underspend in the capital expenditure plans of both parts of the organisation mainly due to delayed projects.

Other cost of services

Other cost of services of \$20.9 million was lower than the budget of \$25.1 million by \$4.2 million (16.7%). This was from lower costs in the regulatory function of \$6.1 million and higher costs in the security service of \$1.9 million.

The lower costs in the regulatory function (\$6.1 million) are primarily due to the recovery of support services costs from the security service (see personnel costs comments above). There was also lower expenditure incurred for projects under the Authority's change programme, which have been delayed and are now due to be commenced in the 2013/14 financial year.

The higher costs in the security service (\$1.9 million) are due primarily to anticipated change programme savings yet to be realised. This includes the delay to the rationalisation of accommodation space at Head Office, due to market conditions and the budgeted cost for shared support services being understated.

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

Additional Financial Information
Statement of Comprehensive Income
For the Year Ended 30 June 2013

The following additional financial information provides segmental reporting that discloses the two industry segments operated within the Authority. These relate to the operations of the regulatory function and the security service.

Group		Regulatory Function		Security Service		Elimination		Group	
		2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000
	Income								
22,450	Levies revenue	23,862	23,590	-	-	-	-	23,862	23,590
51,339	Passenger security charges	-	-	53,966	51,907	-	-	53,966	51,907
6,587	Revenue from other services	6,070	7,168	2,534	2,840	(14)	(15)	8,590	9,993
2,364	Crown funding revenue	2,219	2,220	145	145	-	-	2,364	2,365
1,705	Ministry contract revenue	1,200	1,200	155	137	-	-	1,355	1,337
2,440	Other income	510	438	1,279	1,334	-	-	1,789	1,772
86,885	Total income	33,861	34,616	58,079	56,363	(14)	(15)	91,926	90,964
	Expenditure								
83,703	Personnel costs	24,657	22,375	58,864	58,663	-	-	83,521	81,038
6,001	Depreciation and amortisation expense	1,224	1,448	4,867	5,477	-	-	6,091	6,925
592	Finance costs	255	-	224	107	-	-	479	107
22,486	Other cost of services	7,269	13,343	13,659	11,735	(14)	(15)	20,914	25,063
112,782	Total expenditure	33,405	37,166	77,614	75,982	(14)	(15)	111,005	113,133
(25,897)	NET SURPLUS / (DEFICIT)	456	(2,550)	(19,535)	(19,619)	-	-	(19,079)	(22,169)
	Other comprehensive Income:								
-	Gain on revaluation of land and buildings	-	-	-	-	-	-	-	-
(25,897)	Total comprehensive income	456	(2,550)	(19,535)	(19,619)	-	-	(19,079)	(22,169)

Additional Financial Information
Statement of Changes in Equity
For the Year Ended 30 June 2013

Group		Regulatory Function		Security Service		Elimination		Group	
		2012 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000
	Equity								
	Opening balance of equity at 1 July								
27,591	General funds	9,675	9,706	13,900	14,100	-	-	23,575	23,806
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
43,955	Passenger security charges and other fees and charges reserves	-	-	22,176	22,316	-	-	22,176	22,316
72,292	Total opening balance of equity at 1 July	9,675	9,706	36,822	37,162	-	-	46,497	46,868
(25,897)	Net surplus / (deficit) for the year	456	(2,550)	(19,535)	(19,619)	-	-	(19,079)	(22,169)
102	Capital contributions	-	-	-	-	-	-	-	-
(25,795)	Total changes in equity during the year	456	(2,550)	(19,535)	(19,619)	-	-	(19,079)	(22,169)
	Closing balance of equity at 30 June								
23,575	General funds	10,131	7,156	13,900	14,100	-	-	24,031	21,256
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
22,176	Passenger security charges and other fees and charges reserves	-	-	2,641	2,697	-	-	2,641	2,697
46,497	Total closing balance of equity at 30 June	10,131	7,156	17,287	17,543	-	-	27,418	24,699

Additional Financial Information

Statement of Financial Position

As at 30 June 2013

Group 2012 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000
	CURRENT ASSETS								
19,436	Cash and cash equivalents	8,904	4,161	15,740	4,000	-	-	24,644	8,161
8,180	Debtors and other receivables	4,231	2,861	7,870	5,431	(523)	-	11,578	8,292
31	Inventories	-	-	-	105	-	-	-	105
445	Services Work in Progress	-	394	-	-	-	-	-	394
25,000	Investments - term deposits	-	-	-	13,323	-	-	-	13,323
53,092	TOTAL CURRENT ASSETS	13,135	7,416	23,610	22,859	(523)	-	36,222	30,275
	NON-CURRENT ASSETS								
16,344	Property, plant and equipment	4,636	4,960	8,417	11,468	-	-	13,053	16,428
2,579	Intangible assets	818	2,738	1,157	1,237	-	-	1,975	3,975
330	Investment property	-	-	415	310	-	-	415	310
19,253	TOTAL NON-CURRENT ASSETS	5,454	7,698	9,989	13,015	-	-	15,443	20,713
72,345	TOTAL ASSETS	18,589	15,114	33,599	35,874	(523)	-	51,665	50,988
	CURRENT LIABILITIES								
3,844	Creditors and other payables	2,328	2,068	2,941	3,028	(523)	-	4,746	5,096
10,116	Employee entitlements	2,303	1,966	7,543	9,660	-	-	9,846	11,626
83	Provisions	-	-	342	233	-	-	342	233
2,089	Borrowings	400	400	716	687	-	-	1,116	1,087
16,132	TOTAL CURRENT LIABILITIES	5,031	4,434	11,542	13,608	(523)	-	16,050	18,042
	NON-CURRENT LIABILITIES								
5,455	Employee entitlements	415	513	4,770	4,065	-	-	5,185	4,578
304	Provisions	72	71	-	-	-	-	72	71
3,957	Borrowings	2,940	2,940	-	658	-	-	2,940	3,598
9,716	TOTAL NON-CURRENT LIABILITIES	3,427	3,524	4,770	4,723	-	-	8,197	8,247
25,848	TOTAL LIABILITIES	8,458	7,958	16,312	18,331	(523)	-	24,247	26,289
46,497	NET ASSETS	10,131	7,156	17,287	17,543	-	-	27,418	24,699
	EQUITY								
23,575	General funds	10,131	7,156	13,900	14,100	-	-	24,031	21,256
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
22,176	Passenger security charges and other fees and charges reserves	-	-	2,641	2,697	-	-	2,641	2,697
46,497	TOTAL EQUITY	10,131	7,156	17,287	17,543	-	-	27,418	24,699

