

CIVIL AVIATION AUTHORITY

ANNUAL REPORT

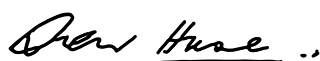
2018-2019

Board Statement

This Annual Report has been prepared in accordance with:

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

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2018 to 30 June 2019.



Don Huse

Interim Chair of the Civil Aviation Authority of New Zealand
(23 October 2019)

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



Mark Wheeler

General Manager, Aviation Security Service
(23 October 2019)

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Message from the Interim Chair



Tēnā koutou, tēnā koutou, tēnā koutou katoa

These comments supplement the 2018/19 Annual Report. They address recent events that occurred following the year end.

I was appointed Interim Chair of the Civil Aviation Authority (the Authority) Board in late August this year. This followed the resignation of long-serving Chair, Nigel Gould. Nigel was appointed Chair in 2011. During his tenure the Authority has made significant progress. By way of example, it now has strong financial credentials and significant issues of concern raised by the Auditor-General some years ago, have all been positively resolved. Nigel's legacy as Chair is considerable. The Board and management acknowledge his contribution with appreciation. A recruitment process is underway to appoint a new Chair.

The enterprise-wide development programme of recent years, continues apace. There has also been much public interest in the regulatory function's culture and allegations of staff bullying and harassment. A Ministerial review into these matters has recently commenced. Similar allegations have been made within the Aviation Security Service, which are also under independent investigation. We fully support these initiatives in the interest of enhancing our corporate culture and employee engagement across the whole of the organisation.

It is a busy and challenging time for all of us, in our collective quest to become the very best we can be.

By any measure, ours is a heavy agenda. But, it is one we all willingly carry in the public interest of having ever higher standards of aviation safety and security.

On behalf of the Board, I thank all Authority staff for their thoughtful and energetic involvement in this never ending journey of change for the better.

Nāku noa, nā

A handwritten signature in black ink that reads "Don Huse" followed by two dots. The signature is written in a cursive, slightly slanted style.

Don Huse

Interim Chair

23 October 2019

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PART ONE

Overview



Supporting a safe and secure civil aviation system

During 2018/19 our regulatory and security functions worked hard to support the safety and security of New Zealanders in the civil aviation system – here are some of our activities.

Regulatory Function



1,348 hours
spent on targeted safety analysis of helicopters and agricultural activity

Carried out
2,460 certifications



Met International Relations & International Civil Aviation Organisation Obligations

1,590 Organisations
731 Aircraft
139 Service Providers



1,036 hours
spent on airline sector targeted safety analysis

442 audits, inspections and spot checks performed under the Civil Aviation Act

Carried out
6,734 licensing procedures

43 Health and Safety investigations, audits and inspections conducted under the Health & Safety at Work Act

9,357
Civil Aviation System occurrences reviewed

100%
of all system incidents/accidents investigated

1,129
investigations conducted under Civil Aviation Act (refer Output Class 4: Surveillance and Investigations)

Security Function

6.859 million
international passengers screened

7.702 million
domestic passengers screened

439,437
prohibited and dangerous goods removed from travellers

99%
of passengers processed within 10 minutes of entering security screening queue



March 2019 – Christchurch events security response

38
explosive detector dogs

Influencing change in the past 10 years

We are actively working to improve the safety and security of civil aviation in New Zealand. These change programmes are influencing major technological upgrades, progressing regulatory improvement, and working across New Zealand to enable safe and secure skies.

RCP REGULATORY CRAFT PROGRAMME	SMS NEW ZEALAND	new southern sky	Aviation Security Service Kaitiaki Takekōwhiri		2019
People, Guidance and Technology workstreams progressed	All Group 1 operators have an approved Safety Management System in place, Group 2 implementation	Performance Based Navigation trialled in Auckland and Wellington. ADS-B required (above 24,500 feet)	Significant upgrades to scanning technology, behavioural detection trialled		2019
Initiation of the Regulatory Craft Programme to drive improved regulatory performance and practice	55 of 56 Group 1 operators have an approved Safety Management System in place			'Concept of Operations 2023' produced, a review panel established, and a ground-based navigations aid strategy delivered	2018
					2017
					2016
					2015
					2014
					2013
					2012
					2011

First Certification in New Zealand under Safety Management System rules

Avsec Future 2022 and Beyond Programme consolidated a range of future-focused work

Safety Management Systems Civil Aviation Rule Part 100 came into effect

First flight to land after dark in Queenstown. First night flight into Queenstown made possible by Performance Based Navigation

Explosive detector dog programme received recognition from the United States Transportation (TSA)

Cabinet approved proposal to make Safety Management Systems a mandatory requirement

New Southern Sky - the National Air Space and Air Navigation Plan was launched in June

Installation of the Quintiq staff rostering system completed, bringing immediate improvements to the supply of staff to meet demand

Preparation to deploy the Safety Management System (SMS) approach



Introduction

New Zealand's aviation system is unlike any other in the world, with our challenging terrain, vast geographic isolation, a significant aviation-based tourism sector, and a long tradition of agriculture aviation. Because our aviation system is unique to New Zealand, the Civil Aviation Authority faces challenges that many other aviation regulators do not, with our small population, but disproportionately high concentration of aircraft and operators.



Fundamentally, the Authority exists to keep the public safe and secure when it comes to their participation in New Zealand's civil aviation system. We work hard with participants to ensure that aviation safety is a 'dynamic non-event', where the effort we put into ensuring safety results in passengers not only being safe in our skies, but feeling safe too.

The past year has seen the Authority – the regulatory function (CAA) and the Aviation Security Service (Avsec) – needing to quickly respond to significant threats to the safety and security of New Zealanders.

Following the events in Christchurch on 15 March 2019, the Authority worked with wider Government and the aviation sector to ensure an appropriate aviation security response to these tragic events.

Our Aviation Security Officers did us proud in the days and weeks following, as they adapted to new requirements such as a temporary period of screening for regional turboprop passengers travelling from Christchurch. Their calm professionalism in the face of

an unprecedented attack on some of their friends and community members in Christchurch was of great credit to Avsec and the Authority.

Earlier in March, the Authority suspended the operation of all Boeing 737 MAX aircraft to, from, and within New Zealand in response to fatal accidents involving that aircraft type in Indonesia and Ethiopia.

Since the suspension, the Authority's air transport and airworthiness teams have been working closely with their counterparts in Australia, Europe and the United States to ensure that stringent safety requirements are met before the aircraft type can operate again in New Zealand.

Continued growth for Avsec

This year we have significantly bolstered the size of our frontline Avsec teams across New Zealand's security-designated airports. The increased staffing levels have allowed us to continue to deliver world-class security for

passengers travelling in New Zealand, as well as enabling us to roll out new technology to ensure we stay on top of evolving security trends.

In June we deployed the first Advanced Imaging Technology (AIT) screening point in New Zealand at Auckland Airport's international terminal. The AIT screening machines in place, more commonly known as body scanners, take passenger screening to a new level, beyond the existing screening systems. The scanners installed, which are tried and tested at airports around the world, are safe for passengers and only show a generic outline of a person, ensuring there are no privacy issues arising from their use.

Taking stock of our regulatory performance

The Transport Accident Investigation Commission's (TAIC) report on the fatal 2015 Fox Glacier helicopter crash highlighted areas in which the Authority's regulatory performance has not always met the standards we expect.

With the benefit of hindsight we can say that our performance in overseeing the safety of the tourist scenic flight sector, or Part 135 helicopter operators, could have been higher in the period surrounding the operator's recertification in 2012.

Over recent years the Authority has focussed on questions over our role and how we go about protecting aviation in New Zealand. Fundamentally we exist to be a strong regulator, acting in the public interest. To keep the public safe, we absolutely do need to work with industry, but we are now making it clear it is our role to hold operators to account for meeting the required standards and act where they are not doing so.

In the years since the Fox Glacier crash, we have taken a number of steps to make sure we are continually improving our regulatory performance. These include progressing work on our Regulatory Craft Programme, including significant improvements to the way we recruit and train our regulatory staff.

The good news is that over the past few years the safety performance of New Zealand's Part 135 helicopter operators has improved dramatically, with a significant decrease in the rolling accident rate. Although the Authority has had a strong focus on helicopter safety over this time, it is clear that Part 135 helicopter operators have also put in significant effort to improve the systems, processes and training they have in place to keep their staff and passengers safe. Helicopter safety still remains a critical safety focus area for the Authority.

“The Transport Accident Investigation Commission's (TAIC) report on the fatal 2015 Fox Glacier helicopter crash highlighted areas in which the Authority's regulatory performance has not always met the standards we expect.”

Our work environment

As is the case in all large workplaces, the Authority does at times have to grapple with issues relating to inappropriate behaviour towards others by a small minority of its workforce. Although the number of complaints is relatively small and is in line with what other public sector agencies experience, it is still disappointing that such behaviour has taken place in this organisation.

We take complaints of inappropriate behaviour towards others very seriously and have rigorous procedures in place for dealing with such complaints – our policy makes it clear that we have zero tolerance for such behaviour at the Authority. This means that we find such behaviours unacceptable and when incidents are proven we will take positive action to prevent a recurrence. As an organisation we want to encourage people to come forward with any concerns they have about inappropriate behaviour – by knowing about it we can take action to address it and prevent it occurring.

Over the past year we have taken a range of steps to implement our Diversity and Inclusion Strategy to help ensure the Authority continues to be a great place for our people to work. As part of this work we overhauled our Workplace Bullying, Harassment and Discrimination Prevention and Response Policy, to make sure our expectations about staff conduct are clear.

Final comment

As predicted, 2018/19 has been a challenging year for the Authority, with an organisation redesign launched, new technologies that challenge our regulatory approach, and an ever-increasingly complex security environment. Throughout the year, and in the face of these challenges, the staff across the Authority have continued to deliver on improving the safety and security of the aviation system in New Zealand. We are very grateful for their professionalism, hard work, and dedication.

The Authority

Who we are and what we do

WHO WE ARE



Established

in 1992 as a Crown entity under the Civil Aviation Act 1990 (the Act).



Responsible

to the Minister of Transport
Minister's expectations 2018:

- Liveable cities, thriving regions
- Resilient transport system
- Value for money



Governed

by a five-member board ("the Board")
For more information – refer to page 50.



Primary objective

is safety and security

We deliver on this objective via the two functions of the Authority.

WHAT WE DO



CIVIL AVIATION AUTHORITY
OF NEW ZEALAND
Te Mana Rererangi Tōmatanui o Aotearoa

Regulatory function



Policy and regulatory strategy

- Ensure civil aviation system is robust and responsive
- Maintain safety and security standards
- Regulatory toolkit for interventions.



Outreach

- Support civil aviation participants
- Influence/change attitudes and behaviours and encourage aviation participants.



Certification and licensing

- Control entry and exit to the New Zealand civil aviation system.



Surveillance and investigation

- Monitor compliance with safety and security standards
- Inspections and audit participants
- Administer the provisions of the Health and Safety at Work Act 2015 for aircraft in operation.



Security service delivery

- Screen passengers and baggage at security-designated airports and departing international flights
- All passengers screened for prohibited items and dangerous goods
- Screen airport workers
- Conduct of perimeter patrols at security-designated aerodromes and navigation facilities
- Provide a maritime security response on high-level threat situations affecting cruise ships or their passengers.



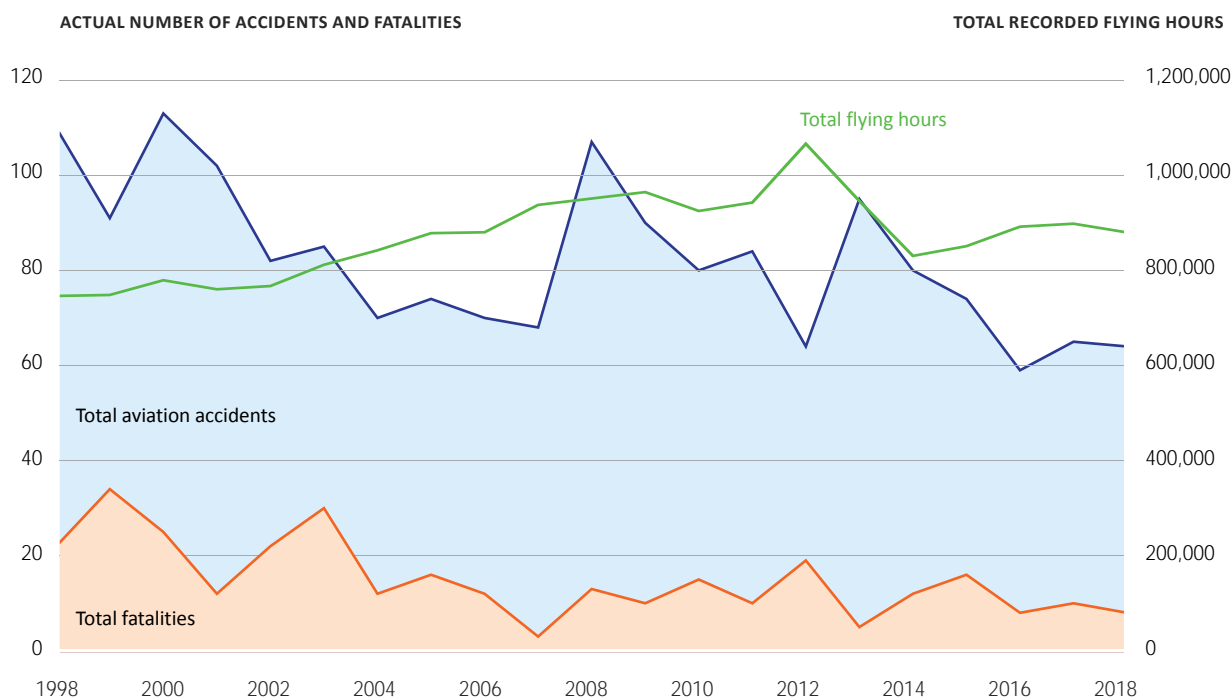
Aviation Security Service
Kaiwhakamaru Rererangi

Security service function

Safety performance report

ARE PEOPLE SAFE WHEN FLYING IN NEW ZEALAND?

SAFETY HAS IMPROVED OVER THE PAST 20 YEARS



Actual number of aviation accidents and fatalities in the past 20 years, and total recorded flying hours

WHAT OUR DATA TELLS US

The Authority collects a lot of data about the civil aviation system. We use it to determine where to intervene and in what way. Our first priority will always be to respond to safety risk. From there, our interventions aim to mitigate future risk and enable new opportunities.

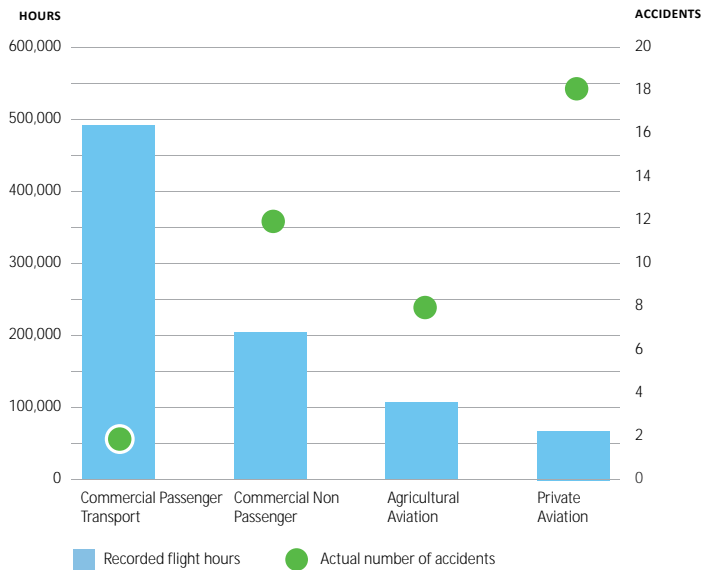
Overall, safety in the civil aviation system of New Zealand has improved over the past twenty years. Since 1998, both the number of 'aviation accidents' and 'fatal accidents' have decreased over time, as new aircraft technology is brought on board, regulatory interventions more effectively target risk, and participants in the system implement better ways to detect and minimise risks. More importantly, accidents continue to decline.

The civil aviation system is comprised of a number of smaller sectors, each posing different levels and types of risk due to the nature of the operations, the number of passengers carried, and the type of aircraft.

The heat maps on pages 18-19 show a concentration of accidents in the Southern Lakes region for passenger transport (scenic and adventure aviation) and for recreational flying. 'Commercial Non Passenger' and 'Agricultural Aviation' accidents are more evenly distributed over the North Island, reflecting the association with agricultural and forestry operations and the accidents associated with those operations, which take place close to the ground (and obstacles).

The Authority's Safety and Security Focus Areas directly address areas of risk in the civil aviation system. For example, the Queenstown focus area is a work programme related to reducing the risks of flying in and around the Southern Lakes region. The Helicopter Safety focus area is a work programme that aims to reduce the risk of flying helicopters in the 'other commercial' and 'agricultural sector'.

DIFFERENT SECTORS HAVE DIFFERENT LEVELS OF SAFETY



Note: these accident statistics cover certified aircraft only. The information above excludes non-certified aircraft, for example, sport aircraft, hang-gliders, microlights, etc.

Recorded flight hours and actual numbers of accidents in 2018, by sector

On average a passenger could make **121,951** return trips from Wellington to Auckland (2 hours flying time) without incident.

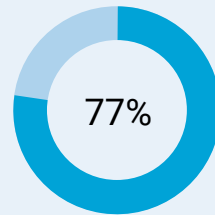
That's one round trip a day, every day for **334** years!

Commercial passenger flights – 1 accident every **239,382** hours of flying in 2018

More information on how sectors have performed over the past 20 years is on the following two pages.

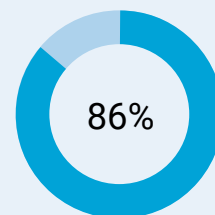
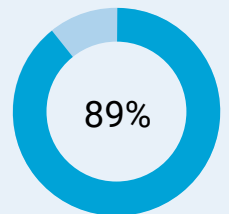
DO PEOPLE FEEL SAFE WHEN FLYING IN NEW ZEALAND?

How do we know we are working in the right areas?



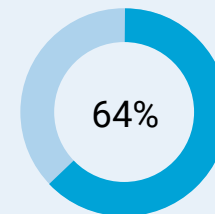
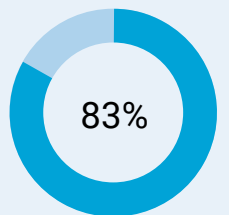
77% of New Zealand resident travellers feel extremely or very safe and secure on their most recent domestic or international flight.

89% of overseas visitors feel extremely or very safe and secure on domestic or international flights departing New Zealand.



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

83% of people flying on screened domestic routes feel safe.



64% of people flying on non-screened domestic routes feel safe.

Project Feel Safe report, June 2019. Colmar Brunton survey. The margin of error for domestic travellers is +/- 3.0% at the 95% confidence level, and for international travellers it is +/- 5.6% at the 95% confidence level.

SAFETY BY SECTORS

Over the past 20 years, all sectors have improved their safety performance. Accident rates have declined while flying hours have increased.