Additional Financial Information
Statement of Cashflows
For the Year Ended 30 June 2013

Group 2012 Actual \$000		Regulatory Function		Security Service		Elimination		Group	
		2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000	2013 Actual \$000	2013 Budget \$000
	Cash Flows from Operating Activities								
21,625	Receipts from levies	24,671	27,094	-	-	(626)	-	24,045	27,094
59,329	Receipts from passenger security charges and other services	4,431	8,143	54,270	54,319	(14)	-	58,687	62,462
4,069	Receipts from Crown funding and Ministry contracts	3,655	4,135	275	282	-	-	3,930	4,417
2,535	Interest received	245	224	1,048	901	-	-	1,293	1,125
(78,063)	Payments to employees	(22,632)	(22,010)	(55,217)	(56,004)	-	-	(77,849)	(78,014)
(25,990)	Payments to suppliers	(8,047)	(15,603)	(18,482)	(13,645)	640	-	(25,889)	(29,248)
(471)	Interest paid	(245)	(246)	(104)	(107)	-	-	(349)	(353)
(109)	Goods and Services Tax (net)	17	(3,073)	207	33	-	-	224	(3,040)
(17,075)	Net Cash Flows from Operating Activities	2,095	(1,336)	(18,003)	(14,221)	-	-	(15,908)	(15,557)
	Cash Flows from Investing Activities								
4,000	Maturity of investments	-	-	25,000	19,677	-	-	25,000	19,677
343	Sale of property, plant and equipment	24	-	417	480	-	-	441	480
(1,896)	Purchase of property, plant and equipment	(344)	(1,840)	(1,750)	(3,755)	-	-	(2,094)	(5,595)
(1,171)	Purchase of intangible assets	(120)	-	(121)	(180)	-	-	(241)	(180)
1,276	Net Cash Flows from Investing Activities	(440)	(1,840)	23,546	16,222	-	-	23,106	14,382
	Cash Flows from Financing Activities								
102	Capital contributions	-	-	-	-	-	-	-	-
(2,042)	Repayment of external borrowings	(400)	(400)	(1,590)	(2,490)	-	-	(1,990)	(2,890)
(1,940)	Net Cash Flows from Financing Activities	(400)	(400)	(1,590)	(2,490)	-	-	(1,990)	(2,890)
(17,739)	Net increase/(decrease) in cash and cash equivalents	1,255	(3,576)	3,953	(489)	-	-	5,208	(4,065)
37,175	Opening cash and cash equivalents at 1 July	7,649	7,737	11,787	4,489	-	-	19,436	12,226
19,436	CLOSING CASH AND CASH EQUIVALENTS AT 30 JUNE	8,904	4,161	15,740	4,000	-	-	24,644	8,161