COMMERCIAL PASSENGER TRANSPORT

Large, medium and small aeroplanes, sport aircraft, and helicopters that transport people on a commercial basis. For example, scheduled passenger flights.

COMMERCIAL NON PASSENGER

Aeroplanes, helicopters and sport aircraft that are used for commercial purposes, not including passenger transport. For example, training, or construction.

AGRICULTURAL AVIATION

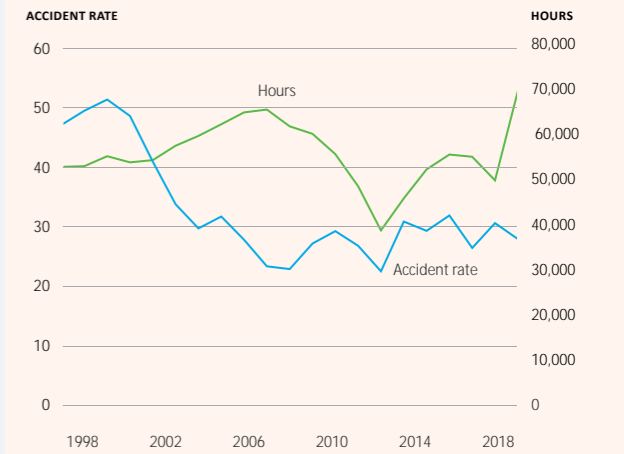
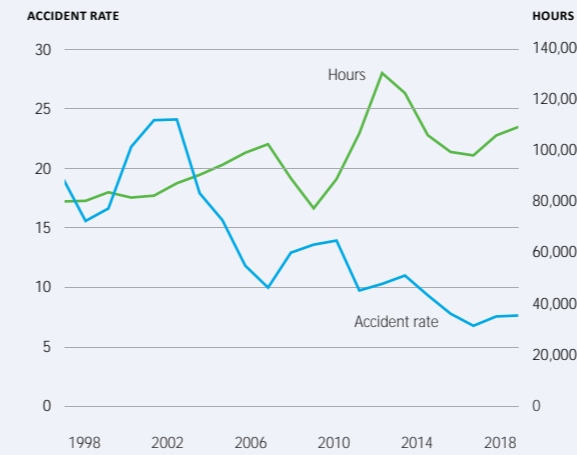
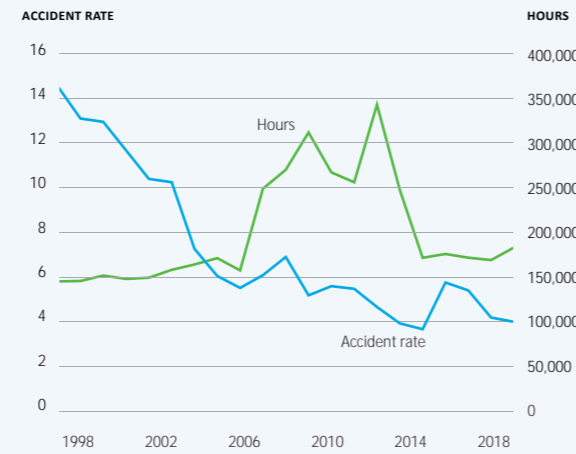
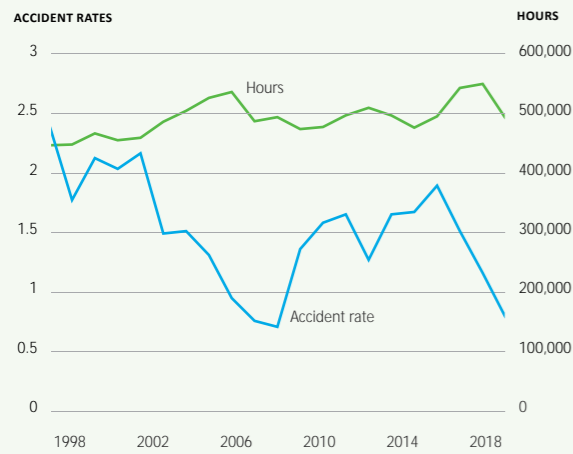
Aeroplanes and helicopters used for agricultural purposes. For example, crop spraying.

PRIVATE AVIATION

Privately-owned and used aeroplanes, helicopters and sport aircraft. For example, aircraft used for recreation.

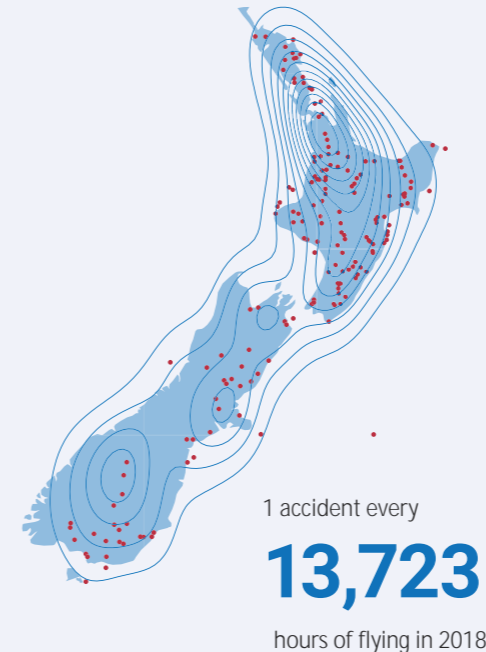
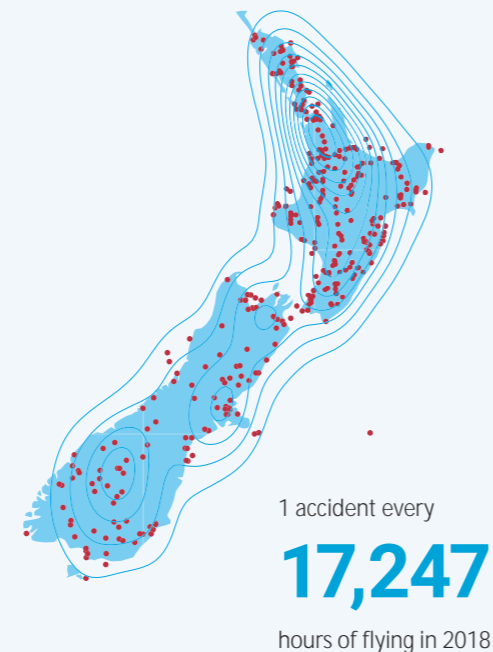
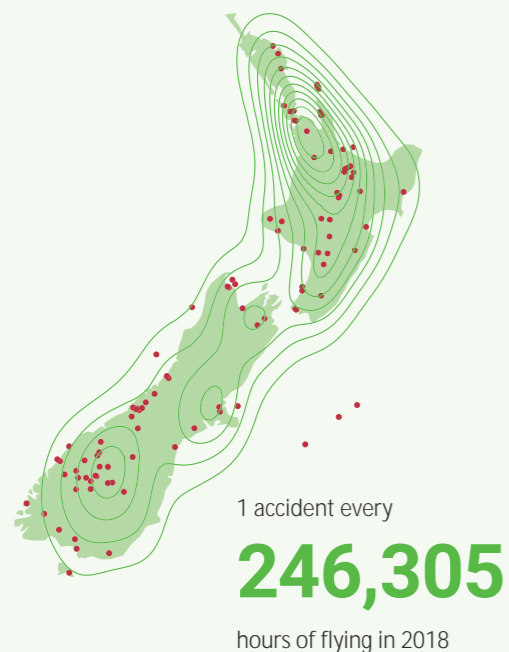
ANNUAL ACCIDENT RATE AND ANNUAL FLIGHT HOURS OVER THE PAST 20 YEARS

Three yearly averages of accidents per 100,000 flying hours (left axis), and annual flight hours for each category (right axis) over the past 20 years.



WHERE HAVE THE ACCIDENTS OCCURRED?

The heat maps show where accidents happen (the dots) and the contour lines represent the concentration of the accidents. Where lines are closer together, accidents have occurred most frequently.



Safe and secure skies to help New Zealand fly



Our strategic framework



Healthy and safe people

Protecting people from transport-related injuries and harmful pollution, and making active travel an attractive option.

Environmental sustainability

Transitioning to net zero carbon emissions, and maintaining or improving biodiversity, water quality, and air quality.

Resilience and security

Minimising and managing the risks from natural and human-made hazards, anticipating and adapting to emerging threats, and recovering effectively from disruptive events.

Economic prosperity





Supporting economic activity via local, regional, and international connections, with efficient movements of people and products.

Inclusive access

Enabling all people to participate in society through access to social and economic opportunities, such as work, education, and healthcare.

MINISTER'S EXPECTATIONS

In 2018/19 the Minister of Transport set the expectation that the Civil Aviation Authority contribute towards:

-  liveable cities and thriving regions
-  a resilient transport system
-  a safe transport system
-  providing value for money.

TRANSPORT OUTCOMES FRAMEWORK

AUTHORITY STRATEGIC FRAMEWORK

BENEFITS



THE TRANSPORT SECTOR OUTCOMES
ALIGN WITH THE AUTHORITY
STRATEGIC FRAMEWORK

IMPACTS

Feeling safe – air travellers in New Zealand feel 'extremely' or 'very' safe and secure.*

Being safe – low and decreasing numbers of deaths and serious injuries in the aviation system.

OBJECTIVES

A safe aviation system – we target areas of risk within the aviation system, and work to diminish these risks, improving the overall performance of the system.

Effective and efficient security services – we continue to effectively identify and mitigate security threats, while making sure passengers and goods can travel smoothly.

A vibrant aviation system is one that makes a strong contribution to the wellbeing of New Zealanders, through enabling quality of life, and supporting a strong economy.

OUTPUTS

Our five deliverables are set out in our Statement of Performance (refer to pages 52-77).

FOCUS AREAS AND CHANGE PROGRAMMES

These programmes cut across all parts of the Authority's work programme, specifically addressing areas of risk and working to influence system and organisational change.

WE EXPECT THAT
DELIVERING ON THESE
COMMITMENTS WILL
PROVIDE THESE BENEFITS
TO NEW ZEALAND



SAFE AND SECURE PEOPLE

Through decreasing number of accidents, deaths and injuries in the sector, as well as increasing confidence in the safety and security of the system.



MINIMISED ENVIRONMENTAL IMPACT

Through reduced greenhouse gas emissions.



POSITIVE ECONOMIC IMPACT

Through minimising the aviation related barriers for movement of people and goods.



IMPROVED RESILIENCE AND SECURITY

Through reduction of risk due to adoption of safety management systems (SMS) throughout the sector, and few or zero security incidents in the civil aviation system.

We have mapped each programme of work discussed in this document to show the benefits we expect them to contribute to, using the icons shown above.

Figure 1: Our contribution to the New Zealand transport sector outcomes and the benefits we expect to deliver

* Measured through a biennial Colmar Brunton survey

Our interventions in the civil aviation system

Achieving our impacts and our overall outcome

By being intelligence-led and risk-based, we aim to have people feeling safe and being safe in the aviation system. This contributes to our overall outcome – safe and secure skies to help New Zealand fly.

Our work is intelligence-led, and risk-based

The Authority uses an intelligence-led, risk-based approach to our interventions in the civil aviation system.

What does that mean?

“Intelligence-led” means that we act according to the information we receive, and the data that we hold.

“Risk-based” means that we act according to the level of risk assessed for a sector, organisation, person, or aircraft.

In partnership with participants, we have developed specific **sector risk profiles (SRPs)**; identifying risks for each sector and developing an understanding of their probability, severity and impact. Underlying influences are examined to provide information on how the risk can be mitigated.

SRPs assist an aviation operator to identify safety risks and their severity. The operator can then decide which risks apply to their business and mitigate them. The profiles are dynamic and are reviewed and updated regularly.¹

As an outcome for each SRP, **Risk Mitigation Action Plans** are created. By addressing individual elements of safety risk within a sector, the overall accident rate and costs to the sector can be reduced. These set out deliberate actions that are co-created with participants in the sector.

The Risk Mitigation Action Plans are embedded into each participant’s **Safety Management System (SMS)**. An SMS is a formal risk management framework to improve safety. Over the past four years the Authority has been working with operators to develop and implement an SMS. This means that they have systems in place for hazard identification and risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education. The size and complexity of an SMS is scaled to suit the size of the organisation. (Details on SMS are on page 25).

The Authority works closely with the international and domestic security communities to identify areas of risk in the system, and develop the appropriate security responses to mitigate these risks.

Our change programmes influence the system and our organisation

Our system-change programmes are programmes that seek to fundamentally shift, update and improve specific aspects of our environment; internally to the Authority, and externally to the civil aviation system. The ultimate purpose is always to enable us to ensure that people feel safe and are safe when flying in New Zealand. These programmes span multiple years and have a wide range of deliverables including new technologies, people development, sector safety systems, and new regulatory tools.

¹ In 2018/19 the Authority held workshops to discuss and refine two SRPs:

- Part 121, 125, 129, and ANZA Medium and Large Aircraft Air Transport SRP, developed in 2017
- Part 135 Helicopter and Small Aeroplane Operations SRP, developed in 2018

Our safety and security focus areas target identified risk

Through our intelligence work, analysis of safety data, and international trends and research, the Authority has identified eight specific risks to the safety and security of the civil aviation system. These risks cut across our operational areas and therefore require a unified programme of work.

The work programmes for each area are reviewed every year and published on our website (www.aviation.govt.nz). For 2018/19, all eight of the safety and security focus areas have been assessed as 'on track' against the published programme.

During 2018/19, the helicopter safety focus area was elevated from 'active management' to 'critical'. This is the first time the Authority has used this categorisation, and it reflects the urgency with which we are acting to address the safety concerns in this sector. Other focus areas remain categorised as 'in active management' (used when we are actively progressing a work programme), and 'monitoring/maintained' (used when we are monitoring the impacts of a previous work programme).

More information is in Appendix 2.

SAFETY AND SECURITY FOCUS AREAS 2018/19

	IDENTIFIED RISK	WORKING ON THIS RISK CONTRIBUTES TO THE AUTHORITY OBJECTIVES
CRITICAL	Helicopter Safety Fatal and serious injury helicopter accidents, particularly in the air transport operations, have the potential to damage New Zealand's reputation for safe and secure skies, as well as incurring unnecessary social cost.	A safer aviation system A vibrant aviation system
	Airborne Conflicts There is a risk that any airborne conflict safety intervention not informed by a full understanding of contributing factors will not target and address underlying causes. This has the potential to result in ineffective interventions on the part of the CAA, resulting in significant aviation and public safety risks remaining untreated and increasing the potential for fatalities to occur.	A safer aviation system
ACTIVE MANAGEMENT	International Air Cargo Security The absence of a robust and trusted international air cargo security system will impact negatively on the security of international aviation operations from New Zealand and New Zealand's international reputation. It will also impact on the continued facilitated flow of high value air cargo from New Zealand to international markets, with the potential for adverse economic consequences for New Zealand exporters.	A vibrant aviation system
	Smart Security To avoid exponential cost increases being required to respond to evolving threats and increasing passenger numbers, there needs to be a greater focus on how new processes, systems and technologies can be utilised to deliver security services more efficiently and effectively.	A vibrant aviation system An effective and efficient security service
	Security Threat Levels and Responses The dynamic nature of the domestic and international security environment demands an aviation security system that is agile and able to continue to respond to changes in threat levels in a focused, timely and coordinated manner. In the event of an aviation security crisis, the failure to maintain timely and coordinated decision making processes and the ability to implement additional security controls in a timely and effective manner would adversely impact on the quality of overall system responses, with resulting negative consequences for public safety.	An effective and efficient security service A safer aviation system
MONITORING/MAINTAINED	Loss of Control in Flight There are multiple reasons for loss of control in flight and often accidents in this area are complex and a result of multiple factors. These can be categorised under three main causal categories; technical, non-technical (human factors) and environmental.	A safer aviation system
	Runway Excursions Many factors contribute to runway excursions including weather, aerodrome/ runway design, runway condition, aircraft technical, aircraft performance, operator procedures, instrument procedures, crew handling or errors, etc. Given the wide range of factors, this focus area requires a multidisciplinary approach.	A safer aviation system
	Queenstown Operations Aviation accidents in the Queenstown area have the potential to damage New Zealand's reputation for safe and secure skies, and as a tourist destination, as well as incurring unnecessary social cost.	A safer aviation system A vibrant aviation system

Objective: a safer aviation system

Our fundamental role is to ensure that the New Zealand civil aviation system is safe (Civil Aviation Act (1990)). We identify and target areas of risk within the aviation system and work to diminish these risks to improve the overall performance of the system. The safety performance information on pages 16-19 shows that overall the aviation system is becoming safer – but there is still much that can be done, and much we must keep on doing, to ensure the safety of people flying in New Zealand.

The safety performance of the civil aviation system is variable. It ranges from excellent in the large aircraft (airline) sector to quite poor in the commercial helicopter and private recreational aviation areas.

Our core business: safety

Controlling entry, ongoing operation and exit from the civil aviation system

The Authority closely monitors the civil aviation system to ensure that safety and security standards are met and maintained by all participants in the system. We certify and licence organisations, individuals and products. We conduct inspections, audits and investigations, and take regulatory action as appropriate to address safety risk.

Part of our close monitoring of the civil aviation system includes managing aviation-related concerns (ARCs) – this is when information is submitted to the Authority about a concern relating to anything in the aviation system. ARCs are valuable sources of information to the Authority, providing insight into areas of risk that we may not otherwise be aware of.

During 2018/19 the Authority revised procedures around handling and investigating ARCs, to ensure that we respond to information in a timely and appropriate way, relative to the safety risk raised within the ARC.

Rules and policy work to support a safe and responsive civil aviation system

Over the past year we have assessed a number of issues raised both internally and externally where there are potential issues with civil aviation rules. We assess these issues to identify whether there is a problem and if so, what the best approach is to resolve it. The majority of issues raised do not require rule changes. Improved guidance or education is often identified as the best solution.

If rule changes are identified as a likely solution, we undertake comprehensive analysis to understand what legislative changes are needed. We work closely with the Ministry of Transport to summarise our policy analysis in a Regulatory Impact Assessment. Some of the more significant policy projects we have progressed over the past year include:

- contributing to the development of the Civil Aviation Bill
- analysis to support the New Southern Sky programme to mandate ADS-B below flight level 245 and to support implementation of performance based navigation
- supporting the work being undertaken by the Ministry of Transport on regulatory and strategic issues relating to drones.

Substantial rule projects that we have progressed over the year include:

- amendments to modernise Civil Aviation Rule Part 66: Aircraft Maintenance and Personnel Licensing
- amendments to medical certification standards for private pilots, to ensure standards are proportionate to the risk without reducing safety
- updates to a number of rules to ensure alignment with our International Civil Aviation Organization (ICAO) obligations.

The 2018/19 Rules Development Programme is listed in Appendix 3.

Education and outreach

The Authority uses education and outreach to influence and educate participants in the system. We host targeted workshops and run focused campaigns to promote safety.

The Authority employs a team of Aviation Safety Advisors, who regularly travel the country to provide information and safety advice to the aviation community. This work continued in 2018/19.

In 2018/19 we published a number of new and revised 'Good Aviation Practice' (GAP) booklets to provide guidance and advice to the aviation sector:

- Becoming a license aircraft maintenance engineer (new)
- How to be a pilot – junior (new)
- How to be a senior person (new)
- How to be an aircraft owner (new)
- VFR Met (revised)
- How to navigate the rules (revised)
- How to be a pilot (revised).

The booklets are freely available on www.aviation.govt.nz, and printed copies are also free.

Safety and security focus areas that contribute towards a safer aviation system

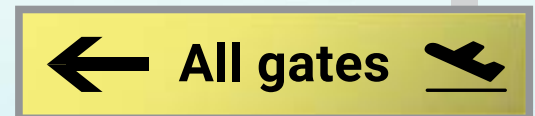
As outlined on page 25, our safety and security focus areas are work programmes that cut across the Authority, targeting specific risks to the aviation sector. The focus areas that specifically target areas of safety risk are:

- helicopter safety (see insight on this critical focus area on page 29)
- airborne conflicts
- loss of control in flight
- runway excursions
- Queenstown operations.

Progress against the work programme for each of these focus areas is listed in Appendix 2.



MINISTER'S EXPECTATIONS
SAFE TRANSPORT SYSTEM



SYSTEM CHANGE PROGRAMME

Safety Management Systems

The implementation of safety management systems (SMS) across the New Zealand civil aviation system is an example of moving towards being more risk-based and creating a more responsive regulatory system.

Since February 2015, Civil Aviation Rule Part 100 – Safety Management has required commercial operations to establish, implement, and maintain a comprehensive and scalable SMS.

SMS is an International Civil Aviation Organization (ICAO) mandated formal risk management system designed to improve safety. SMS integrates a range of safety management tools, including senior management commitment, hazard identification, risk management, safety reporting, occurrence investigation, remedial actions and education. It is inherently risk-based and forward-looking, and combines elements of quality and risk management into a system that helps organisations:

- identify the hazards and associated risks that affect the whole organisation
- control, monitor, communicate and review those risks
- assure the quality of products and services while complying with standards
- continually improve products and services.

SMS is a significant change and will take time to fully implement. Group 1 operators (larger operations) were required to have an approved SMS by 1 February 2018, while Group 2 (all other operators) must have one in place by 1 February 2021. To bed in the change, between 2015 and 2018 the Authority hosted 45 workshops across New Zealand, with industry participants. In total 640 participants attended these workshops.

During 2018/19 the Authority focused on coaching and assisting inspectors to support certification activity, consolidating staff knowledge and assisting them through assessing implementation plans and certification tasks. The Authority also co-hosted a Safety Summit for the sector with Oceania Aviation, aiming to build collaboration and explain the steps needed to implement an SMS.

The regulator has also implemented its own Regulatory Safety Management System (RSMS), recognising it too must have an SMS in place. Avsec is also in the process of developing an internal Security Management System (SeMS).



INSIGHT

The helicopter safety and security focus area

The helicopter sector is a critical focus area for the Authority.

Being a commercial helicopter pilot is one of the most dangerous occupations in New Zealand. While efforts over the past few years have resulted in improved safety performance in helicopter transport operations, the same cannot be said for all helicopter operations.

Helicopters are an important part of aviation activity in New Zealand and are used in a variety of roles – from agriculture, to tourism and emergency services. A high number of accidents led to the 2016 decision to declare the helicopter sector a safety focus area. In line with the Authority’s Regulatory Operating Model, helicopter air transport operations were singled out for attention, rather than agricultural or other commercial where fare-paying passengers are not carried. The result was that accidents in helicopter air transport accidents, which constitute half of the annual hours flown in the sector, have been decreasing. However further improvement is required to bring New Zealand accident rates in line with international comparisons. Also, accidents within the category “Other Commercial”, particularly external load operations, are not showing a downward trend.

Data produced by Worksafe in 2015 indicated that the occupation of helicopter pilot was one of the most dangerous in the country. As a result of this new data, the focus area was elevated to critical status with an

emphasis on other commercial operations. The intention is for increased collaboration with the sector to review the root causes of accidents and to agree on appropriate safety and regulatory responses.

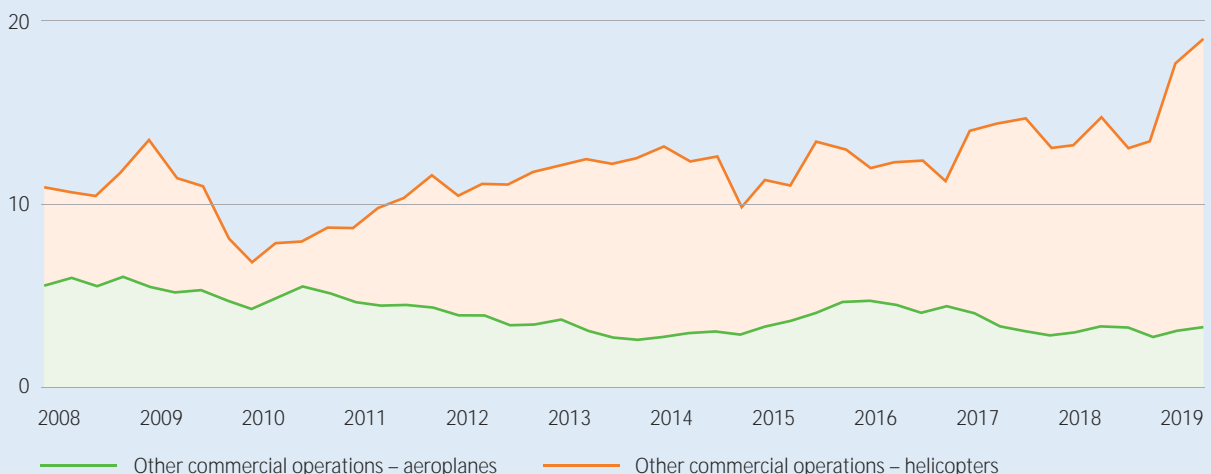
During 2018/19 a dedicated helicopter strategy was developed in conjunction with industry bodies and worker representatives. The strategy sets a clear direction, providing a shared vision for where we want to go and what needs to be done to get there. The strategy identifies the common safety risks, identifies initiatives to reduce these risks, and sets out a number of goals to focus our efforts. The strategy coordinates efforts and provides visibility of the different roles in the sector. It also aims to develop a wider picture of the sector’s safety performance and how this can be measured.

Key parties in the sector have entered into a Memorandum of Understanding to monitor and manage the strategy on our way to zero harm.

While the overall safety performance of the commercial non-passenger sector is improving, the regulator is aware the safety performance of helicopters within this sector is not improving. Accordingly, the regulator is directing effort at this sub-sector.

The graph below compares the safety performance of commercial non-passenger aeroplanes with that of commercial non-passenger helicopters, showing the difference in safety improvement.

COMMERCIAL NON-PASSENGER OPERATIONS HELICOPTERS & AEROPLANES ACCIDENT RATE THREE YEAR MOVING AVERAGE



Objective: an effective and efficient security service

We continue to identify and mitigate security threats, whilst ensuring that passengers and goods can travel smoothly.

The domestic and international security environment is continually evolving. As the events of 15 March 2019 in Christchurch tragically demonstrated, threats that are not specific to aviation can still result in significant impacts for the aviation system, requiring a response. Over the past year the Authority has continued to work with its domestic and international security partners to ensure that New Zealand's aviation security system provides appropriate levels of protection for all users of the aviation system and that people and goods can travel safely and efficiently across New Zealand and internationally.

Our core business: security

Our Aviation Security Service (Avsec) is the official provider of aviation security in New Zealand. Avsec conducts the following core business activities:

Screening passengers and their carry-on baggage

During 2018/19 Avsec was responsible for pre-board screening at five security-designated airports. All departing international passengers and their carry-on baggage are screened, and all departing domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more regular air passengers.

In the screening process, passengers and their carry-on baggage are inspected to ensure that prohibited items such as knives, firearms, incendiary devices, weapons, dangerous goods, explosives, or any other threat items are not carried onto the aircraft. The screening process in the international environment also ensures passengers do not take more than the allowed quantity of powders, liquids, aerosols and gels (PLAGs) into the cabin of the aircraft.

Screening checked baggage

Using increasingly-sophisticated explosive detection system equipment, Avsec screens all checked passenger baggage at international airports for threat items.

Airport access controls

Avsec undertake perimeter patrols at all security-designated aerodromes, together with guarding of aircraft and aircraft searches, to intercept people unlawfully in security areas therefore increasing safety for the flying public.

Screening of airport workers

Avsec screens airport workers with access to, and within security-enhanced areas.

Managing the Airport Identity Card system for restricted areas

Avsec manages and issues Airport Identity Cards, including, by delegation from the Director of Civil Aviation, the government security check process. During 2018/19 we worked to develop a replacement Airport Identity Card system; this work is ongoing.

Explosive Detector Dog teams

Our dog teams search for any explosives in car parks, navigation facilities, unattended cars and unattended items/bags, cargo, and aircraft. They also conduct random searches around the airport environment, at check-in counters, screening points, and gate lounges. By being visible they can act as a deterrent for any wrongdoers. They also help other agencies like the Police, Customs and Corrections when there are bomb threats at airports as well as other places – for example, the dog teams were brought in to support activities following the events in Christchurch on 15 March 2019.

Efficiency and effectiveness – Avsec Funding Review

The Avsec Funding Review 2018/19 introduced new Passenger Security Levies on 1 July 2019. The funding review was launched in August 2017 to determine whether the earlier Passenger Security Charges were still appropriate, and upon review of this analysis developed a sustainable, efficient and effective mechanism for recovering Avsec's costs of service delivery was developed.

SYSTEM CHANGE PROGRAMME

Avsec Future 2022 and Beyond

The Avsec Future 2022 and Beyond strategy is designed to support our security service to carry out its work in smarter and better ways in a continually changing security environment. To achieve this, we have a number of initiatives underway to develop our staff, our processes and systems, our interventions, our collaboration with partners, innovations, our efficiency and effectiveness, our decision-making, and our leadership.

During 2018/19, Avsec continued to update the technology and infrastructure used to screen passengers and baggage, and focused on collaborative and innovative initiatives. Developments included:

- the roll out of smart lanes at Auckland Airport for international departures
- the roll out of Advanced Imaging Technology (AIT) (full body scanners) at Auckland Airport for international departures
- progress on the replacement of the national Airport Identity Card System
- collaboration with airport companies around design and infrastructure requirements in preparation for the roll out of Screening Point Advancement and Modernisation Programme (smart lanes, AIT body scanners and Computed Tomography (CT) scanners at all tier 1 designated airports both international and domestic departures)
- recruitment of a permanent Innovation Manager
- strengthening relationships with border agencies through membership and participation in a number of cross border agency working and advisory groups
- development work on a new front-line service delivery operating model
- a 12-month behavioural detection pilot was undertaken at Auckland airports.
- commencement of work to develop a specialised image analyst role.

Safety and security focus areas that contribute towards an effective and efficient security service aviation system

As outlined on page 25, our safety and security focus areas are work programmes that cut across the Authority, targeting specific risks to the aviation sector. The focus areas that specifically target areas of security risk are:

- international air cargo security
- smart security
- security threat levels and responses.

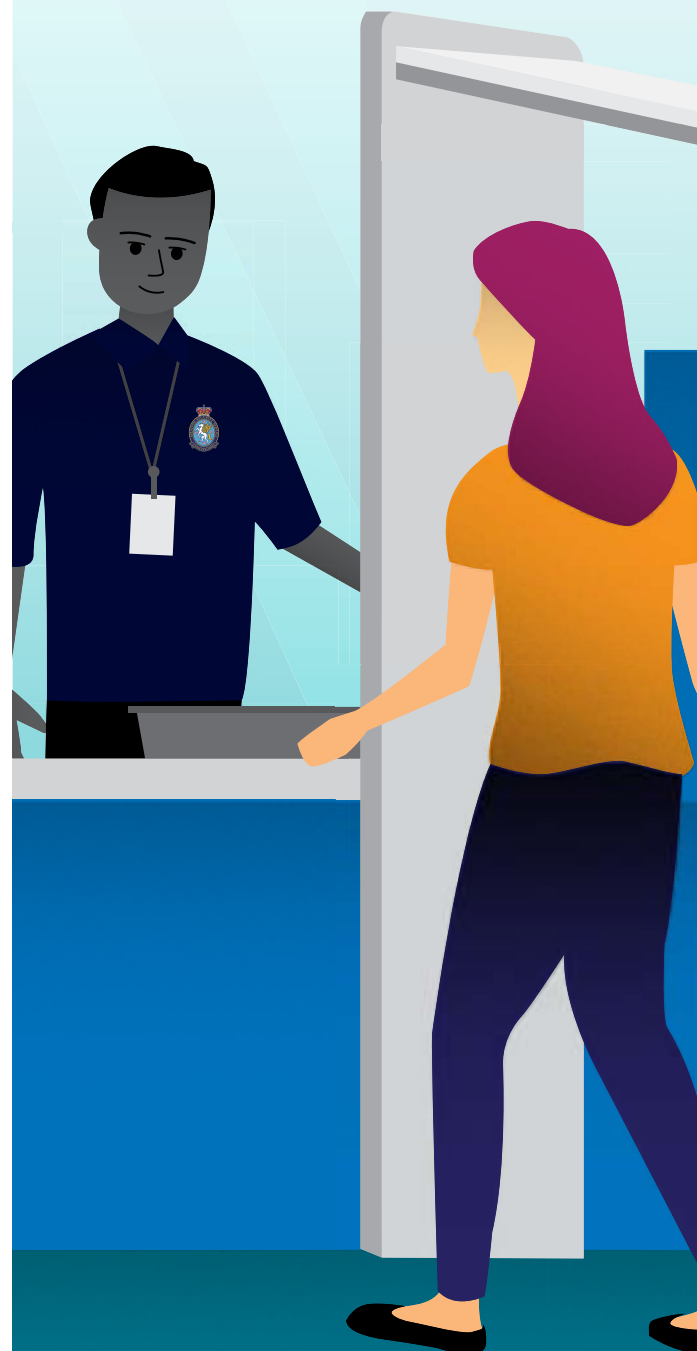
Progress against the work programme for each of these focus areas is listed in Appendix 2.



MINISTER'S EXPECTATIONS
SAFE TRANSPORT SYSTEM



MINISTER'S EXPECTATIONS
RESILIENT TRANSPORT SYSTEM



Objective: a vibrant aviation system

A vibrant aviation system is one that makes a strong contribution to the wellbeing of New Zealanders, through enabling quality of life, and supporting a strong economy.

Working across Government

The Ministry of Transport is a key stakeholder in the development of aviation safety and security policy. This year we have collaborated closely on the New Southern Sky programme, worked to build the resilience of our aviation system and worked to improve the regulatory framework (for example through rules and the Civil Aviation Bill). We have used the Aviation Community Advisory Group to help us prioritise issues and seek feedback on specific issues.

Over the year we have worked closely with a number of agencies to support the Government's wider social and economic goals. This includes working with the Ministry of Transport and the Ministry of Business, Innovation and Employment to think strategically about how we will support the drone industry to thrive, and how we will integrate drones into our aviation and wider transport system.

Working internationally – building relationships to increase safety and deliver economic benefits

Effective international engagement can deliver significant safety and economic benefits to New Zealand. Over the past year the Authority has continued to build strong relationships with like-minded national aviation authorities. Our trilateral agreement with Transport Canada and the Civil Aviation Safety Authority of Australia (CASA) has enabled greater sharing of information, resources and best practices in a number of areas. We have worked collaboratively on papers that will be considered at the International Civil Aviation Organization (ICAO) Assembly later in 2019.

During the course of the year we signed Memoranda of Understanding with CASA and the Civil Aviation Authority of Singapore. Leveraging off these, we will be able to progress towards greater mutual cooperation. Initiatives such as technical arrangements with these States will deliver economic benefits to the sector.

We hosted civil aviation regulators from around the Asia-Pacific region at the 21st Asia-Pacific Bilateral Partners Dialogue Meeting. This event provided the opportunity

to explore ways in which regulators from across the Asia-Pacific region can better work together to maintain a safe aviation system in the face of rapid technological advances.

These relationships form a solid foundation from which we have been able to actively engage on a number of significant global aviation safety issues the sector has faced this year, including the grounding of the Boeing 737 MAX fleet, and have helped us to build our reputation as an internationally credible and trusted regulator.

Supporting Pacific Island nations and building regional security

We actively support our Pacific neighbours to improve regional air safety and security, through supporting of the work of the Pacific Aviation Security Office (PASO) and agreements with several Pacific Island states to provide advice and technical assistance. As well as improving the safety of these countries, this helps to make air travel safer and more secure for the large number of New Zealand tourists travelling to the Pacific each year, and bolsters the security 'back-door' into New Zealand and other nations.

During 2018/19 the focus was on building relationships and improving technology.

Aviation security and security leadership in the Pacific, was boosted through the work of Avsec to partner with security staff from Pacific Island states to deliver training through the Pacific Island capacity and capability programme. Training was delivered in Papua New Guinea and Samoa. The next phase of this work is to provide assistance with setting up a robust development programme for the Pacific-based Avsec Instructors, so they become self-reliant and are able to deliver the Avsec technical training programmes themselves.

Funding has been secured, via the Ministry for Foreign Affairs and Trade, for a significant upgrade to the screening equipment that is used throughout the Pacific. Historically, equipment used in Pacific Island states has been secondhand, inherited from other countries

that have upgraded their equipment. The funding, \$11.5 million over the next three years, will secure new screening equipment for 11 airports in nine countries. This work includes ongoing contracts for servicing and maintenance, and operational and technical training for local staff.

Supporting innovation and new technologies

Unmanned aerial systems (drones) support innovation and growth in New Zealand, as well as being a fun hobby for a growing number of enthusiasts. The popularity of drones creates risk in the aviation system, as many drone pilots are unfamiliar with the related rules and restrictions around flying their device. The Authority developed a safety campaign, which was launched in time for Christmas 2018. The humorous campaign, which used 'wit to educate an unwitting public', was widely shared on social media. In mid-2019 the campaign was awarded the Supreme Award by the Public Relations Institute of New Zealand.

Other new technologies continue to emerge, changing the aviation landscape. The Authority is actively working to engage with innovators, ensuring that the regulatory framework remains fit for purpose whilst enabling growth. We have worked closely with overseas regulators to maintain consistency.

Colour vision requirements changed

Pilots can now demonstrate competency through colour vision medical tests and operational flight assessments, in a new approach to colour vision requirements that were adopted by the Authority in 2018/19. This enables many pilots, who were previously precluded from flying in New Zealand, to fly, bringing New Zealand more closely in line with other regulators. It also helps to address a shortage of commercial pilots.

Authority Pricing Review 2020

In May 2019 the Authority commenced planning for a review of the pricing levels of its levies, fees and charges to ensure it has sufficient revenue to carry out its regulatory functions and statutory obligations over the 2020 to 2023 triennium. The review is anticipated to be completed during 2019/20, with any changes arising from the review to be effective from 1 July 2020.