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

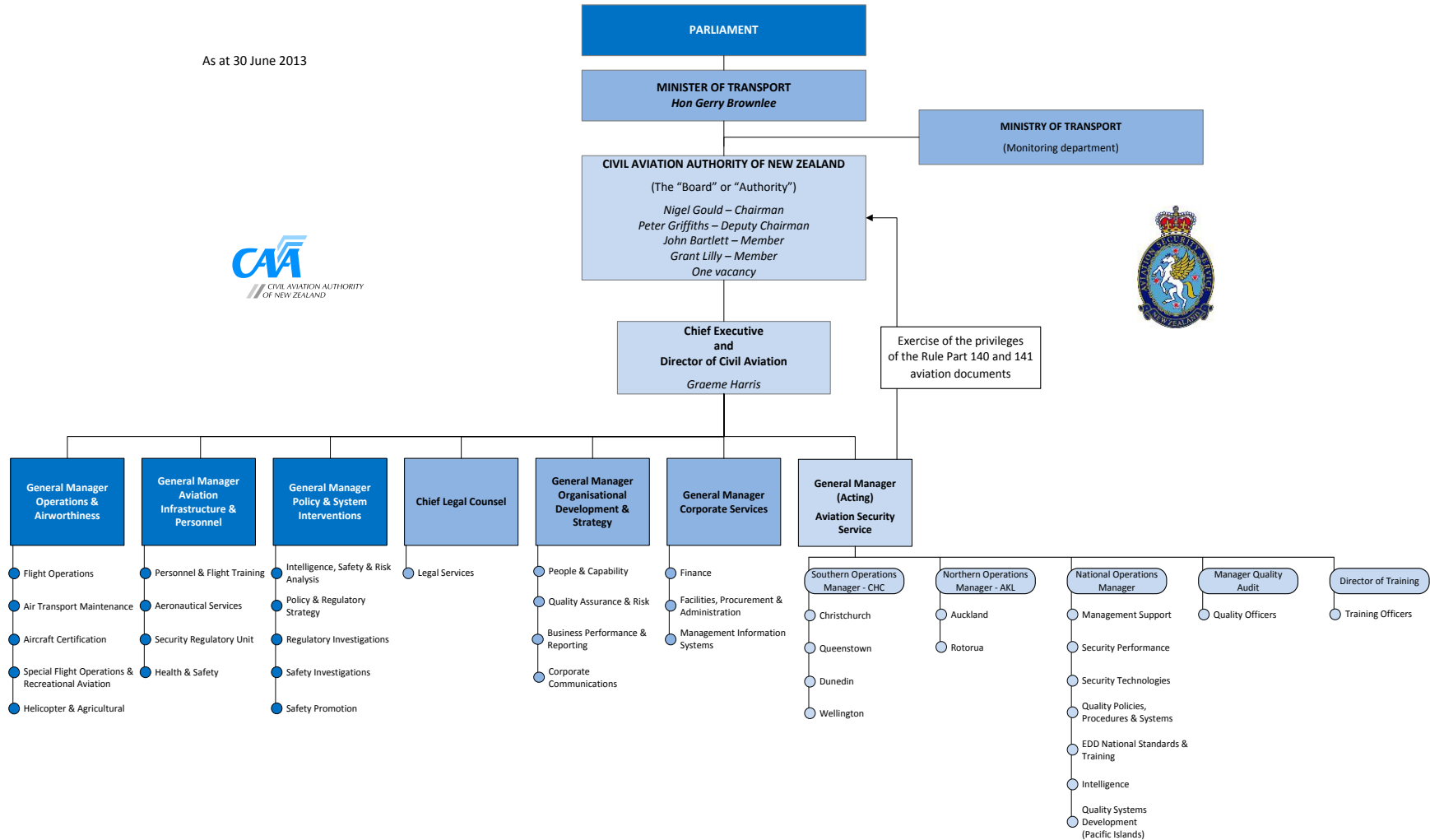


PART C:

APPENDICES

Appendix 1: Organisational Structure

As at 30 June 2013



Appendix 2: Governance and Accountability

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

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

Authority responsibilities

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

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

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

- ➔ Influencing and contributing to safety and security in the aviation sector;
- ➔ Setting the direction of the Civil Aviation Authority;
- ➔ Setting plans and targets for services and financial performance;
- ➔ Reviewing the Civil Aviation Authority's performance against plans and targets;
- ➔ Providing quality assurance of key operational policies, systems and processes; and
- ➔ Making significant planning, investment and funding decisions.

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

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

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

Authority membership and composition

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

Authority committees

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

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

Internal audit

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

Risk management

The Authority accepts it is responsible for the management of organisational risks, and requires

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

Legislative compliance and ethics

The Civil Aviation Authority is guided by its Codes of Conduct and the State Services Commissioner's Standards of Integrity and Conduct. Authority members are required to complete a declaration of interests each year. The process is independently audited annually. An updated schedule of Authority members' interests is tabled and reviewed at the opening of every Authority meeting.

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

Standard for quality management

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

Engagement with stakeholders

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

Authority member remuneration

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

Appendix 3: Operating Environment

SECTOR PROFILE

New Zealand's Active Aviation Document Holders as at 30 June 2013					
Organisations		Individuals		Aircraft	
2	Australian AOC Operating with ANZA Privileges	2,640	Part 66 Aircraft Maintenance Engineer	1,995	Aeroplane
67	Part 109 Regulated Air Cargo Agent	163	Part 66 Certificate of Inspection Authorisation	285	Amateur Built Aeroplane
33	Part 115 Adventure Aviation Operator	229	Part 66 Certificate of Maintenance Approval	4	Amateur Built Glider
183	Part 119 Air Operator	24,421	Pilot licences (3,889 with active class 1 medical certificate and 6,380 with active class 2 medical certificate including 3,505 ATPL Aeroplane licence holders, 1,123 holding active class 1 medical certificates and 942 holding active class 2 medical certificates)	23	Amateur Built Helicopter
31	Part 129 Foreign Air Operator	968	Air traffic and Flight service licences (583 holding class 3 medical certificates)	70	Balloon
102	Part 137 Agricultural Aircraft Operator	15,546	Others, mostly Medical certificate holders (12,707 - all classes), Medical cancellations (1,796) et. al.	292	Glider
27	Part 139 Aerodrome Certification			42	Gyroplane
1	Part 140 Aviation Security Organisation			13	Hang Glider
57	Part 141 Training Organisation			793	Helicopter
64	Part 145 Maintenance Organisation			213	Microlight Class 1
14	Part 146 Design Organisation			813	Microlight Class 2
20	Part 148 Manufacturing Organisation			67	Para Glider
7	Part 149 Recreation Organisation			195	Parachute
2	Part 171 Telecommunication Service Organisation			46	Power Glider
1	Part 172 Air Traffic Service Organisation				
3	Part 173 Instrument Flight Procedure				
2	Part 174 Meteorological Service Organisation				
1	Part 175 Information Service Organisation				
58	Part 19F Supply Organisation				
62	Part 92 Dangerous Goods Packaging				
9	Synthetic Training Device (Airlines)				
29	Synthetic Training Device (General Aviation)				
775	Total	43,969	Total	4,851	Total

The number of Public Air Transport flights in 2012/13 is estimated at 585340 of which 63405 were International Airline flights, 418811 were Domestic Airline flights and 103124 were Adventure Aviation flights (Parachute, Hang Glider etc.).

AVIATION SAFETY

The following table compares New Zealand's civil aviation safety with Oceania and the rest of the world.

Aviation accidents, limited to commercial air transport aircraft above 2,250 kg					
	Accidents	Fatalities	Fatal Accidents	Flight Departures (000)	Accident Rate (million departures)
2012					
World	99	372	9	Not available	3.2
Oceania	-	-	-	Not available	-
New Zealand	-	-	-	301	-
2011					
World	126	414	16	30,053	4.2
Oceania	4	55	2	855	4.7
New Zealand	1	-	-	221	4.5
2010					
World	121	707	19	29,023	4.2
Oceania	6	-	-	869	6.9
New Zealand	4	-	-	222	18

Source: <https://portal.icao.int/ISTARS>

MEASURE: FLIGHT PHASE AND RISK CATEGORY OF NEW ZEALAND AVIATION ACCIDENTS

The following table illustrates the flight phase and risk category of New Zealand aviation accidents from 2009 to 2012.