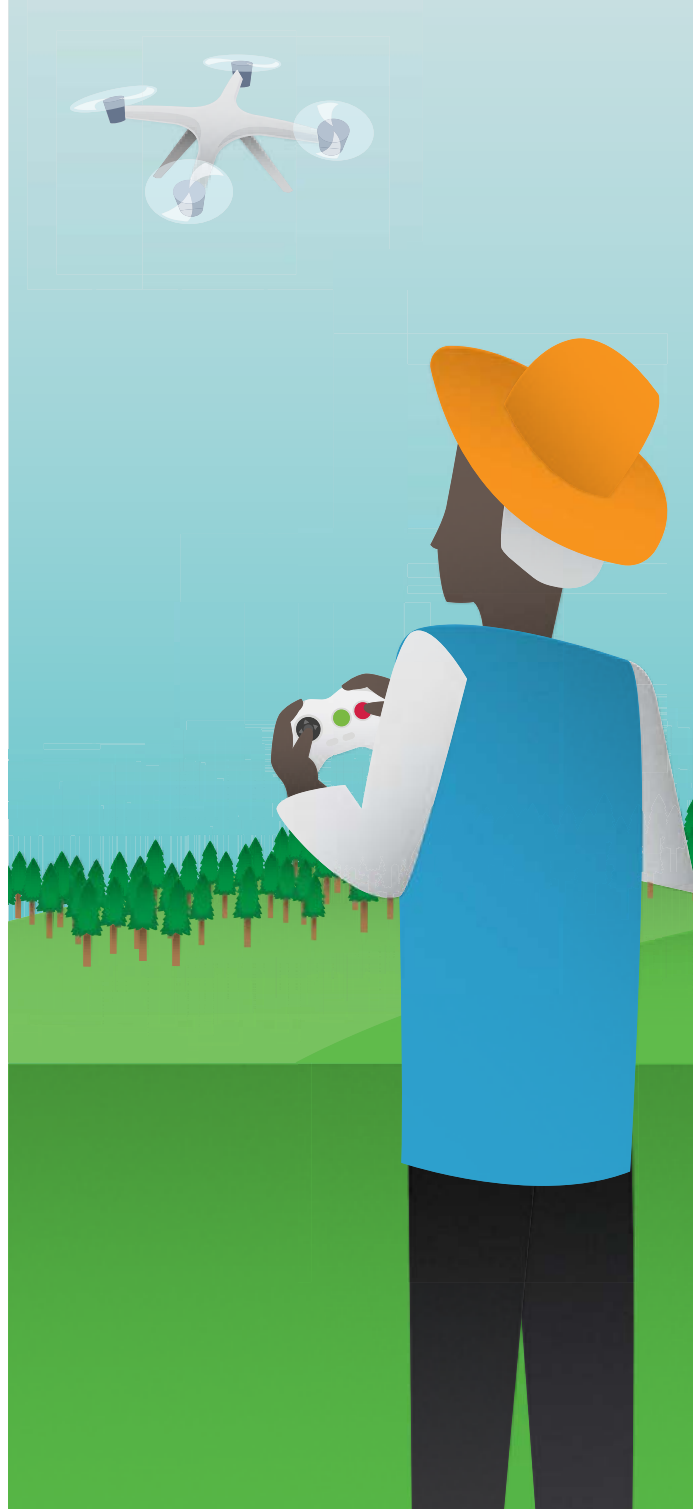
MINISTER'S EXPECTATIONS
LIVEABLE CITIES, THRIVING REGIONS



MINISTER'S EXPECTATIONS
RESILIENT TRANSPORT SYSTEM



MINISTER'S EXPECTATIONS
VALUE FOR MONEY



Safety and security focus areas that contribute towards a vibrant aviation system

As outlined on page 25, our safety and security focus areas are work programmes that cut across the Authority, targeting specific risks to the aviation sector. The focus areas that specifically target areas that may impede a vibrant aviation system are:

- Helicopter safety (see insight on this critical focus area on page 29)
- International air cargo security
- Smart security
- Queenstown operations

Progress against the work programme for each of these focus areas is listed in Appendix 2.

SYSTEM CHANGE PROGRAMME

New Southern Sky

The New Southern Sky (NSS) programme has demonstrated the need to coordinate all aspects of aviation system development, getting best value from new infrastructure, reducing risks and avoiding system conflict in a no-surprises, collaborative environment. This programme to modernise New Zealand's airspace and air navigation systems is being led by the Authority in partnership with the Ministry of Transport and Airways New Zealand. The programme extends to 2023.

The aim of the NSS programme is to implement the National Airspace and Air Navigation Plan (2014) through a coordinated and collaborative approach across the aviation sector to deliver safety, social, economic and environmental benefits.

NSS stakeholders are in the process of delivering a new airspace surveillance system, satellite-based performance based navigation procedures, and a new air traffic management system. This will be enabled by a revised regulatory framework, which supports the widespread implementation of these new aviation technologies. Infrastructure projects are being supported by a digital transformation of the aviation system, with access to aviation information becoming more readily available to all users.

This benefits-led programme spans a decade and in early 2019 moved into its third and final stage. A recent programme cost-benefit analysis, based on actual data from the air traffic system, confirmed that planned benefits are being delivered through the introduction of Performance Based Navigation (PBN). Benefits have been validated through trial results at both Wellington and Christchurch airports. The safety benefits of PBN are also evident, with 2.2 million additional passengers per annum better protected by aircraft approach paths with vertical guidance.

Looking ahead, there is the potential for airport collaborative decision-making (A-CDM) to deliver twice the benefits of PBN. The primary purpose of A-CDM is to improve system efficiency, particularly during the aircraft turn-round process at an airport. To achieve this will require all in the air traffic network and related airport-based systems (airports, airlines, air traffic controllers and support services) to work collaboratively for the benefit of the system.



The prudent approach to ensuring that back-up systems to the Global Navigation Satellite System (GNSS) are available will ensure that the navigation and surveillance systems have the level of redundancy and resilience required. This includes retaining a minimum operating network of ground-based navigation aids to allow the safe recovery of aircraft in the event of total or partial failure of GNSS. Over the next few years the significant safety benefits of Automatic Dependent Surveillance – Broadcast (ADS-B) will also become apparent. One of these benefits is the ability of air traffic control to rapidly locate, identify and assist ADS-B equipped aircraft that are in distress or have had to conduct an emergency landing.

The programme has also provided a ready-made framework for trialling the Satellite Based Augmentation System (SBAS) and understanding the benefits, paving the way for the anticipated Australia / New Zealand SBAS system.

Aviation system development will not finish when the NSS programme wraps up in 2023.

During 2018/19

- The first major regulatory milestone for the programme was delivered in July 2018, when the Minister of Transport signed a rule mandating the use of ADS-B in airspace above 24,500 feet from 31 December 2018. This Rule requires all aircraft operating above this level to use ADS-B equipment.
- Putting in place a second Rule is currently being considered, with a proposed mandate for the use of ADS-B below 24,500 feet from 31 December 2021.
- PBN trials were conducted at both Wellington and Christchurch international airports, which demonstrated the safety, environmental, social and economic benefits that satellite navigation can provide.
- The Authority engaged extensively to raise awareness of PBN, especially amongst Part 135 operators – smaller commercial and recreational pilots.
- The fourth event in the Approach Australasian PBN Forum series in April 2019 was a success. The forum saw the biggest and most diverse turnout since its inception in 2015, attracting more than 120 attendees.



Our organisation



Organisation wellbeing, health and capability

We are working to transform the way we work, the way we lead, and the policies and guidance that provide the framework for a positive and productive working environment for our people. We acknowledge that we have a way to go to achieve this consistently across the organisation, all the time.

Our focus is to grow an organisation where people thrive, feel safe and are safe. By doing this, we will support progress towards a safer and more secure aviation system. We need to ensure that every aspect of our work environment and way of working builds the capability of our people to perform at their best, and supports the health, safety and wellbeing of our employees – good intentions are not enough.

In 2018/19 the Authority proposed an organisation design review of the regulatory and supporting functions. The intention of this review is to improve regulatory and overall performance by enabling improved communication and collaboration across teams, and with external stakeholders and participants. The outcome of this redesign is being implemented across 2019 – 2021.

In addition, leading organisational improvement initiatives, Avsec 2022 and Beyond (for our security function) and the Regulatory Craft Programme (for our regulatory function) support this redesign. These programmes are wide-reaching, and seek to transform the way we work. (For more information, refer to page 43).

Alongside our organisation improvement initiatives we have been working hard to improve the way we support staff and promote a positive and productive work environment for everyone. Our diversity and inclusion strategy has an active work programme (see following pages and Appendix 1), and progress on this, and on our corporate enablers, are reported on regularly to senior leadership.

Our commitment to equal employment opportunities

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

Appointments are based on merit, and all staff are valued and treated equitably and with respect, whatever their gender, ethnicity, social background, sexual orientation, or disability. Our recruitment processes recognise general requirements for some security-screening activities.

Our commitment to diversity and inclusion

Our diversity and inclusion strategy was launched in 2018, with the aim of continuing to build a work environment that ensures all staff feel that the Authority is a good place to work, all voices are heard, and where individual differences and the strengths of diversity of thought are respected and embraced.

The strategy outlines a three-year action plan towards an increasingly diverse, supportive, and inclusive workplace. Actions that we have committed to in our diversity and inclusion strategy include:

- strengthening policies and processes
- developing support structures and promoting awareness
- providing new and innovative ways of encouraging staff to speak up
- training and tools for staff and management
- recruitment and talent development.

The diversity and inclusion strategy work plan is regularly reported on to the Board and Authority Leadership Team, ensuring that it is kept as a high priority and focus for senior management.

In 2017 an Authority Diversity and Inclusion diagnostic tool, run by Diversity Works, was developed to provide transparency, demonstrating whether our actions have made a tangible difference to diversity and inclusion. Overall the 2018 results show improvement compared to the initial 2017 results. The tool contains 31 indicators – of these, the nine indicators that showed key movements are below.

Indicators that we made good progress on, and that showed the most improvement:

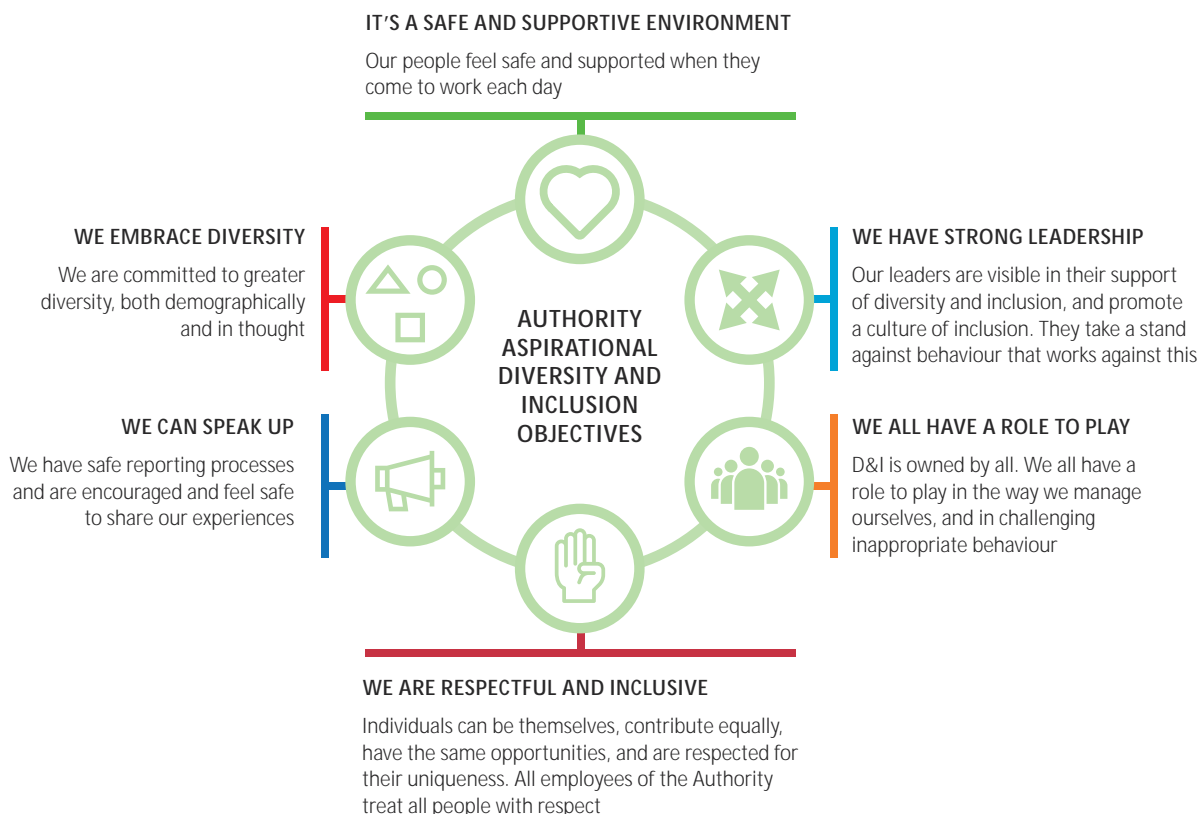
- The Authority’s recruitment materials and practices demonstrate that we welcome applicants from diverse backgrounds.
- The Authority is familiar with NZ legislation relating to diversity & inclusion and we make sure that we take steps to comply.
- The Authority has a senior manager tasked with responsibility for diversity and inclusion throughout the organisation.
- The Authority has a diversity and inclusion working group.
- As far as possible, the Authority ensures that our benefits are inclusive and do not discriminate against any particular employee group.
- The Authority ensures that our position requirements and descriptions are clear and are not confused by non-performance factors such as style, gender, school/university, religion, age, or appearance preferences or traditions.

Indicators that declined, yet still met the benchmark of ‘showing improvement to some extent’

- The Authority recognises that employee needs outside of work impact the organisation, so we provide flexible work options.

Indicators that improved, but do not yet meet the benchmark of ‘showing improvement to some extent’

- The Authority’s senior managers are diverse.
- The Authority provides comprehensive and regular training on diversity and inclusion for all employees and managers to ensure they understand the business benefits and their role in upholding the organisation’s diversity-related policies.



Our good employer programme

The Authority seeks to be a 'good employer'. The Human Rights Commission has outlined seven elements of good practice that are the basis of being a good employer² – our work against each element in 2018/19 is set out below.



Leadership, accountability
and culture

Our leadership framework – **'Leadership Now and for Tomorrow'** – comprises traits, behaviours and qualities that underpin our recruitment, talent management, and succession planning practices, as well as our leadership development programme. We hold quarterly leadership forums for our people leaders to develop their leadership capability.

Our core behaviours underpin our recruitment, performance, and development systems to ensure all align to support a positive and productive work environment. The diversity and inclusion strategy (see previous page) takes deliberate actions towards building a more inclusive and diverse workforce and work place.



Recruitment, selection
and induction

Our commitment to building a diverse organisation where difference is valued is evident in our attraction and selection practices. We use gender-neutral language and non-discriminatory selection practices, which are reviewed regularly to ensure that they remain non-discriminatory.

We aim to attract a diverse workforce with a broad range of skills and experience aligned to our values and core capabilities. Our selection decisions are based on assessment against core role competencies. Candidates are able to be accompanied through the selection process by a support person. A comprehensive and structured induction programme for every new employee is co-led by their manager and our HR Services team, with regular review and check-in points to ensure it is meeting the employee's needs. We are developing a talent pipeline to ensure we are able to attract a diverse workforce that meets our future capability needs.



Employee development,
promotion and exit

We are continually working to develop and improve the learning opportunities available to our people, building and strengthening capability in all parts of our business.

With the full support of the organisation, all regulatory staff are able to obtain the New Zealand Certificate in Regulatory Compliance. We support staff to achieve graduate, and post-graduate qualifications.

We support and encourage our people to develop beyond their core role and take up secondment and promotion opportunities. Our new talent management and succession planning programme supports these activities.

2. www.hrc.co.nz/resources/business/reporting-crown-entities-good-employers/



Flexibility and work design

We have a range of policies that support flexible working arrangements, including flexible hours, and working from home or alternative working arrangements. These policies and guidelines are regularly reviewed and have been successfully adopted across the organisation.

Our investment in technology continues to enable people in different locations to link and collaborate with colleagues, and staff are helped to identify and act on opportunities to improve work practices. We provide active support to our people to assist them in maintaining a healthy work-life balance.



Remuneration, recognition and conditions

We use an external, independent job evaluation system to size all roles and ensure appropriate internal and external relativity in remuneration ranges. We undertake external benchmarking of our remuneration rates, monetary and non-monetary benefits and recognition initiatives.

In 2018 we introduced an enhanced recognition programme, recognising our people formally, and informally, for their exceptional achievements and service to the organisation.

We now calculate and monitor our gender pay gap on a monthly basis. The gender pay gap is currently low, 1.45% as at 30 June 2019.



Harassment and bullying protection

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

As noted on page 38, the Authority is working to ensure the consistent application of these policies and procedures across the organisation. Our diversity and inclusion strategy work programme is further developing tools for managers and staff to identify, report and respond to unwelcome behaviour.



Safe and healthy environment

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

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

We invest in developing and empowering our people to ensure that they are equipped to identify and respond to risk, have the tools, knowledge and understanding to be safe, and feel comfortable reporting issues.

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

Fit for purpose infrastructure, tools and systems

Information and infrastructure

We seek to ensure that the Authority has appropriate and accessible information and fit-for-purpose IT tools, to support an intelligence-led, risk-based decision maker and security provider.

In 2018/19 we continued to progress the adoption of a digital approach to automated invoice processing and time recording. Note that this work was previously part of the Regulatory Craft Programme (see next page) but was decoupled from the programme in 2018/19 to allow for reconsideration. We significantly revised the business case for a new technology platform for our aviation regulatory work. This business case was approved and implementation is planned to commence in 2020, subject to funding.

Innovation and continuous improvement

This enabler sees to build an organisation that is innovative, cost-effective and continually improving. We seek to exercise good judgement, be focused on results and adaptable to change, continuously adapting the way we design and implement business processes so that they are effective and resilient.

In 2018/19 we continued to improve our systems and tools. For example, we continued to develop our approach to programme management and developed a new prioritisation tool that will be piloted in upcoming business planning. Phase one of our performance development framework has been implemented, and talent management and succession planning has been fully implemented for management level roles. Our human resource core policies are now on a regular two-year review cycle.

Stakeholder engagement

We seek to understand the government context and the big picture in which we work, engaging with stakeholders who are able to influence the system. We seek that participants trust and rely on our fairness and expertise, so that they are willing to discuss sensitive matters, report risks or failures and work jointly on relevant sector issues. We seek to give confidence to the public and other transport users that acceptable standards of civil aviation safety and security are being met through our close work with a range of stakeholders.

In 2018/19 we completed enhancement work on our quality management system, which has now transitioned to continuous improvement. We have secured resourcing to progress the development of refreshing and enhancing regulatory tools (refer to the Guidance workstream in the Regulatory Craft Programme).

Organisation change initiatives

The Regulatory Craft Programme

As the aviation system continues to evolve and increase in complexity, the regulatory system and our own regulatory practice needs to evolve to ensure we have safe and secure skies. The change required to support a safe and secure aviation system as it evolves is often as great for the regulator as it is for those who operate within it. To meet these challenges, two years ago we developed a Regulatory Craft Programme for our regulatory function, which is focused on:

- being intelligence-led, to create tools and resources such as risk profiles of specific parts of the aviation sector
- building internal capacity and capability to continuously evolve and enhance regulatory practices.

Two major workstreams of the Regulatory Craft Programme are scheduled to run through until June 2020 – People, and Guidance. A third workstream, Technology, is planned to recommence in early 2020, providing the critical tools our people need to make effective decisions.

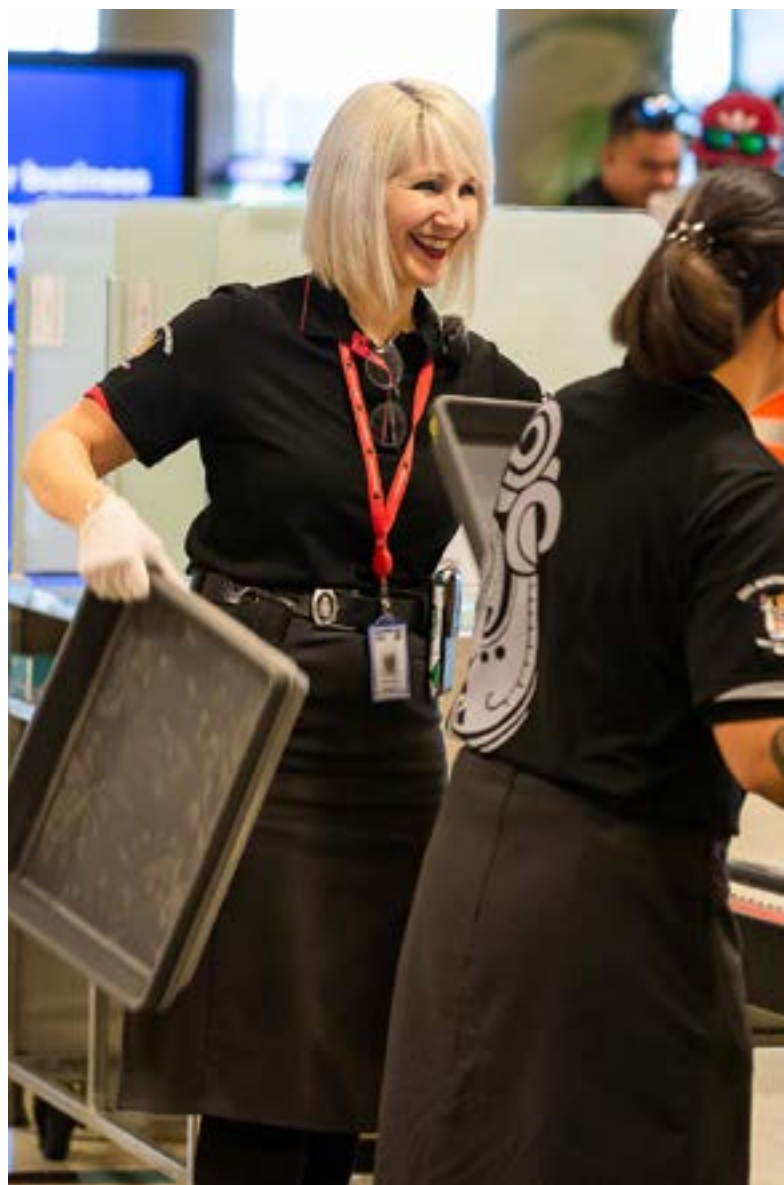
During 2018/19

- The People workstream made substantial progress, developing a comprehensive leadership framework that details the leadership traits and qualities required of our leaders, delivering leadership development programmes, continuing to progress qualifications for regulatory staff, enhancing our recruitment and selection process, introducing a new talent and succession planning programme, and providing new performance development tools.
- Progress on the Guidance workstream has not been as fast as we would have hoped due to challenges recruiting the required capability to lead this workstream. A new lead has now been appointed to this workstream, along with additional resource, and progress is anticipated to speed up, with the first focus on finalising the operational policy, practice and guidance framework, and a full revision of the policies, procedures and guidance that support our staff in undertaking their oversight activities of operators.
- The Technology workstream was de-coupled from the RCP and reviewed. It will recommence in 2020.

Avsec Future 2022 and Beyond – organisation change

Avsec Future 2022 and Beyond is not just about technology and systems change – it is about developing Avsec staff to be prepared to manage the increasingly complex requirements for aviation security, and developing the organisation to support this.

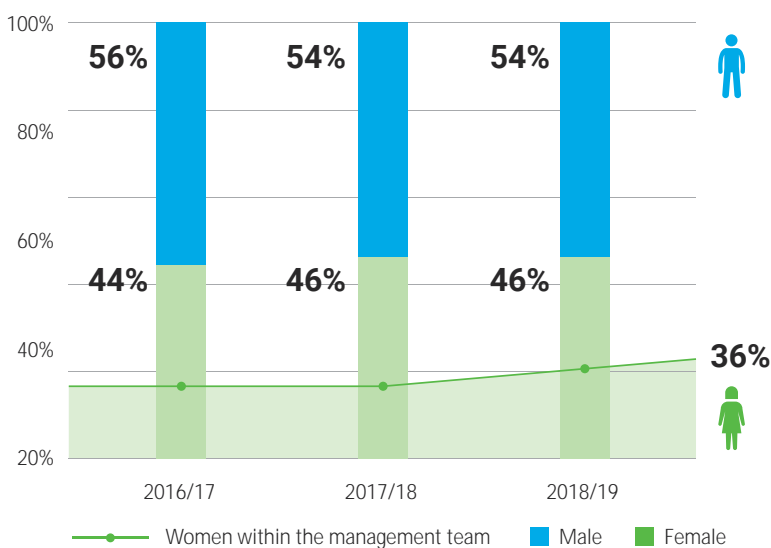
During 2018/19 we have introduced a new professional development programme (SmartWay) for Avsec frontline managers to support leadership, growth and development. We have set out a qualifications pathway to ensure that team leaders, shift leaders and operations managers have the knowledge and support to lead Avsec forward.



Our staff

GENDER REPRESENTATION OF OUR STAFF

As of June 2019



ETHNICITY OF OUR STAFF

As of June 2019

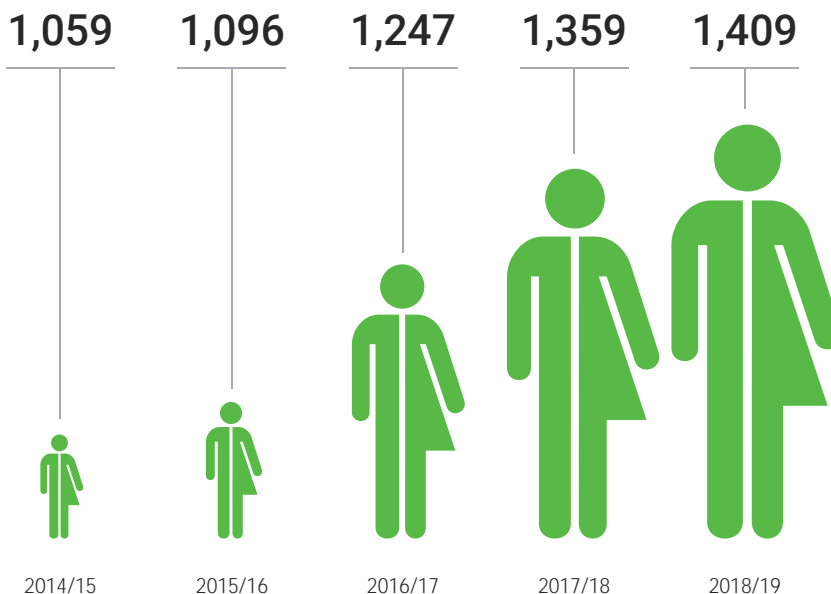
	2017	2018	2019
Not reported	70%	71%	64%
NZ European	19%	20%	19%
Asian	1%	3%	5%
Pasifika	2%	2%	3%
Maori	3%	2%	3%
Other	5%	2%	6%

TOTAL STAFF NUMBERS

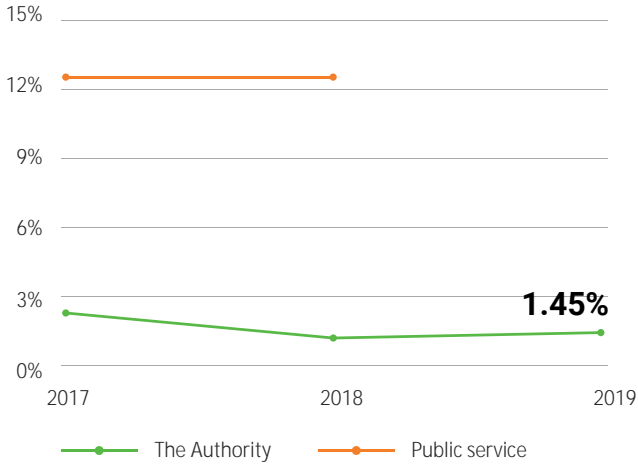
Headcount (excluding contractors)

The recent strong growth in staff numbers is largely attributed to the growth in Avsec staff. This is due to a combination of:

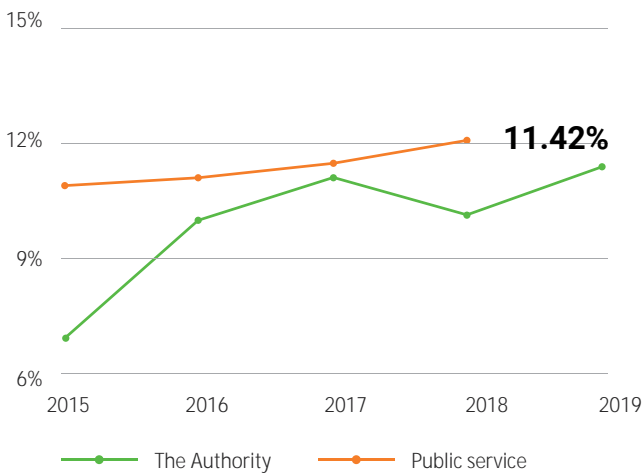
- increases in specialist capability (the Explosive Detector Dog unit, training, and expert management support functions)
- extended scope of security services (Queenstown night flights, domestic hold baggage screening, explosive trace, behavioural detection, body scanners)
- additional passenger volumes (growth has occurred in both domestic and international, and in all five locations).



GENDER PAY GAP



STAFF TURNOVER

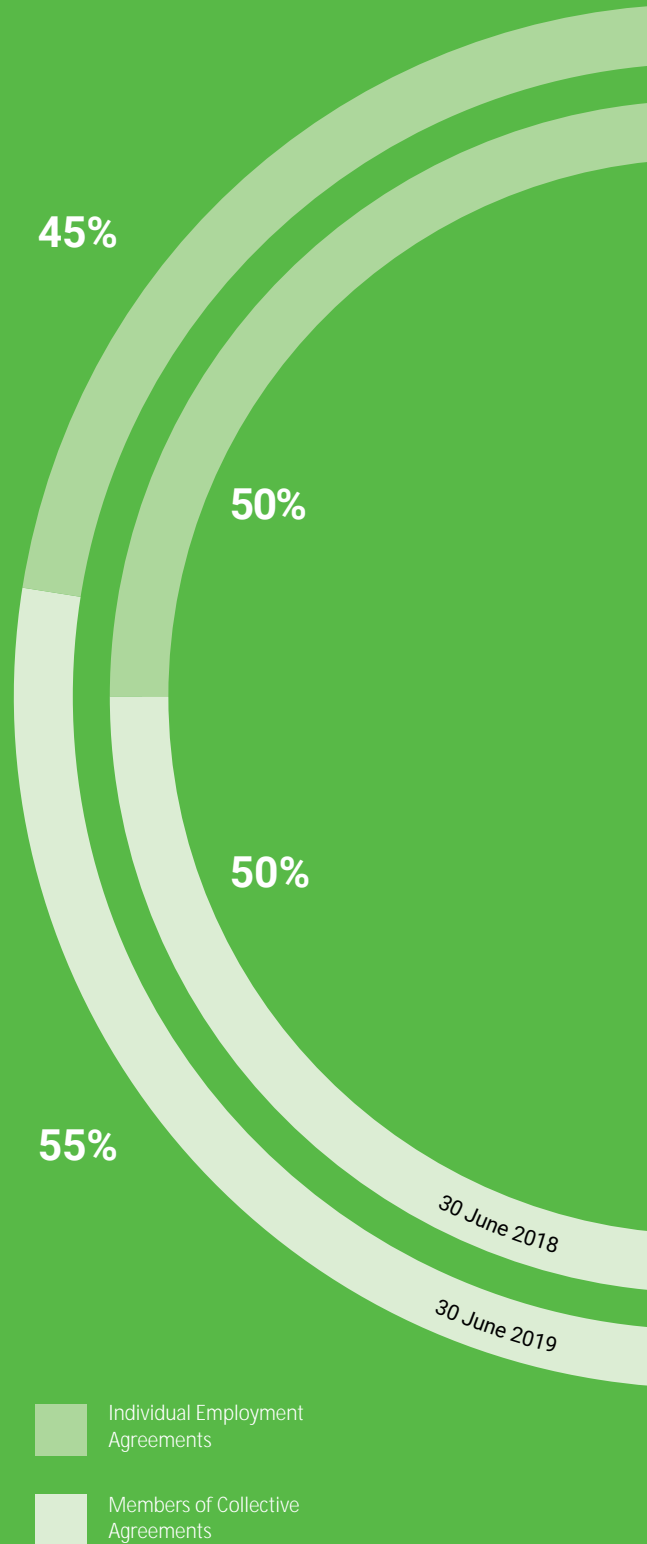


RELATIVELY STATIC TRENDS

- Kiwisaver enrolments – **94%**
(no change from last year)
- Employment status –
Frontline Operations **83%**
Managerial and Support **17%**
(1% change from last year, with the increase towards Managerial and Support)
- Average age – **45** years old
(no change from last year)
- Proportion of employees who have disclosed disabilities – **1.1%**
(slight increase from 0.9% last year).

EMPLOYMENT RELATIONS

Trend – Upwards towards Collective Agreements



■ Individual Employment Agreements
■ Members of Collective Agreements

Our financial highlights

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

The financial results summarised on pages 48-49 reflect the challenges being faced by the Board in ensuring it maintains a sustainable baseline for the organisation. They also reflect the need to ensure the organisation remains agile in its regulatory oversight in a changing civil aviation system and to appropriately respond to changes in New Zealand's security environment. The financial results continue to reflect an environment where revenue is primarily derived from levies and charges paid by airlines on the basis of departing passengers and where passenger volumes are quite volatile.

This year the Authority recorded a deficit of \$6.4 million compared to a budgeted deficit of \$7.8 million. This outcome is the net of offsetting variances in the Authority's two functions - the Regulatory Function delivered a \$0.9 million surplus compared to a budgeted deficit of \$0.8 million, whilst the Security Service recorded a deficit of \$7.3 million compared to a budgeted deficit of \$7.0 million.

Highlights

Regulatory Function

For the Regulatory Function, the 2019 year produced an operating surplus of \$0.9 million, a favourable variance of \$1.7 million from the budgeted \$0.8 million deficit. Of this variance, revenue was \$1.5 million higher than budgeted, largely reflecting additional:

- hourly charge revenue, primarily driven by additional Safety Management Systems certification activity, some of which had previously been expected to take place late in the 2017/18 financial year
- Ministry of Foreign Affairs funding for providing regulatory assistance and advice to eight Pacific Island Countries (PICs) to further develop and enhance aviation regulatory safety and security requirements across the South West Pacific.

Expenses were comparable to budget with a small underspend against budget of \$0.2 million. This included an unbudgeted restructuring provision of \$0.5m to fund the organisation redesign that is being implemented across 2019-2021.

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

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

The Regulatory Function incurred significantly lower than budgeted capital expenditure (\$3.5 million less than budget), principally because a major business systems replacement project was delayed and moved into the 2019/20 financial year.

Security service

The 2019 year produced a deficit of \$7.3 million, compared to a budgeted deficit of \$7.0 million. The deficit was budgeted, arising from a need to invest in continuous improvement activity required by the Director of Civil Aviation, in response to changes in the wider international security environment. This required an increase in both staff numbers and technologies prior to the completion in the 2018/19 financial year of a funding review of the Security Service that saw new passenger security levies come into effect from 1 July 2019 to sustainably fund these activities on an ongoing basis.

The variance of \$0.3 million was due to an adverse variance in revenue of \$0.7 million, offset by lower expenditure of \$0.4 million. The reduced revenue was primarily as a result of fewer international passengers, partially offset by increased third party contracted services.

The lower than budgeted level of expenditure primarily arose from underspends in infrastructure costs (from lower rental costs due to lower levels of occupation), partially offset by higher than budgeted personnel costs (largely caused by the additional activities described above).

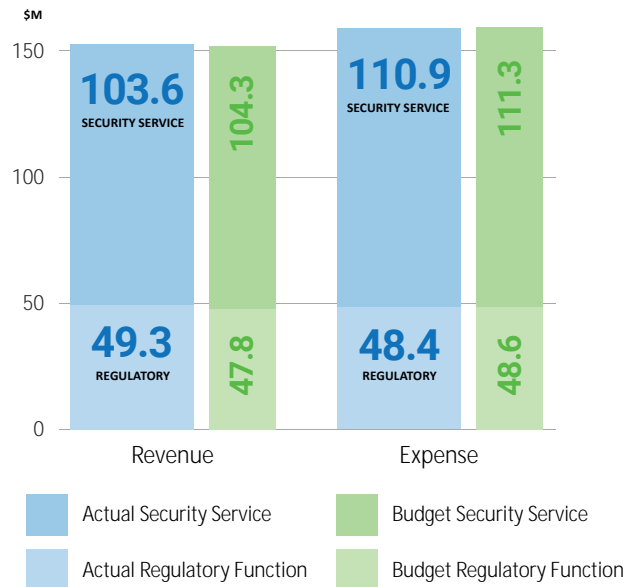
Capital expenditure was \$3.7 million below budget for the year, largely due to the deferral of planned expenditure into the 2019/20 financial year.

Financial health

The Board is comfortable with the progress being made with the financial health of the organisation. This is in the context of changes approved by Cabinet to the Security Service's charges and levies that came into effect on 1 July 2019. Overall both the Regulatory Function's and Security Service's cash and equity reserve levels are currently in compliance with the Authority's Reserves and Funding Policies.