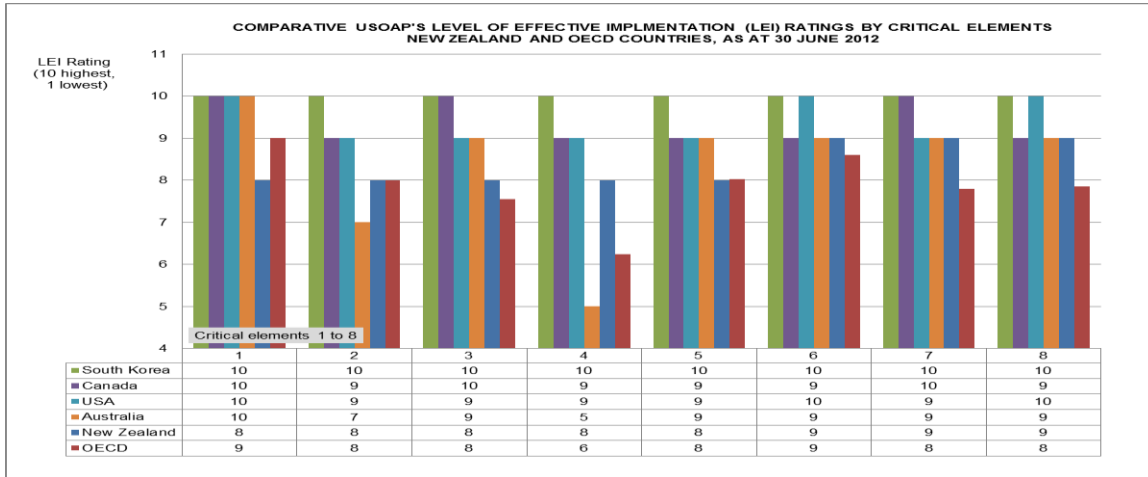
New Zealand aviation accidents by flight phase and risk category, limited to commercial air transport on aircraft above 2,250 kg*					
	2010**	2011*	2012	2013	Total
FLIGHT PHASE					
Taxi (TXI)	1	-	-	-	1
Take-off (TOF)	1	-	-	-	1
Landing (LDG)	2	1	3	1	7
Total	4	1	3	1	9
RISK CATEGORY					
RSE (runway safety events)	3	-	1	-	4
SCF (system/component failure/malfunction)	1	1	-	-	2
Total	4	1	1	-	6

*2011: 343 aircraft on the register (2012: 336; 2010: 327; 2011: 314)
 **2010: (1) 21Jun/BK117/Raglan NZ/ aerial work/accident; (2) 01Oct/A320/NZ/en route to BNE/incident; (3) 21Jun/BK117/Helipro/aerial work/accident; (4) 05Jun/AS350B2/Milford Helicopters/ general aviation/accident; 02Feb/1900/Timaru/scheduled revenue ops/accident
 Source: <https://portal.icao.int/ISTARS>

COMPLIANCE WITH INTERNATIONAL CIVIL AVIATION ORGANIZATION STANDARDS AND RECOMMENDED PRACTICES

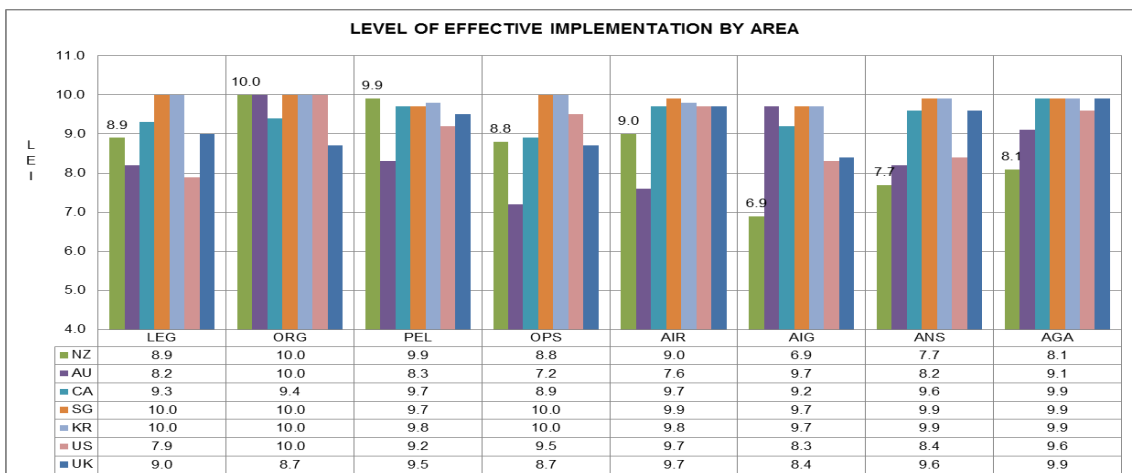
Measure: Level of Effective Implementation

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



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

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



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

Appendix 4: Rules Development Programme

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

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

Rule No.	Project Title	Latest milestone achievement	Progress status and comment	Next milestone/ Expected delivery date
Part 121	Training Requirements	Not applicable.	Rule in force 6 September 2012.	Project completed
Various	International Civil Aviation Organization Equipment Compliance	Draft Notice of Proposed Rule-making and draft Regulatory Impact Statement forwarded to Ministry of Transport, 24 November 2010.	Some project delay has resulted from the level of technical complexity of the rule and lack of available manpower. Work has resumed with Ministry of Transport to update the Notice of Proposed Rule-making prior to publishing for public comment.	Draft final rule – October 2013
Part 61	Pilot Licences and Ratings Stage 2	Draft Notice of Proposed Rule-making forwarded to Ministry of Transport, August 2012.	Summary of public submissions being drafted.	Draft final rule – July 2013
Part 125	Training Requirements	Draft final rule forwarded to Ministry of Transport, March 2013.	Final rule undergoing parliamentary process prior to signing.	Minister signs rule
Various	Security Review	Not applicable.	Rule in force 16 January 2013.	Project completed
Part 139	Review of Aerodrome Requirements	Draft Notice of Proposed Rule-making forwarded to Ministry of Transport, May 2011.	Published summary of submissions. Developing amended Notice of Proposed Rule-making for follow-up consultation.	Draft final rule – September 2013
Various	International Civil Aviation Organization Safety Management Systems – Group 1	Draft Notice of Proposed Rule-making – November 2010.	Risk-based regulation policy consultation closed 8 July 2013 and will be used to develop a risk-based regulation Regulatory Impact Statement. An associated advisory circular has been published, and a communications strategy for industry education is in place.	Draft notice of proposed rule-making – August 2013
Part 115	Drug and Alcohol Impairment	Not applicable.	Rule in force 15 December 2013.	Project completed
Various	Omnibus 2013	Draft Notice of Proposed Rule-making – May 2013.	Submissions to the Notice of Proposed Rule-making closed 28 June 2013. Preparing the summary of submissions.	Draft final rule - July 2013