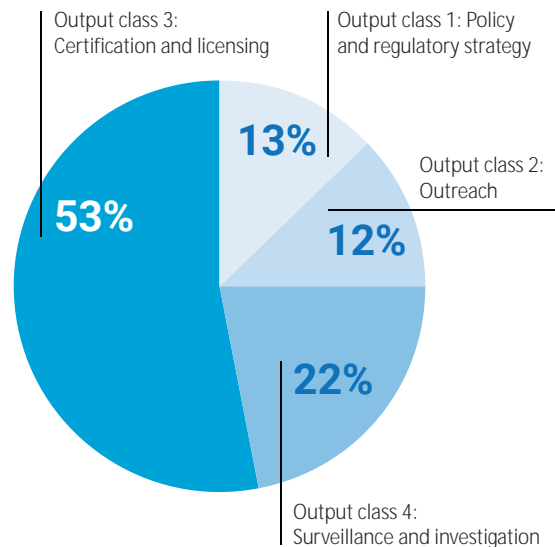
The key financial indicators are provided overleaf.

ACTUAL VS BUDGETED REVENUE AND EXPENSE

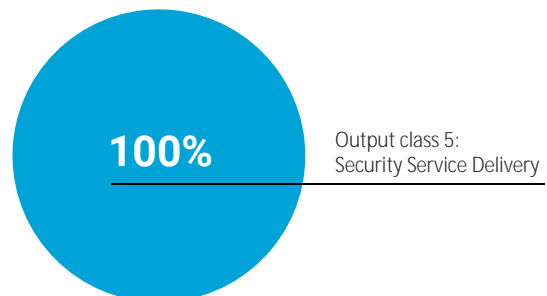


HOW REGULATORY AND SECURITY SERVICE EXPENSES WERE DIRECTED

REGULATORY FUNCTION



SECURITY SERVICE



Group Financial Result and Organisation Financial Health Indicators

	REGULATORY FUNCTION 2019		SECURITY SERVICE 2019		GROUP 2019		REGULATORY FUNCTION 2018	SECURITY SERVICE 2018
	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	ACTUAL \$M
Comprehensive revenue and expense								
Revenue	49.3	47.8	103.6	104.3	152.6	151.9	46.1	100.8
Expense	48.4	48.6	110.9	111.3	159.0	159.7	46.6	101.6
Surplus / (Deficit)	0.9	(0.8)	(7.3)	(7.0)	(6.4)	(7.8)	(0.5)	(0.8)
Note that Group Revenue and Expense includes inter-entity eliminations of \$0.3m (Budget \$0.2m).								
Equity								
General funds	11.6	10.5	14.7	14.7	26.3	25.2	10.7	14.3
Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	0.7
Passenger security charges and other fees and charges reserves								
International passenger security charge	-	-	5.1	7.2	5.1	7.2	-	12.2
Domestic passenger security charge	-	-	0.7	0.7	0.7	0.7	-	0.5
Other fees and charges	-	-	0.3	0.3	0.3	0.3	-	0.4
sub-total passenger security charges and other fees and charges reserves	-	-	6.1	8.2	6.1	8.2	-	13.1
Total equity	11.6	10.5	20.8	22.9	32.4	33.4	10.7	28.1
Liquidity								
Working capital	9.9	4.0	14.4	10.4	24.3	14.4	9.1	20.6
Bank and investments	11.7	4.6	19.4	12.9	31.1	17.5	10.4	25.0
Capital expenditure								
Capital expenditure	0.7	4.2	3.6	7.3	4.3	11.5	0.2	4.5
Passenger numbers (000's)								
International	6,859	7,008	6,859	7,008	6,859	7,008	6,658	6,658
Domestic	13,967	13,984	7,702	7,656	13,967	13,984	13,384	7,525

Capital and Asset Management

The table below shows comparative actual capital expenditure against budget:

	ACTUAL 2019 (\$000)	BUDGET 2019 (\$000)	% OF BUDGET SPENT	VARIANCE COMMENT
Regulatory Function				
Computer hardware	19	140	14%	Delay in purchasing hardware due to availability, purchase date is now expected to be by December 2019.
Computer software	544	3,818	14%	Replacement of Business system delayed due to changes in the scope of project and funding requirements, expected restart in July 2020.
Plant & equipment	22	0	-	Unbudgeted replacement of equipment.
Furniture & fittings	16	15	107%	Not material.
Motor vehicles	41	90	46%	The scheduled replacement of a vehicle was no longer required.
Leasehold improvements	61	180	34%	Changes at Auckland Airport have been delayed due to the airport company delaying their infrastructure changes.
TOTAL	703	4,243	17%	
Security Service				
Computer hardware	17	0	-	Not material.
Computer software	59	874	7%	The implementation of the Airport Identity Card System has been delayed and is now due to be completed in 2020.
Plant & equipment	3,155	3,484	91%	Costs for a new testing facility in Auckland were less than budgeted, and contracts for third party screening are still being negotiated therefore the planned budgeted equipment has been delayed.
Furniture & fittings	22	437	5%	The purchase of new furniture for the Auckland airport staff facility has been delayed as suppliers are still being assessed.
Motor vehicles	244	1,138	21%	The purchase of new EV patrol vehicles has been delayed as issues with charging stations are resolved.
Leasehold improvements	77	1,414	5%	Various upgrades to airport facilities have been delayed.
TOTAL	3,574	7,347	49%	

Our governance and leadership

Governance

Having strong governance helps ensure we are on track: our strategy and business plans are robust, our financials reflect our activities and areas of focus, and our goals are set to stretch us and are met, while remaining focused on delivering 'safe and secure skies to help New Zealand fly'.

Board appointment and composition

The Minister appoints the Board to ensure that the Authority performs well, manages risks prudently, and is sustainable over the longer term through a well-structured strategy.

Remuneration for Board members is set according to the Cabinet Fees Framework and agreed to by the responsible Minister. The Board engages with key stakeholders and takes into account the expectations of the Minister, the Government and the New Zealand public.

As at June 2019, the Board was made up of five independent non-executive members. As at June 2019, the Board Chair was Nigel Gould, and the deputy Chair was Don Huse. During 2019, following the retirement from the Board of Grant Lilly and Jim Boulton, Harry Duynhoven and Jill Hatchwell were appointed to the Board. Anna Adams continues to serve as a Board member.

Diverse capability across the Board is vital so our Board is experienced in governance across varied portfolios ranging from central and local government through to commercial operations. They are equally diverse in their business skills and experience, in such disciplines as accounting, law, and commercial performance.

How the Board operates

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

The Board operates within the Civil Aviation Act 1990, and the Crown Entities Act 2004. These impose various obligations and statutory reporting requirements on the Board.

The Board makes decisions on things that materially affect the Authority's performance. It defines the individual and collective responsibilities of the Board and its committees. Operational responsibility is delegated to the Chief Executive (CE) and the General Manager (GM) of Avsec, by a formal delegation.

Day-to-day management is delegated to the CE, the GM of Avsec and the Authority Leadership Team.

Committees

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

- regulatory functions
- financial management
- accounting
- audit
- performance reporting
- risk management.

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

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

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

Leadership

The Authority is comprised of two operational functions:

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

The Chief Executive (CE), who is the Director of Civil Aviation (DCA), and the General Manager (GM) of Avsec, both have statutory functions.

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

The Authority Leadership Team (ALT) is made up of senior managers from both operational functions. It works with the Board to set the strategic direction for the Authority. This involves deciding what the Authority should look like today and in the future, and planning and managing the work that will get us there. It manages the Authority's risks, ensures the Authority operates efficiently and effectively, and meets regularly with the Board.

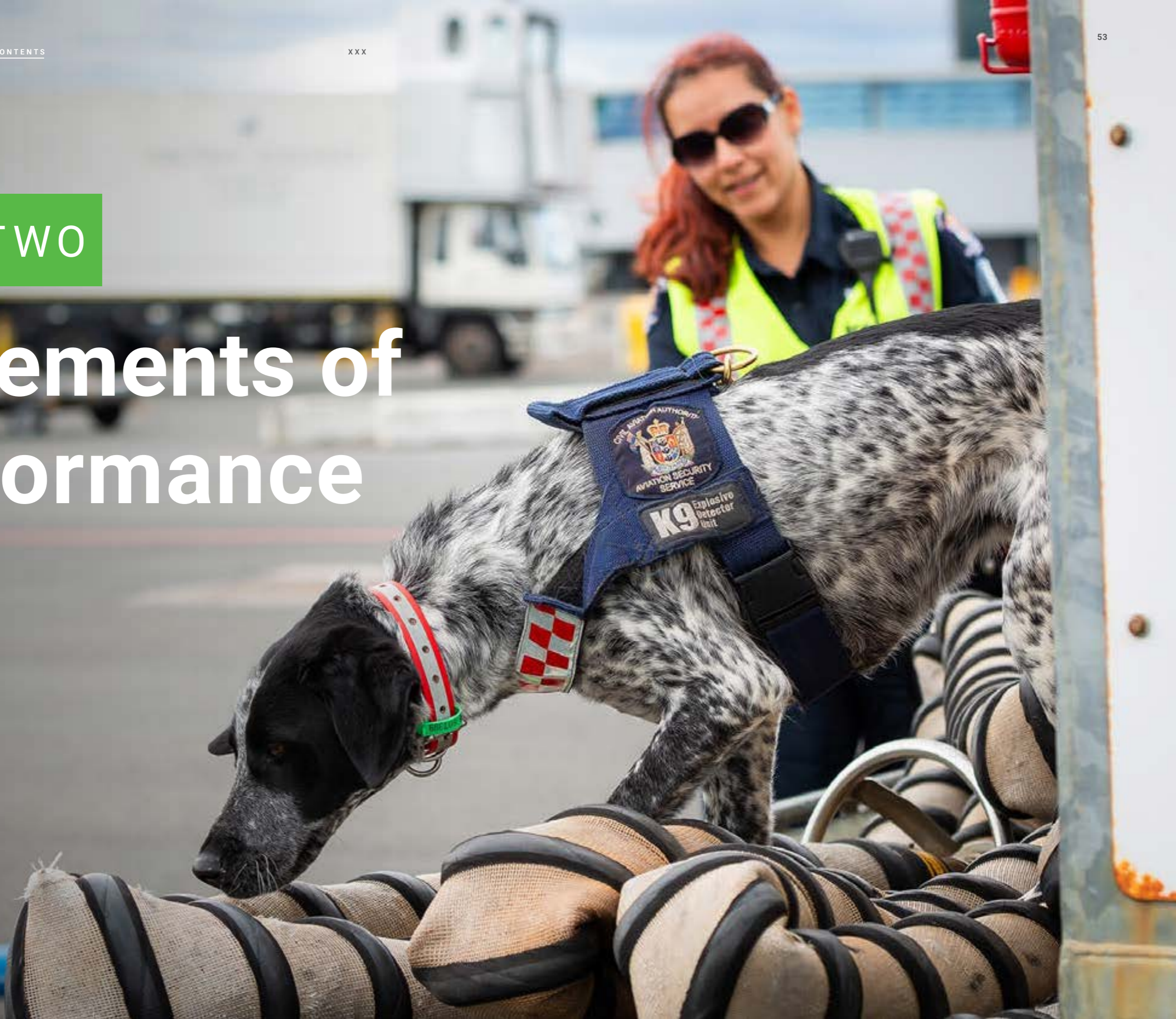
Authority Leadership Team

As at 30 June 2019, the Authority Leadership Team comprised:

- **Graeme Harris** (Chief Executive and Director of Civil Aviation)
- **Chris Ford** (Deputy Director Aviation Infrastructure and Personnel)
- **Graham Puryer** (Executive Group Manager Aviation Security Service)
- **Janine Hearn** (General Manager Organisational Development)
- **John Kay** (Deputy Chief Executive)
- **John Sneyd** (Chief Legal Counsel)
- **Mark Hughes** (Deputy Director Air Transport and Airworthiness)
- **Mark Wheeler** (General Manager Aviation Security Service)
- **Steve Moore** (Deputy Director General Aviation)
- **Tim Bowron** (General Manager Corporate Services).

PART TWO

Statements of performance



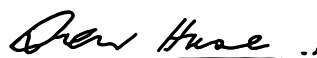
Statement of responsibility

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

- the preparation of the financial statements and the statements of performance and for the judgments used therein
- the establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting
- any end-of-year performance information provided by the Civil Aviation Authority under section 19A of the Public Finance Act 1989.

In the opinion of the Authority, the financial statements and statements of performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2019.

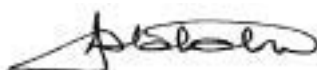
Signed on behalf of the Board:



Don Huse

Interim Chair of the Civil Aviation Authority
of New Zealand

(23 October 2019)



Jill Hatchwell

Board member of the Civil Aviation Authority
of New Zealand

(23 October 2019)

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2019.

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

Opinion

We have audited:

- the financial statements of the Authority on pages 79 to 109, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 57 to 77 and pages 119 to 123.

In our opinion:

- the financial statements of the Authority on pages 79 to 109:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 57 to 77 and pages 119 to 123:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2019, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 23 October 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 127, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Clint Ramoo

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Our performance during 2018/19

Performance measures contained in the Authority's Statement of Performance Expectations 1 July 2018 - 30 June 2019 are divided into the following five output classes:

Output Class 1 – Policy and Regulatory Strategy

Output Class 2 – Outreach

Output Class 3 – Certification and Licensing

Output Class 4 – Surveillance & Investigation

Output Class 5 – Security Service Delivery

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

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

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

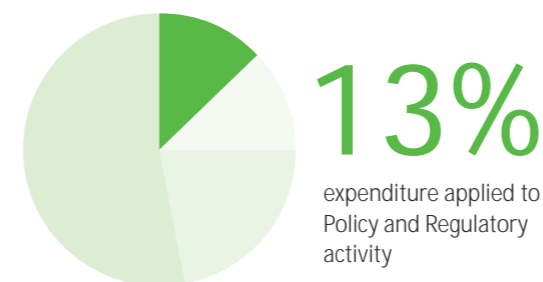
Crown funding is also provided through the Maritime Port Security appropriation. This appropriation is intended to achieve preparedness to provide a maritime security response to a high level threat affecting cruise ships or their passengers. This activity is delivered under Output Class 5: Security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

Output Class 1: Policy and Regulatory Strategy

What we do under this output class:

- Develop options and solutions for specific issues within the aviation regulatory system;
- Proactively identify emerging issues for aviation;
- Deliver major policy and regulatory projects;
- Strategically coordinate Authority engagement in the international aviation system;
- Deliver Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials; and
- Develop and maintain linkages internally, across government, internationally and within industry.

TOTAL REGULATORY FUNCTION EXPENSE



SYSTEM LEVEL BENEFITS

If we focus our resource in the right places we will achieve:



Safe and secure people

* **Indicator:** Increased confidence in the safety and security of the civil aviation system.

Result: 2019 Colmar Brunton survey: 77% of resident and 89% of International travellers feel safe on flights in or from New Zealand. This is very similar to results from 2017 (the most recent survey).

1.1 International Relations and International Civil Aviation Organization Obligations	Performance Measure	2017/18 Actual	2018/19		Comments
			Target	Actual	
<p>The Authority administers New Zealand's international civil aviation obligations and interests as delegated by the Minister of Transport. For example, coordinating New Zealand input into international conferences and meetings, managing the flow of incoming International Civil Aviation Organization (ICAO) state letters and coordination of technical aviation agreements with other countries.</p> <p>What is intended to be achieved</p> <p>This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport.</p> <p>How does this contribute to our objectives?</p> <p>(as described in the strategic framework of the Authority on pages 22-23).</p> <p>Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our objectives "Improved sector safety performance" and "A vibrant aviation system". This contributes to reducing trade and market barriers.</p>	<p> * International engagement is undertaken to contribute to the achievement of the Authority's statutory functions and objectives, and to fulfilling New Zealand's responsibilities as a member state of ICAO.</p>	Achieved	Achieved	Achieved	In addition to engagement and coordination with ICAO, the Authority attended and engaged in the following meetings, to meet our statutory obligations and to fulfil New Zealand's obligations as a member state of ICAO: the European Aviation Safety Agency (EASA)/Federal Aviation Administration International Safety conference, Germany; the Asia-Pacific Directors General Civil Aviation Conference, Fiji; the Asia-Pacific Bilateral Partner Meeting, Queenstown; the EASA General Aviation Conference, Austria; and the ICAO Air Navigation Commission Meeting, Canada.
	International Civil Aviation Organization (ICAO) Compliance:				
	<p> * Respond to incoming ICAO State letters by due date as set by ICAO.</p>	100%	100%	100%	A total of 267 State letters were considered and processed by the Authority for the year ending 30 June 2019.
	<p> * Maintain alignment with existing Standards and Recommended Practices (SARPs) and consider alignment of new SARPs (to determine whether to adopt by New Zealand).</p>	100%	Achieved	Achieved	The Authority maintains a high standard of alignment with ICAO SARPs and actively considers appropriate adoption of new SARPs as they emerge.
<p> * ICAO's continuous monitoring of New Zealand maintains or improves New Zealand's effective implementation (EI) score.</p>	No ICAO audit activity occurred in 2017/18	New Zealand's EI score the same or better than the previous score	Achieved	The Authority maintained its EI score in 2018/19. While there was no on-site audit activity in 2018/19, the Authority responded to a series of ICAO protocol questions.	
<p>1.2 Ministerial Servicing – Civil Aviation</p> <p>What is intended to be achieved</p> <p>This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.</p> <p>How does this contribute to our objectives?</p> <p>(as described in the strategic framework of the Authority on pages 22-23).</p> <p>The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all three objectives in our strategic framework.</p>	<p> * Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of "exceeded expectations", "met expectations" or "requires improvement".</p>	Met expectations	Met or exceeded expectations	Met expectations	The Authority responded to 33 Ministerial letters, provided responses to six Written Parliamentary Questions, and provided 12 Ministerial briefings on a range of topics, including on matters relating to aviation security and regulatory performance.
	<p> * Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport (MoT) in their correspondence tracking system.</p>	100%	100%	100%	The Authority provides reports, correspondence and other responses within expected quality and timeliness standards established by the Ministry of Transport.
<p>1.3 Policy Advice – Civil Aviation</p> <p>What is intended to be achieved</p> <p>This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.</p> <p>How does this contribute to our objectives?</p> <p>(as described in the strategic framework of the Authority on pages 22-23).</p> <p>Through robust analysis and decision making, and advice, this output directly contributes to our objectives of "Improved sector safety performance" and "A vibrant aviation system".</p>	<p> * Policy advice provided to Ministers, other government departments and agencies meets Treasury and Department of Prime Minister and Cabinet (DPMC) guidelines (as per section 3.2 of "Reorganisation of Appropriations for Policy Advice – Guide for Departments (Treasury 2011) and DPMC policy guidance").</p>	100%	100%	100%	For the year ended 30 June 2019, the Authority provided policy advice in support of: Cabinet decisions on the sustainable funding of the Aviation Security Service (Avsec), the development of the Civil Aviation Bill, and urgent advice on the aviation security response in the wake of the March 2019 Christchurch attacks. All policy advice is delivered within the relevant guidelines.
	<p> * All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies.</p>	100%	100%	100%	The Authority has provided policy advice to all parties within agreed standards and timelines.

1.4 System Level Design and Intervention	Performance Measure	2017/18 Actual	2018/19		Comments
			Target	Actual	
<p>What is intended to be achieved</p> <p>This category is intended to achieve an effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>The proactive identification of emerging issues within the civil aviation environment allows us to develop minimum safety and security standards for aviation participants that directly contribute to all three of the objectives defined in the Authority's strategic framework.</p>	<p>Emerging issues that directly impact on civil aviation are identified and prioritised for assessment – internationally, within the business environment, from the public arena and cross-government.</p>	Significant emerging issues directly impacting on civil aviation environment are proactively briefed to the Minister of Transport including mitigating strategies	Achieved	Achieved	This measure was achieved through the ongoing coordination and assessment of emerging issues through the Authority's issue assessment process. To the year ended 30 June 2019 this included completion of 21 issue assessments and 6 meetings of the Authority's Issue Review Panel. Key issues considered included a range of regulatory improvements to support the uptake of performance-based navigation (PBN) and refinements to rules on cost-sharing and trial flights.
	<p>All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.</p>	100%	100%	100%	The Authority meets the requirements set in the issues assessment procedures for all assessments.
<p>1.5 Rules and Standards Development</p> <p>What is intended to be achieved</p> <p>This category is intended to achieve timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO standards.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>A robust and fit for purpose regulatory structure directly contributes to all three of the objectives defined in the Authority's strategic framework.</p>	<p>Number of rules under development agreed between the Authority and the Ministry of Transport.</p>	7	6-10	5	The target number of rule projects is the result of a negotiation process with the Ministry of Transport (the Ministry) and is not contractual. The actual number of rules under development are those agreed with the Ministry throughout the year. We continue to make good progress of key rules, such as Civil Aviation Rule Part 66- <i>Engineer Licensing</i> , Private Pilot Licence medical requirements, and Omnibus rule updates. The rules programme is attached at Appendix 3.
	<p>Number of rules completed agreed between the Authority and the Ministry of Transport.</p>	3	3-5	1	The Authority completed the number of rule projects (1) that were able to be coordinated and resourced with the Ministry.
	<p>Documentation provided to the Ministry of Transport that is accepted by the Ministry as meeting timeliness and quality standards established in the Ministry's "Regulatory Development and Rule Production Handbook" (the Handbook) and Treasury's "Guide to Cabinet's Impact Analysis Requirements".</p>	100%	100%	100%	The Ministry of Transport standards for regulatory development and rule production were met as evidenced by the retention of the rules programme at Appendix 3.
<p>1.6 Pacific support</p> <p>What is intended to be achieved</p> <p>This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>Our objectives of "improved sector safety performance" and "a vibrant aviation system" are demonstrated through our role as a regional leader and safety promoter to the Pacific States.</p>	<p>The provision of regulatory assistance and advice to eight Pacific Island Countries (PICs) to further develop and enhance aviation regulatory safety and security requirements across the South West Pacific region delivered in accordance with the objectives of the "Principal Aviation Regulatory Advisor (Pacific Islands)" project¹ (1 July 2016 – 30 June 2019).</p>	Achieved	Achieved	Achieved	The Authority continues to maintain and build relationships with our PIC partners, regularly facilitating engagement to enhance regulatory safety and security performance in the region.
	<p>Assistance to PICs on improving aviation security requirements supports the PICs' ability to achieve and maintain appropriate levels of compliance with national and international standards and recommended practices, in accordance with the objectives of the "Pacific Island Aviation Security Coordination" project¹ (1 July 2018 – 30 June 2023) and the 'screening systems procurement' project (1 July 2018 – 30 June 2023).</p> <ul style="list-style-type: none"> Percentage of Evaluation Reports provided to the Pacific Security Coordination Committee that meet the project objectives and deliverables. 	100%	100%	100%	The Authority is also supporting the Ministry of Foreign Affairs and Trade in the provision of specialist security equipment to the Pacific, to raise security standards in the region.

KEY

 Quality
  Timeliness
  Quantity
  Effectiveness

Output Highlights

Working internationally – building relationships to increase safety and deliver economic benefits

The Authority continued to build strong relationships with like-minded national aviation authorities through: a trilateral agreement with Transport Canada and the Civil Aviation Safety Authority of Australia (CASA) enabling greater sharing of information, resource and best practice; hosting of the 21st Asia-Pacific Bilateral Partners Dialogue Meeting in June 2019. These relationships form a solid foundation to actively engage on a significant global aviation safety issues such as the grounding of the Boeing 737 MAX fleet.

Supporting Pacific Island nations We actively support our Pacific neighbours to improve regional air safety and security, including supporting the Pacific Aviation Security Office (PASO) and agreements with several Pacific Island states to provide advice and technical assistance. This helps to make air travel safer and more secure for the large number of New Zealand tourists travelling to the Pacific each year, and bolsters the security 'back-door' into New Zealand and other nations.

Avsec Funding Review 2018/19 The Avsec Funding Review 2018/19 introduced new Passenger Security Levies on 1 July 2019 which developed a sustainable, efficient and effective mechanism for recovering Avsec's costs of service delivery.

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Cost to deliver output class 1: Policy and Regulatory Strategy				
Crown funding (Vote Transport: Policy advice)	2,029	2,030	(1)	2,079
Ministry of Transport contract revenue (rules development & Pacific)	2,422	1,924	498	1,842
Levies	1,883	1,527	356	1,370
Fees and charges	29	-	29	16
Other revenue	-	-	-	-
Revenue	6,363	5,481	882	5,307
Expense	(6,363)	(5,481)	(882)	(5,307)
Net Surplus/(Deficit)	-	-	-	-

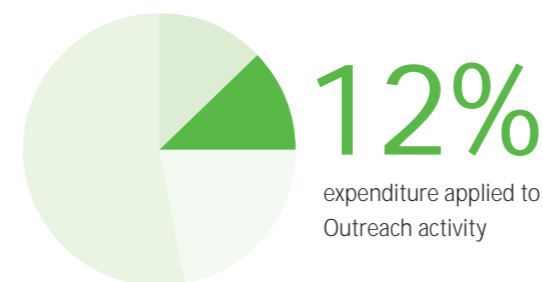
1. Project funded through the New Zealand Aid Program.

Output Class 2: Outreach

What we do under this output class:

- Foster and promote safety and security across the civil aviation sector;
- Foster and promote health and safety at work within the bounds of the Authority designation; and
- Raise public awareness on transport of dangerous goods by air.

TOTAL REGULATORY FUNCTION EXPENSE



SYSTEM LEVEL BENEFITS

If we focus our resource in the right places we will achieve:



Positive economic impact

Indicator: Low and decreasing social cost of air accidents and incidents.

Result: Refer Appendix 4b



Safe and secure people

Indicator: Increased confidence in the safety and security of the civil aviation system.

Result: 2019 Colmar Brunton survey: 77% of resident and 89% of International travellers feel safe in on flights in or from New Zealand. This is very similar to results from 2017 (the most recent survey).

2.1 Outreach

What is intended to be achieved

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

How does this contribute to our objectives?

(as described in the strategic framework of the Authority on pages 22-23).

People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes. This directly contributes to all three of our objectives defined in our strategic framework.

Performance Measure	2017/18 Actual	2018/19		Comments
		Target	Actual	
⊕ Number of regular publications released including quarterly safety summary data reports, six-monthly aviation safety reports, and bi-monthly Vector magazines.	11	12	11	During the year the Authority moved to publishing our industry magazine, Vector, from monthly to quarterly. This recognises the changes in communication channels by utilising other channels to provide high quality information to the sector such as Good Aviation Practice (GAP) booklets, updated web content and timely news releases.
⊕ Number of other targeted publications.	19	8-12	10	GAP booklets are freely available on www.aviation.govt.nz. Printed copies can also be obtained freely from the Authority direct.
Ⓞ ⊕ Percentage of reports and publications that are produced in accordance with the Authority's procedures. ²	100%	100%	100%	The Authority maintains a focus on delivering all outreach reports and publications within prescribed standards and timelines.
Education				
⊕ Number of educational units (seminars, workshops and courses) delivered to 30 June 2019.	10	20-30	10	The Authority focused effort on running a record number (6) of revised Airworthiness and Maintenance workshops. These workshops were overhauled to meet current requirements. This included the use of an instructional designer, production of new course material and a facilitator handbook. The same review is currently being applied to the Aviation Safety Officer course. Avkiwi seminars, which have been suspended for the past few years due to reallocation and reprioritisation of resource, are set to resume in 2020.
Ⓞ Percentage of educational units that are rated by participants as a 3 or higher ³ in their overall rating of the seminar and the benefit provided.	100%	100%	100%	Post-seminar surveys do not specifically ask participants to assess the benefit received from a course, as this would be hard to determine immediately upon completion. Based on the overall participant scores, the courses consistently achieved ratings of 3 (Good), 4 (Very good) and 5 (Excellent). The Authority determined that 100% of participants have therefore benefited from the course. The 19/20 assessment process has been changed to better assess impacts and benefits.

KEY

Ⓞ Quality ⊕ Timeliness ⊕ Quantity Ⓞ Effectiveness

Output Highlights

Safety and security promotion The Authority focused on raising awareness of safety concerns. With the popularity of unmanned aerial systems (drones) the Authority responded to a potential risk through a safety campaign launched in time for Christmas 2018. The humorous campaign, which used 'wit to educate an unwitting public' was widely shared on social media. In mid-2019 the campaign was awarded the Supreme Award by the Public Relations Institute of New Zealand.

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Cost to deliver output class 2: Outreach				
Levies	5,857	5,413	444	5,238
Fees and charges	-	-	-	-
Other revenue	106	40	66	84
Revenue	5,963	5,453	510	5,322
Expense	(5,784)	(5,618)	(166)	(5,370)
Net Surplus/(Deficit)	179	(165)	344	(48)

2. Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report, Aviation Safety Report 28-48-080 Aviation Safety Summary Report – Producing the six – monthly Aviation Safety Report Vector magazine: Authority Internal Procedure. Other publications in accordance with agreed process delivery.

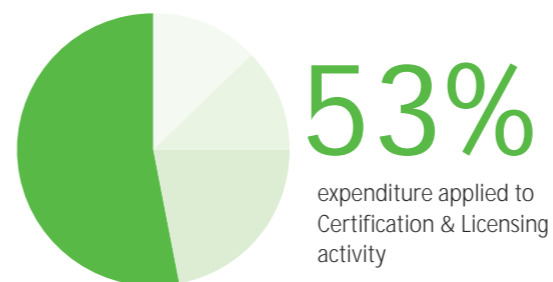
3. Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar? How would you rate the seminar overall?

Output Class 3: Certification & Licensing

What we do under this output class:

- 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; and
- Exercises control over the exit from New Zealand's civil aviation system through the suspension and revocation of documents.

TOTAL REGULATORY FUNCTION EXPENSE



SYSTEM LEVEL BENEFITS

If we focus our resource in the right places we will achieve:

- Positive economic impact**
Indicator: Low and decreasing social cost of air accidents and incidents.
Result: Refer Appendix 4b
- Safe and secure people**
Indicator: Increased confidence in the safety and security of the civil aviation system.
Result: 2019 Colmar Brunton survey: 77% of resident and 89% of International travellers feel safe in on flights in or from New Zealand. This is very similar to results from 2017 (the most recent survey).
- Improved resilience and security**
Indicator: Low and decreasing risk profiles in aviation document holders.
Result: Refer Appendix 4d

3.1 Certification & Licensing

What is intended to be achieved

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

How does this contribute to our objectives?

(as described in the strategic framework of the Authority on pages 22-23).

The robust assessment and certification of participants in the civil aviation system ensures we meet our objective of "improved sector safety performance".

Performance Measure	2017/18 Actual	2018/19		Comments
		Target	Actual	
⊕ Number of certification tasks carried out (demand driven volumes provided for contextual information): <ul style="list-style-type: none"> • Organisation • Aircraft • Service providers 	1,288	1,200-1,600	1,590	The number of aircraft certifications are demand driven. Participant organisation certification activities are cyclic in nature, running on a 5-yearly cycle. This results in busy and light years, which can be and are predicted as a component of annual budget planning work.
⊕ Number of licensing procedures carried out.	721	930-1,130	731	
⊕ 115	5,963	5,000-7,000	6,734	
🏆 Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy ⁴).	Met	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	Achieved	The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating and driving continual improvement of the Authority's regulatory performance. It is designed to assess the quality and effectiveness of the Authority's regulatory functions. For information on the activities supporting this measure, refer to the Regulatory Oversight Review – Annual Summary and Findings on pages 76-77.

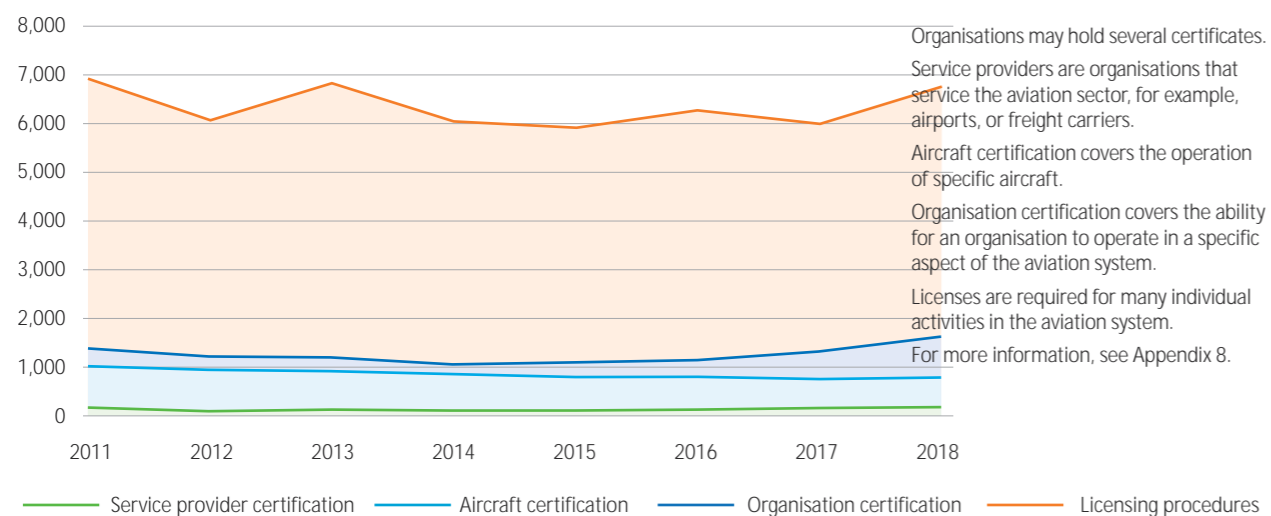
KEY

- 🏆 Quality
- ⏱️ Timeliness
- ⊕ Quantity
- 🏆 Effectiveness

Output Highlights

Trends in certification and licensing While licensing is demand driven, certification activities are cyclic in nature, running on a 5-yearly cycle. This results in busy and light years, which can be, and are, predicted as a component of annual budget planning work.

CERTIFICATION AND LICENSING ACTIVITY



Cost to deliver output class 3: Certification and licensing	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Levies	18,739	18,243	496	17,168
Fees and charges	7,203	5,991	1,212	6,876
Other revenue	473	177	296	385
Revenue	26,415	24,411	2,004	24,429
Expense	(25,627)	(24,946)	(681)	(24,656)
Net Surplus/(Deficit)	788	(535)	1,323	(227)

4. The Regulatory Oversight Review Policy includes three components of assessment, PDCA (plan, do, check, act reviews), Internal Assurance and Intervention effectiveness. One, all, or a combination of the three components will be utilised each quarter to assess progress.

Output Class 4: Surveillance & Investigation

What we do under this output class:

- Monitor the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- Conduct inspections, audits and investigations under the Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms (HSNO) Amendment Act 2015;
- Assess safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- Take appropriate regulatory action in the public interest to enforce the provisions of the Acts and Rules and to address safety risk.

TOTAL REGULATORY FUNCTION EXPENSE



SYSTEM LEVEL BENEFITS

If we focus our resource in the right places we will achieve:

- Positive economic impact:**
Indicator: Low and decreasing social cost of air accidents and incidents.
Result: Refer Appendix 4b.
- Safe and secure people:**
Indicator: Increased confidence in the safety and security of the civil aviation system.
Result: 2019: 77% of resident and 89% of International travellers feel safe in on flights in or from New Zealand.
- Improved resilience and security:**
Indicator: Low and decreasing risk profiles in aviation document holders.
Result: Refer Appendix 4d.

4.1 Surveillance & Investigation

What is intended to be achieved

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

How does this contribute to our objectives?

(as described in the strategic framework of the Authority on pages 22-23).

People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of "improved sector safety performance" and "effective and efficient security services".

Performance Measure	2017/18 Actual	2018/19		Comments
		Target	Actual	
Health and Safety at Work Act 2015				
* Number of health and safety at work investigations, audits, and inspections.	28	30-55	43	In addition to conducting our standard activity under the Act, the Authority focused effort on closing prior year activity. The Authority also carried out an additional 16 education and advice engagements with participants.
* Number of aviation-specific good practice guides and guidance material developed and maintained.	2	2-5	2	The Authority has created a designated webpage for forms and guides that cover Health & Safety Fact sheets and good practice guides from within the Authority and across the public sector such as Worksafe and ACC.
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy ⁵).	Not Met	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	Achieved	The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating and driving continual improvement of the Authority's regulatory performance. It is designed to assess the quality and effectiveness of the Authority's regulatory functions. For information on the activities supporting this measure, refer to the Regulatory Oversight Review – Annual Summary and Findings on pages 76-77.
* Percentage of all health and safety work types completed within 6 months.	10%	60%	43%	These measures cover the number of work requests closed within 6 or 12 months of being raised. The increased closure rate over 2018/19 reflects increasing capacity within the Authority. The overall rate is still influenced by our risk-based approach to regulatory oversight which can see us re-directing resources during the year, to improve safety outcomes.
* Percentage of all health and safety work types ⁶ completed ⁷ within 12 months.	33%	100%	54%	
Hazardous Substances and New Organisms (HSNO) Amendment Act 2015				
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy).	New Measure	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	Achieved	The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating and driving continual improvement of the Authority's regulatory performance. It is designed to assess the quality and effectiveness of the Authority's regulatory functions. For information on the activities supporting this measure, refer to the Regulatory Oversight Review – Annual Summary and Findings on pages 76-77.
* Percentage of all HSNO work types ⁶ completed ⁷ within 6 months.	New Measure	60%	32%	These measures are determined from the number of work requests closed within stated periods of time since being raised. The lower than intended figure reflects the difficulty the Authority has had in recruiting HSNO inspectors.
* Percentage of all HSNO work types ⁶ completed ⁷ within 12 months.	New Measure	100%	63%	

KEY

- Quality
- Timeliness
- Quantity
- Effectiveness

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

6. All work types includes assessment and audits as well as investigations.

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

4.1 Surveillance & Investigation









What is intended to be achieved

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

How does this contribute to our objectives?

(as described in the strategic framework of the Authority on pages 22-23).

People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of "improved sector safety performance" and "effective and efficient security services".