Appendix 5: Safety Data

OUTCOME MEASURES

Accident Rates: Performance Achievement 2012/13

NUMBER OF CIVIL AVIATION ACCIDENT FATALITIES AND SERIOUS INJURIES						
Aviation Safety Target Groups	2011/12			2012/13		
	Accidents	Fatalities	Serious Injuries	Accidents	Fatalities	Serious injuries
Public air transport						
1. Airline operations — large aeroplanes	-	-	-	-	-	-
2. Airline operations — medium aeroplanes	-	-	-	-	-	-
3. Airline operations — small aeroplanes	-	-	-	1	-	1
4. Airline operations — helicopters	-	-	1	5	1	-
5. Adventure aviation transport operations	1	11	3	1	-	2
Other commercial operations						
6. Other commercial operations — aeroplane	-	-	-	8	-	-
7. Other commercial operations — helicopter	2	3	1	4	-	-
8. Agricultural operations — aeroplanes	-	-	-	11	1	1
9. Agricultural operations — helicopters	1	1	-	4	-	-
10. Agricultural operations — sport aircraft	-	-	-	-	-	-
Non-commercial operations						
11. Private operations — aeroplanes	1	1	5	12	-	-
12. Private operations — helicopters	-	-	-	8	1	4
13. Private operations — sport aircraft	4	6	8	2	3	12

Measure: Social cost of aviation per unit of passenger exposure

SOCIAL COST PER SEAT HOUR BY AVIATION SAFETY GROUP (\$)									
Aviation Safety Target Groups	For the 3 years ended 30 June							2012/15 Targets	% above or below target
	2007	2008	2009	2010	2011	2012	2013		
Public air transport									
1. Airline operations—large aeroplanes	-	-	-	-	-	-	-	-	-
2. Airline operations—medium aeroplanes	4.87	0.30	-	0.02	0.02	0.02	-	0.02	-100%
3. Airline operations—small aeroplanes	45.97	0.03	0.41	2.44	2.40	2.26	2.93	2.34	25%
4. Airline operations—helicopters	2.93	-	5.59	9.61	10.60	5.30	17.03	6.50	162%
5. Adventure Aviation transport operations	21.02	14.96	68.43	61.06	65.47	156.59	180.27	13.00	1287%
Other commercial operations									
6. Other commercial operations— aeroplane	36.49	46.24	25.85	26.26	58.81	58.83	54.15	6.50	733%
7. Other commercial operations— helicopter	32.38	74.05	65.53	38.23	59.82	98.72	103.03	6.50	1485%
8. Agricultural operations— aeroplanes	112.11	118.41	77.41	104.50	53.31	12.46	38.61	14.00	176%
9. Agricultural operations—helicopters	18.98	20.99	23.15	9.02	7.22	22.31	29.84	7.25	312%
10. Agricultural operations—sport aircraft									N/A
Non-commercial operations									
11. Private operations— aeroplanes	86.41	84.19	50.30	52.85	59.12	99.73	54.29	10.00	442%
12. Private operations—helicopters	191.08	169.33	36.42	41.05	96.33	77.96	141.25	10.00	1312%
13. Private operations—sport aircraft	95.96	101.11	100.96	100.14	91.39	105.78	373.00	20.00	1765%

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

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

RATE OF AIRCRAFT ACCIDENTS PER 100,000 FLYING HOURS									
Aviation Safety Target Groups	3 year rolling for the years ended 30 June								2012/15 Targets
	2007	2008	2009	2010	2011	2012	2013	% against target	
Public air transport									
1. Airline operations — large aeroplanes	-	-	0.11	0.32	0.62	0.52	0.30	200%	0.10
2. Airline operations — medium aeroplanes	1.50	1.02	0.52	1.11	1.70	2.23	1.04	96%	0.53
3. Airline operations — small aeroplanes	3.70	2.83	3.75	5.18	5.21	3.51	2.70	-49%	5.32
4. Airline operations — helicopters	1.47	1.46	2.58	5.16	5.2	4.01	4.12	-21%	5.25
5. Adventure aviation transport operations	-	-	-	-	-	-	-	-	-
Other commercial operations									
6. Other commercial operations — aeroplane	4.79	5.86	5.07	4.73	4.26	3.86	3.07	-28%	4.24
7. Other commercial operations — helicopter	9.57	10.5	11.33	7.76	9.55	10.54	10.56	41%	7.47
8. Agricultural operations — aeroplanes	12.1	13.36	15.66	19.26	15.9	11.58	15.57	-2%	15.92
9. Agricultural operations — helicopters	10.99	9.36	9.55	10.36	9.36	9.10	7.30	-26%	9.85
10. Agricultural operations — sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations — aeroplanes	23.82	15.17	24.63	26.07	29.58	23.20	27.08	-0.1%	27.11
12. Private operations — helicopters	34.9	37.84	26.46	32.99	34.80	38.20	31.84	-5%	33.39
13. Private operations — sport aircraft	-	-	-	-	-	-	-	-	-

Measure: Distribution of risk profiles for aviation document holders

MEASURE: AVERAGE DISTRIBUTION OF RISK PROFILES FOR AVIATION DOCUMENT HOLDERS (ASSESSED PARTICIPANTS)								
Activity Type	2007	2008	2009	2010	2011	2012	2013	3 Year Trend
Australia AOC with ANZA Privileges	-	-	6.4	4.1	-	-	-	-
Australia AOC with ANZA Part 108 Security	-	-	-	5.5	5.9	-	7.5	↑
Part 108 Security Programme	7.5	8.0	7.5	8.4	7.5	8.0	9.7	↑
Part 109 Regulated Air Cargo Agent	-	-	8.5	13.6	11.1	10.7	11.7	—
Part 115 Adventure Aviation Operator	-	-	-	-	-	39.8	14.9	-
Part 119 Air Operator Certificate - Pacific	7.5	13.1	9.4	9.8	-	-	N/A	-
Part 121 Air Operator Large Aeroplanes	12.4	11.1	9.7	10.1	10.0	11.1	8.8	↓
Part 125 Air Operator Medium Aeroplanes	23.5	17.5	14.5	15.1	16.1	15.0	13.8	—
Part 129 Foreign Air Transport Operator	9.4	13.3	10.7	7.2	8.9	8.6	7.8	—
Part 135 Air Operator Helicopters and Small Aeroplanes	28.4	21.3	17.2	16.7	15.8	15.5	14.5	—
Part 137 Agricultural Aircraft Operator	33.3	25.9	18.6	16.3	16.2	14.9	14.3	—
Part 139 Aerodrome Operator	8.3	6.7	5.3	6.5	5.8	5.7	6.3	—
Part 140 Aviation Security Service Organisation	29.7	11.0	4.8	5.5	4.6	4.7	5.3	—
Part 141 Aviation Training Organisation	15.8	15.4	11.1	11.5	9.4	9.2	7.6	↓
Part 145 Maintenance Organisation	14.4	11.9	10.9	10.5	10.4	10.6	8.6	↓
Part 146 Aircraft Design Organisation	12.0	12.4	8.4	7.6	11.8	13.3	9	↓
Part 148 Aircraft Manufacturing Organisation	13.0	13.1	11.1	10.5	11.2	10.0	9.6	—
Part 149 Aviation Recreation Organisation	11.8	3.0	5.1	30.7	8.4	9.7	14.6	↑
Part 171 Telecom Service Organisation	21.9	10.8	6.0	4.9	6.8	15.4	9.4	↓
Part 172 Air Traffic Service Organisation	29.2	25.9	7.5	9.6	10.0	16.6	13.1	↓
Part 173 Instrument Flight Procedure	-	-	5.7	6.1	8.7	11.1	9.2	↓
Part 174 Meteorological Service Organisation	16.3	30.2	7.0	10.1	10.3	10.3	8.9	—
Part 175 Aeronautical Info Service Organisation	25.1	34.1	6.1	8.0	12.1	15.5	11.2	↓
Part 19F Supply Organisation	12.9	12.6	12.6	10.8	11.2	10.3	10.3	—
Part 61 Pilot Licence (Aeroplane) Holder	2.6	-	82.6	-	2.7	2.9	n/a	n/a
Part 66 Aircraft Maintenance Engineer	2.6	18.2	n/a	n/a	n/a	n/a	n/a	n/a
Part 92 Dangerous Goods Pack Approval Holder	2.6	-	-	2.6	5.6	-	-	-

Note: Risk scores range from 0 to 100 with 100 representing the greatest risk. Values are the average of the risk scores at 30th June for all organisations that were scored during the preceding year.

Measure: Rate of security incidents

SECURITY INCIDENTS							
	For the years ended 30 June						
	2007	2008	2009	2010	2011	2012	2013
Public air transport							
1. In-flight security incidents	-	-	-	-	-	-	-
2. Airside security incidents	-	-	-	-	-	-	-
3. Airside incidents involving dangerous goods*	-	-	-	-	3	-	-
<p><i>*Dangerous goods incident means an incident associated with and related to the carriage of dangerous goods by air after acceptance operator, that -</i></p> <p><i>1) results in injury to a person, property damage, fire, breakage, spillage, leakage of fluid or radiation, or other evidence that the integrity of the package has not been maintained; or</i></p> <p><i>2) involves dangerous goods incorrectly declared, packaged, labelled, marked, or documented.</i></p>							

OTHER SAFETY INFORMATION

Measure: number of aircraft accidents

MEASURE: NUMBER OF AIRCRAFT ACCIDENTS BY AVIATION SAFETY GROUP								
Aviation Safety Target Groups	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	3 Yr Trend
Public air transport								
1. Airline operations — large aeroplanes	-	-	2	2	3	1	-	↓
2. Airline operations — medium aeroplanes	1	-	-	2	1	1	-	↓
3. Airline operations — small aeroplanes	1	2	3	2	2	1	1	↓
4. Airline operations — helicopters	0	1	4	4	1	2	5	↑
5. Adventure aviation transport operations	9	-	11	13	9	8	3	↓
Other commercial operations								
6. Other commercial operations — aeroplane	11	16	9	13	12	6	8	↓
7. Other commercial operations — helicopter	7	4	6	3	7	8	4	↓
8. Agricultural operations — aeroplane	4	11	6	5	6	3	11	↑
9. Agricultural operations — helicopter	4	4	6	5	4	7	4	—
10. Agricultural operations — sport aircraft	Data not available							
Non-commercial operations								
11. Private operations — aeroplanes	10	4	18	10	5	9	12	↑
12. Private operations — helicopters	6	8	3	10	6	2	8	↑
13. Private operations — sport aircraft	39	38	46	54	52	38	47	—
Others	-	-	1	1	1	1	1	-

Measure: social cost per 100,000 flight hours

MEASURE: SOCIAL COST PER 100,000 FLIGHT HOURS (\$)								
Aviation Safety Target Groups	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	3 Yr Trend
Public air transport								
1. Airline operations — large aeroplanes	0.01	0.13	0.03	-	-	0.02	0.01	—
2. Airline operations — medium aeroplanes	-	-	-	0.09	-	-	-	—
3. Airline operations — small aeroplanes	-	0.03	0.40	1.35	-	0.33	2.12	↑
4. Airline operations — helicopters	-	-	4.02	2.43	0.55	0.64	11.69	↑
5. Adventure aviation transport operations	Insufficient data							
Other commercial operations								
6. Other commercial operations — aeroplane	0.02	6.66	0.07	1.48	17.34	0.06	0.07	↓

7. Other commercial operations — helicopter	13.88	19.67	1.35	0.00	31.47	22.82	0.51	↓
8. Agricultural operations — aeroplane	0.58	14.25	14.26	4.91	-	-	13.02	↑
9. Agricultural operations — helicopter	7.95	3.21	2.15	-	1.97	8.21	-	↓
10. Agricultural operations — sport aircraft	Insufficient data							
Non-commercial operations								
11. Private operations — aeroplanes	16.92	0.04	3.46	19.57	0.5	22.6	1.34	—
12. Private operations — helicopters	3.51	4.19	19.1	8.22	55.05	-	55.03	—
13. Private operations — sport aircraft	Insufficient data							




Measure: fatalities and injuries per 100,000 flight hours

MEASURE: NUMBER OF FATALITIES AND SERIOUS INJURIES PER 100,000 FLIGHT HOURS								
Aviation Safety Target Groups	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	3 Yr Trend
Public air transport								
1. Airline operations — large aeroplanes	-	0.32	-	-	-	-	-	—
2. Airline operations — medium aeroplanes	-	-	-	-	-	-	-	-
3. Airline operations — small aeroplanes	-	-	-	2.30	-	-	2.99	↑
4. Airline operations — helicopters	-	-	3.42	-	-	1.67	2.06	↑
5. Adventure aviation transport operations	Insufficient data							
Other commercial operations								
6. Other commercial operations — aeroplane	-	2.78	-	0.36	5.71	-	-	↓
7. Other commercial operations — helicopter	2.42	3.65	1.86	-	9.09	7.01	-	↓
8. Agricultural operations — aeroplane	-	4.16	3.09	2.97	-	-	4.77	↑
9. Agricultural operations — helicopter	1.99	-	2.07	-	-	1.57	-	—
10. Agricultural operations — sport aircraft	Insufficient data							
Non-commercial operations								
11. Private operations — aeroplanes	4.29	-	7.74	5.07	-	22.78	-	↑
12. Private operations — helicopters	-	-	4.78	-	28.86	-	43.33	↓
13. Private operations — sport aircraft	Insufficient data							

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

Measure: social cost of fatalities and serious injuries

MEASURE: SOCIAL COST OF FATALITIES AND SERIOUS INJURIES (\$MILLIONS)								
Aviation Safety Target Groups	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	3 Yr Trend
Public air transport								
1. Airline operations — large aeroplanes	-	0.39	-	-	-	-	0.05	↑
2. Airline operations — medium aeroplanes	-	-	-	-	-	-	-	—
3. Airline operations — small aeroplanes	-	-	-	0.39	-	0.17	0.71	↑
4. Airline operations — helicopters	-	-	0.77	-	-	0.39	5.67	↑
5. Adventure aviation transport operations	2.7	-	20.37	1.54	1.54	41.72	0.46	—
Other commercial operations								
6. Other commercial operations — aeroplane	-	15.91	-	3.69	41.72	-	0.22	↓
7. Other commercial operations — helicopter	0.39	7.37	0.39	-	15.13	11.45	0.35	↓
8. Agricultural operations — aeroplane	-	4.07	3.69	0.39	-	-	5.45	↑
9. Agricultural operations — helicopter	3.69	-	0.39	-	-	3.69	-	↓
10. Agricultural operations — sport aircraft	Data not available							
Non-commercial operations								

11. Private operations — aeroplanes	7.37	-	1.16	7.37	-	5.62	0.35	
12. Private operations — helicopters	-	-	3.69	-	4.85	-	6.33	
13. Private operations — sport aircraft	21.52	27.35	12.01	21.14	21.91	25.21	16.54	

Measure: number of non-compliances with Civil Aviation Rules or expositions by operators¹³

MEASURE: NUMBER OF NON-COMPLIANCES WITH CIVIL AVIATION RULES OR EXPOSITIONS BY OPERATORS												
Finding Category	FY 2010/11				FY 2011/12				FY 2012/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	337	300	243	282	367	322	254	298	145	240	192	225
	1162				1241				802			

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

MEASURE: ENFORCEMENT ACTIONS / PROSECUTIONS FOR NON-COMPLIANCE AND/OR BREACH OF CIVIL AVIATION RULES					
Year	Total number of occurrences	Number of Prosecutions commenced	Prosecutions as a % of Occurrences	Written Warnings issued	Infringement Notices issued
2000	4,538	21	0.46%	42	-
2001	4,787	21	0.44%	23	-
2002	4,004	22	0.54%	34	-
2003	4,131	18	0.43%	27	-
2004	4,688	19	0.40%	31	-
2005	4,707	22	0.46%	26	-
2006	5,324	23	0.43%	18	4
2007	5,007	21	0.41%	16	5
2008	5,927	19	0.32%	12	10
2009	5,275	17	0.32%	11	9
2010	5,529	24	0.43%	9	7
2011	6,071	11	0.18%	4	7
2012	5,985	18	0.30%	11	4
2013 (1 Jan to 30 Jun)	3,380	4	0.12%	7	1

¹³ Non-compliance finding values are measures of how well participants in the civil aviation system are meeting their obligations. Each person or entity that holds an aviation document is required to meet the performance standards applicable to the specific aviation document held. The Authority uses a safety monitoring system to determine how well document holders are adhering to the requirements of the document they hold. Where safety monitoring reveals that a document holder is not adhering to the required standard, the Authority issues a non-compliance finding. The Authority measures the number of non-compliance findings issued

Appendix 6: Organisation Change Benefits

The Authority has undergone a period of transition from late 2011. A change programme was delivered over three phases ending in late 2012. The table below identifies the change benefits sought from the programme. The highlighted sections reflect the work completed to achieve the benefits to 30 June 2013.

Change/benefit sought	Change Outcome Supported	Description
A more effective, active risk-based regulatory capability	→ Improved risk identification to enable both participant and sector risk management	→ Generated a Regulatory Operating Model, consistent with Government policy
	→ Improved responsiveness	→ Stakeholders and staff given greater clarity about the regulatory model
	→ Increased use of non-regulatory tools and interventions to achieve safety and security	→ Improved alignment between the strategic intent of the Authority and its deliverables
	→ More integrated business planning and operation contributes to whole of government efficiencies	→ Becoming a risk-based regulator
	→ Greater focus on delivery of regulatory functions	→ Clarity and focus of system competency and capability
		→ Improved clarity for participants and organisations
More effective delivery of regulatory functions to stakeholders	→ Improved risk identification to enable both participant and sector risk management	→ New risk-based surveillance and certification procedures
	→ Improved responsiveness	→ Consistent application of the new procedures across the Authority
	→ Increased use of non-regulatory tools and interventions to achieve safety and security	→ Adoption of a risk-based approach to regulatory responsibilities
	→ Lowering processing costs, increased scalability and flexibility, multiskilling of staff	→ Improved participant risk assessment, enabling engagement by risk factor
	→ Greater focus on delivery of regulatory functions	→ Greater application of non-regulatory interventions to improve participant performance
		→ Greater percentage of administrative actions being taken with respect to participants with higher risk profiles
		→ Resourcing focused on the most appropriate interventions to achieve both safety and economic benefits
		→ Greater agility and adaptability to context/environment changes
Improved governance and leadership	→ Improved responsiveness	→ Increased clarity internally and externally about the Authority's Strategic Direction
	→ Greater capacity and more timely response to change	→ Better alignment with Government expectations for the transport sector
	→ More integrated business planning and operation contributes to whole of government efficiencies	→ Improved understanding of the roles and responsibilities of all participants in the aviation sector
	→ Greater focus on delivery of regulatory functions	→ Improving connection and interaction with aviation industry stakeholders
Culture processes and approach more appropriate	→ Improved responsiveness	→ Delivery of leadership and management development training
	→ Increased use of non-regulatory tools and interventions to achieve safety and security	→ Improvements in engagement with Authority staff
	→ Greater capacity and more timely response to change	→ Team working and synergies between groups increased

Change/benefit sought	Change Outcome Supported	Description
	<ul style="list-style-type: none"> ➔ Lowering processing costs, increased scalability and flexibility, multiskilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add to workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory functions 	<ul style="list-style-type: none"> ➔ Role clarity has improved as a result of the redefined organisation structure ➔ More flexible working across role boundaries is occurring ➔ Improved responsiveness to participant needs
Improved and updated business processes	<ul style="list-style-type: none"> ➔ Increased use of non-regulatory tools and interventions to achieve safety and security ➔ Lowering processing costs, increased scalability and flexibility, multiskilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add to workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory functions 	<ul style="list-style-type: none"> ➔ Improved clarity for participants and organisations about how the Authority needs to manage its internal business processes ➔ Clear roles and lines of responsibility ➔ Clear lines of communication ➔ Delegations clearly expressed and accountabilities established ➔ More consistent application of the new procedures across the Authority ➔ Improved ability to assess participant risk and enable engagement with participants by risk factor ➔ Improved ability to apply non-regulatory interventions to improve participant performance ➔ Able to implement safety management
Robust common business support systems	<ul style="list-style-type: none"> ➔ Improved responsiveness ➔ Greater capacity and more timely response to change ➔ Lowering processing costs, increased scalability and flexibility, multi-skilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add to workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory functions 	<ul style="list-style-type: none"> ➔ Establishment of a shared corporate support group ➔ Implementation of Finance One as the core accounting system, and of Payglobal as the common core human resources management information and payroll system ➔ Improved access to consistent management information to improve management decision making ➔ Implementation of a common information technology and systems infrastructure ➔ Enhance and test disaster recovery ➔ Enable the Authority to support other transport agencies' information technology infrastructure needs if required
A system with quality and integrity of data and information	<ul style="list-style-type: none"> ➔ Improved risk identification to enable both participant and sector risk management ➔ Increased use of non-regulatory tools and interventions to achieve safety and security ➔ Lowering processing costs, increased scalability and flexibility, multiskilling of 	<ul style="list-style-type: none"> ➔ Increased capability in data analysis ➔ Growing ability to assess/quantify sector risk ➔ Implement an upgraded/ replacement Aviation Safety Management System ➔ Refresh information management policy and processes

Change/benefit sought	Change Outcome Supported	Description
	<p>staff</p> <ul style="list-style-type: none"> ➤ More integrated business planning and operation contributes to whole of government efficiencies ➤ Increasing value-add to workforce through improved competency skill and qualification levels 	<ul style="list-style-type: none"> ➤ Establish joint records and document management systems across the whole organisation
Change program delivered effectively	<ul style="list-style-type: none"> ➤ Improved responsiveness ➤ Greater capacity and more timely response to change ➤ Lowering processing costs, increased scalability and flexibility, multi-skilling of staff ➤ More integrated business planning and operation contributes to whole of government efficiencies ➤ Increasing value-add to workforce through improved competency skill and qualification levels 	<ul style="list-style-type: none"> ➤ Clear mandate for change from the Board of the Authority ➤ Adoption of an effective project management approach (including the establishment of the Authority-Level Change Steering Committee) ➤ Practise a high degree of engagement/consultation with management and staff during planning and design phases ➤ Carry out a fundamental review of the policy and regulatory responsibilities and activities of the Authority
Financial Benefits	<ul style="list-style-type: none"> ➤ Savings have been estimated and are included in the 'baseline' numbers of both the Civil Aviation Authority and Aviation Security Service for the Statement of Intent 2013-16. ➤ Value-for-Money estimated savings of \$2.85 million and \$2.25 million have been budgeted over three years from 2011/12 to 2014/15 for the Civil Aviation Authority and Aviation Security Service respectively and are anticipated to be achieved subject to material changes to assumptions e.g. potential delays to achieve the property savings. 	