Performance Measure	2017/18 Actual	2018/19		Comments
		Target	Actual	
Civil Aviation Act 1990				
<p> Number of audits, inspections and spot checks.</p>	427	500-600	442	Our focus on SMS certification during 2018/19 has meant that resources have been allocated to the in-depth assessment of the effectiveness of operators' overarching safety management systems and their management of safety risks for certification rather than targeted audits, inspections and spot checks.**
<p> Number of safety and regulatory investigations (demand driven):</p> <ul style="list-style-type: none"> • Safety Investigations • Enforcement Investigations • Aviation Related Concerns (ARC) Investigations • 15A Investigations 	318	300-390	357	Safety investigations are conducted on occurrences where a safety benefit would be derived
	33	20-40	44	Enforcement investigations are demand driven and follow Authority standards.
	392	300-360	728	During this reporting period the Authority has acted on several recommendations from an internal review of the way ARC's are managed. The implemented improvements included a concerted effort to close historic ARC's. This impacted not only the number closed but the associated timeliness measure below.**
	6	5-10	5	The primary purpose of a section 15A investigation is to help determine if action is required to prevent future harm. Investigations are demand driven.
<p>  Percentage of total occurrences⁸ investigated or reviewed. (The aim of the safety investigation team is to investigate all occurrences where a safety benefit would be derived).</p>	New Measure	5% of occurrences classified as Minor	100% reviewed 3% investigated	9,357 occurrences were reviewed. The occurrences were classified as: 94% minor, 5% major and 1% critical. Investigations were conducted on 375 (4%) of occurrences where a safety benefit would be derived. The balance of no-investigated critical occurrences were either investigated by the Transport Accident Investigation Commission (TAIC) or identified as not deriving a safety benefit for the system.
	New Measure	40% of occurrences classified as Major	100% reviewed 27% investigated	
	New Measure	80% of occurrences classified as critical	100% reviewed 16% investigated	
<p> Number of Themes and Systems Safety Investigations conducted⁹.</p>	New Measure	2	2	A Themes and Systems Safety Investigation (TSSI) takes a systemwide view to problem-solving possible safety risks across the aviation system. During the 2018/19 year two investigations were completed. The results of those investigations are being analysed.
<p> Number of hours spent on targeted safety analysis by sector:</p> <ul style="list-style-type: none"> • Airline Sector • Helicopter and agricultural • Other 	1,089	1,200	1,036	Safety analysis resources were re-prioritised to provide a stronger focus on the helicopter and agricultural and "other" sectors, based on assessment of risk and where the biggest impacts on safety outcomes could be achieved. 'Other' Sector includes Air traffic control Commercial non-passenger operations and Non-commercial flying all of which are experiencing increased rates of reported safety occurrences.
	1,330	1,200	1,348	
	1,152	1,200	1,588	
<p>  Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy¹⁰).</p>	Achieved	Demonstrated continuous improvement through the application of strengths / weaknesses and opportunities identified.	Achieved	The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating and driving continual improvement of the Authority's regulatory performance. It is designed to assess the quality and effectiveness of the Authority's regulatory functions. For information on the activities supporting this measure, refer to the Regulatory Oversight Review – Annual Summary and Findings on pages 76-77.

KEY

 Quality  Timeliness  Quantity  Effectiveness

8. An occurrence is an incident or accident.

9. A Themes and Systems Safety Investigation reviews safety information – including occurrences – with the aim of identifying any themes and/or system influences relative to those themes, which may lead to system safety issues.

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

4.1 Surveillance & Investigation	Performance Measure	2017/18 Actual	2018/19		Comments
			Target	Actual	
<p>What is intended to be achieved</p> <p>This category is intended to achieve continued assurance that the civil aviation system in New Zealand is safe and secure.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of “improved sector safety performance” and “effective and efficient security services”.</p>	<p>Civil Aviation Act 1990</p> <p> Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines.</p> <p> Percentage of regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model.</p> <p>Percentage of Aviation Related Concern investigations completed within 6 months</p> <p>Percentage of Aviation Related Concern investigations completed within 12 months</p>	100%	100%	100%	<p>All regulatory and safety investigations conducted must meet strict standards set by the Authority.</p> <p>In addition, for regulatory investigations, an independent review is conducted to ensure not only are the Authority standards applied, but that the recommendations made are reasonable with respect to the Regulatory Operating Model.</p> <p>The independent review conducted by a third party assessed a random sample of 5% of investigations completed by the Authority in 2018/19. The conclusion of the review found that all decisions made by the Authority were in line with requirements, were appropriate and were supported.</p> <p>Refer ** comment on previous table relating to ARC activity and to the output highlights for further information.</p>
	100%	100%	100%		
	New Measure	80%	52%		
	New Measure	100%	74%		

KEY

 Quality  Timeliness  Quantity  Effectiveness

Output Highlights

Aviation related concerns (ARC) An ARC is information provided to the Authority which is considered by the submitter to be a concern for the system. ARCs are very valuable sources of information to the Authority, providing insight into areas of risk that we may not otherwise be aware of. During 2018/19 we revised our approach to handling and investigating ARCs, to ensure that we respond to information in a timely and appropriate way, relative to the safety risk raised. For further information, refer to page 77.

Security environment The domestic and international security environment is continually evolving. As the events of 15 March 2019 in Christchurch tragically demonstrated, threats that are not specific to aviation can still result in significant impacts for the aviation system, requiring a response. Over the last year the Authority has continued to work with its domestic and international security partners to ensure that New Zealand's aviation security system provides appropriate levels of protection for all users of the aviation system and that people and goods can travel safely and efficiently across New Zealand and internationally.

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Cost to deliver output class 4: Surveillance and Investigation				
Crown funding (Vote Transport: Health and safety in employment)	1,326	1,706	(380)	1,275
Levies	8,932	10,263	(1,331)	9,480
Fees and charges	99	185	(86)	108
Other revenue	195	344	(149)	177
Revenue	10,552	12,498	(1,946)	11,040
Expense	(10,575)	(12,598)	2,023	(11,305)
Net Surplus/(Deficit)	(23)	(100)	77	(265)

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Regulatory Function				
Cost to deliver output class 1 – 4				
Crown funding	3,355	3,736	(381)	3,354
Ministry of Transport contract revenue	2,422	1,924	498	1,842
Levies	35,411	35,446	(35)	33,256
Fees and charges	7,331	6,176	1,155	7,000
Other revenue	774	561	213	646
Revenue	49,293	47,843	1,450	46,098
Expense	(48,349)	(48,643)	294	(46,638)
Net Surplus/(Deficit)	944	(800)	1,744	(540)

Output Class 5: Security Service Delivery

What we do under this output class:

- Screen all passengers and their carry-on baggage at security designated airports;
- Screen all hold baggage on departing international flights and domestic flights of over 90 seats;
- Screen airport workers with access to enhanced security areas;
- Manage the issue of airport identity cards;
- Conduct perimeter patrols at security designated aerodromes and navigation facilities; and
- Maintain preparedness to provide a maritime security response role to a high-level threat situation at the Port of Auckland affecting cruise ships or their passengers

TOTAL SECURITY SERVICE EXPENSE



SYSTEM LEVEL BENEFITS

If we focus our resource in the right places we will achieve:



Safe and secure people:

Indicator: Increased confidence in the safety and security of the civil aviation system.

Result: 2019: 77% of resident and 89% of International travellers feel safe in on flights in or from New Zealand.



Improved resilience and security

Indicator: No airside or in-flight security incidents that compromise safety.

Result: Achievement of the output class performance measures.

5.1 Screening Activity

What is intended to be achieved

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

How does this contribute to our objectives?

(as described in the strategic framework of the Authority on pages 22-23).

By meeting our objective of “effective and efficient security services” we ensure that threats are identified, and associated risks are managed. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

Performance Measure	2017/18 Actual	2018/19		Comments
		Target	Actual	
Number of flight delays attributable to screening activities (due to security system failure ¹¹).	19	nil	24	These delays resulted from five distinct situations where genuine security concerns were followed up to ensure there was no risk. While not desirable, these delays were a justifiable consequence of eliminating any potential danger. A nil target is maintained to keep focus on such incidents but reflect commitment by the Aviation Security Service to maintaining a secure environment for passengers. For 2019/20, wording for this measure has been amended to relate to ‘unjustifiable’ flight delays, to make this intent clearer.
Average passenger wait times at international departure screening points for operational efficiency and customer satisfaction.	2 mins 55 sec	≤ 3 mins	2 mins 26 sec	
Average passenger wait times at domestic departure screening points for operational efficiency and customer satisfaction.	2 mins 42 sec	≤ 3 mins	1 min 45 sec	
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure ¹¹).	0.96 per million items screened	< 3.4 items per million screened	3.00 items per million screened	Target met, but reasons for increased trend being investigated for ongoing monitoring. Avsec screened over 47 million bags during the year. Our security systems are risk based. Whilst any failure is undesirable, the low level of items discovered, within the set target, represents an acceptably low level of risk.
Number of verified dangerous goods discovered post screening points (due to security system failure ¹¹).	0.47 per million items screened	< 3.4 items per million screened	0.59 items per million screened	
Number of substantiated complaints by passengers against the Aviation Security Service.	0.64 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened	1.42 per 250,000 passengers screened	Higher levels of substantiated complaints have been received throughout the year. Avsec are currently doing a root cause analysis to understand the drivers behind the complaints and introduce effective mitigations.
Percentage of Explosives Detection Dog teams that respond to reactive calls ¹² on or in the vicinity of the Tier 1 airport environs ¹³ deployed within five minutes.	4 mins 18 sec average	100%	100%	Equates to 3 mins 01 sec.
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane: <ul style="list-style-type: none"> • Metro-domestic airports (Auckland, Wellington, Christchurch) • Metro international airports (Auckland, Wellington, Christchurch) • Regional combined (domestic and international) airports (Queenstown and Dunedin). 	78.11% 61.77% 57.79%	>67.5% >64.0% >57.5%	77.21% 64.33% 57.62%	The optimum level of 270 in this measure is a safe capacity with existing equipment. The different respective targets for each class of airport reflect the fact that due to fluctuating airline schedules, there are many times when insufficient passengers present to allow the optimum to be met. Avsec is in the process of rolling out new screening point technologies which will over time allow a higher optimum capability, with improved security outcomes.

KEY

Quality Timeliness Quantity Effectiveness

11. 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.

12. Reactive calls are where Explosive Detection Dog teams are requested to attend, e.g., unattended vehicles, etc.

13. Excluding Dunedin.

5.1 Screening Activity	Performance Measure	2017/18 Actual	2018/19		Comments
			Target	Actual	
<p>What is intended to be achieved</p> <p>This category is intended to achieve keeping passengers and people on the ground safe from a security threat.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>By meeting our objective of “effective and efficient security services” we ensure that threats are identified, and associated risks are managed. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.</p>	<p>⊕ Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus¹⁴)</p>	6.9%	<12% rostering surplus	6.9%	
	<p>⊕ Explosives Detection Dog (EDD) teams undertake proactive patrols¹⁵ in and around the Tier 1 airports within which they operate.</p>	61,174	50,000-70,000	42,783	In the wake of events in Christchurch in March 2019, Avsec EDD teams were deployed for additional airport requirements and to assist other agencies in ensuring the security of public areas nationwide. These additional deployments, as part of wider security activities, has left less time available for self-directed proactive patrols.
<p>5.2 Audit performance; Access control; Maritime security services</p> <p>What is intended to be achieved</p> <p>This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.</p> <p>How does this contribute to our objectives? (as described in the strategic framework of the Authority on pages 22-23).</p> <p>High standards maintained in the delivery of security services directly contribute to our objective of “effective and efficient security services”.</p> <p>KEY</p> <p>🗨 Quality ⊕ Timeliness ⊕ Quantity 🎯 Effectiveness</p>	<p>🎯 Audit Performance: Percentage of any audit findings cleared within the specified timeframes.</p>	100%	100%	100%	
	<p>🗨 Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit.</p>	1	nil	3	Three Regulator audits raised non-conformances requiring corrective actions. These related to details of sterile area screening, patrol coverage, and testing logs. Management action has been taken to address all non-conformances, which did not represent a serious security risk.
	<p>🗨 Access Control: Number of corrective action requests pertaining to access control issued by the Regulator.</p>	3	nil	nil	
	<p>🗨 * Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support</p>	nil	nil	nil	
	<p>🗨 Customer Complaints: Percentage of any customer complaints cleared within 28 days.</p>	100%	100%	98.5%	All complaints were responded to within the target time period, but a small number were not fully cleared within that time due to ongoing correspondence with the complainants.

Output Highlights

Avsec Future 2022 and Beyond During 2018/19, Avsec continued to update the technology and infrastructure used to screen passengers and baggage, and focused on collaborative and innovative initiatives including smart lanes at Auckland International departures and full body scanners. Further information on this work and other developments is detailed on page 31.

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Cost to deliver output class 5: Security service delivery				
Contracted services	3,487	3,464	23	3,590
Passenger security charges	98,928	99,630	(702)	95,973
Crown funding – Maritime Port Security	145	145	-	145
Other revenue	1,043	1,059	(16)	1,092
Revenue	103,603	104,298	(695)	100,800
Expense	(110,915)	(111,275)	360	(101,611)
Net Surplus/(Deficit)	(7,312)	(6,977)	(335)	(811)

	2019 Actual \$000	2019 Budget	2019 Variance	2018 Actual \$000
Output Class Financials				
Policy and regulatory strategy	(6,363)	(5,481)	(882)	(5,307)
Outreach	(5,784)	(5,618)	(166)	(5,370)
Certification and licensing	(25,627)	(24,946)	(681)	(24,656)
Surveillance and Investigation	(10,575)	(12,598)	2,023	(11,305)
Regulatory Function delivery total	(48,349)	(48,643)	294	(46,638)
Security Service delivery	(110,915)	(111,275)	360	(101,611)
Security Service delivery total	(110,915)	(111,275)	360	(101,611)

Output Classes Financial Commentary

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. The eliminations, which have been included in the Financial Statements, include audit work conducted by the Regulatory Function for the Security Service and inter-entity rent amounting to \$333,000 (2018: \$242,000).

14. Rostering surplus is the percentage of time that operational staff is deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand. When the rostering system indicates <12% rostering surplus, this is a good indication that all staff are assigned to a duty and are linked to a flight schedule to inform resourcing decisions.

15. Proactive patrols are foot patrols conducted around the airport, both airside and landside, and includes, car parks, check in areas, food court, baggage makeup areas, duty free areas, airline lounges, gate lounges, pier areas, walkways, storage areas etc.

INFORMATION TO SUPPORT OUTPUT CLASSES 3 AND 4 PERFORMANCE

Regulatory Oversight Review – annual summary and findings

What is the Regulatory Oversight Review Programme?

The Regulatory Oversight Review (ROR) programme is an outcome-based system for evaluating and driving continual improvement of the Authority's regulatory performance.

The results of the ROR inform the quality and effectiveness performance measures for continuous improvement under output class 3 (Certification & Licensing) and output class 4 (Surveillance & Investigation).

The three components of the programme are:

1. Plan-Do-Check-Act (PDCA) process reviews – these assess the overall execution of regulatory activities, including procedures, alignment to principles of good regulation, risk management and behaviours.
2. Internal Review of regulatory operations – these are internal, regulatory focused, systems-based reviews conducted independently of the operational units.
3. Measurement of the Effectiveness of Interventions (IEM) – these measure how well interventions achieve their goals based on an assessment of the intent, capability, and results associated with an intervention.



Plan-Do-Check-Act (PDCA) review notes

Themes of Plan-Do-Check-Act findings

Required documentation not completed/incorrectly completed/not available	26
Failure to follow correct policy/procedure/process	17
Poor record keeping/lack of evidence to support decision making	12
Incorrect/poor filing/archiving of information/records/evidence	6
Uncontrolled/Incorrect documentation used	5
Poor timeliness	3
	69

Summary of reviews and findings in 2018/19

TYPE AND NUMBER OF REVIEWS CARRIED OUT IN 2018/19

Measure	Number Completed	Intended Number to be Completed*	% complete
PDCA	98	156	63%
IEM	1	4	25%
Internal Audit (Assurance & Risk)- Regulatory Focus	2	3	66%

* Although the ROR process has intended targets for each element, these are not prescriptive. They guide the Authority's focus to concentrate activity on areas where improvement in internal practice will facilitate safety outcomes in the regulatory environment. For example, the Authority made a deliberate decision to only undertake one IEM review this financial year and use the outcome of that to evaluate the overall process to determine its usefulness and appropriateness going forward.

In total for the year ended 30 June 2019, 98 PDCA reviews were submitted. Of the improvement opportunities identified from these reviews, 12 resulted in formal actions raised. Other improvement opportunities were implemented without the need for a formal action to be raised. The rate of conversion of improvement opportunities to formal action is an area of concern that the Authority is working on. The recently introduced Quality Dashboard, discussed under management oversight tools below, aims to address this through increased focus and visibility of the Regulatory Oversight Review.

Intervention Effectiveness Measurement (IEM) review notes

An IEM of the changes made to Hamilton Airspace in 2016 was conducted in 2018/19. The recommendations from this review highlight areas for improvement within time recording practices (system), training needs for staff and effective stakeholder engagement. These are being considered by Management for the appropriate response.

Internal Review – Regulatory Focus notes

Two Internal Reviews, Aviation Related Concerns (ARCs) and the Regulatory Craft Programme were completed to 30 June 2019. Eight findings were identified and actions to address those findings agreed. The success of these reviews and the actions taken is demonstrated below through the ARC summary.

Continuous improvement of our regulatory functions in 2018/19

Internal Review of Aviation Related Concerns (ARCs)

The Internal Review of ARCs conducted provides an example of the ROR continuous improvement cycle. This review identified findings to be addressed across the ARC process; clarity of ownership, policies, guidance and training, record of ARCs received and triage process, completeness of ARC investigation records, timeliness, monitoring and reporting of ARCs and use of ARCs to inform broader decision making. An action plan was developed to specifically address the findings identified in these areas and included establishing additional ARC quality assurance measures.

Particular benefits from this Review include:

- Confidence that the ARC process is robust and we are responding and addressing safety and security risks that have been identified through ARCs, appropriately.
- Organisation wide input into the change process leading to an understanding and ownership of the ARC process.

The quality of output from ARCs will continue to be monitored and measured via quality check and quarterly PDCAs, while the effectiveness of the new process will be measured in time using the Intervention Effectiveness Measurement tool.

Management oversight tools

A Management Oversight Framework has been initiated to review and improve our surveillance function, and once completed, will inform other areas of regulatory activity.

A Quality Dashboard was introduced, to ensure findings are addressed and remedied. The introduction of the dashboard has ensured a focus on continuous improvement through resolution of issues.

THE PLAN-DO-CHECK-ACT METHODOLOGY

The Plan-Do-Check-Act (PDCA) methodology is a major component of the Regulatory Oversight Review Programme.

The methodology works on the principle that a Plan-Do-Check-Act sequence can be applied to all CAA processes and activities.

- **Planning** focuses on establishing the objectives of the activity, the risks and the resources needed in the context of the organisation's values, policies and procedures.
- **Doing** focuses on implementing what was planned and the way the activities were carried out (behaviour).
- **Checking** focuses on monitoring and measuring the activities and the results achieved (against the objectives, requirements, values, policies and procedures). In essence this step involves comparing actual results to expected outcomes and analysing the differences.
- **Acting** focuses on the actions taken to improve process performance.

Financial Statements



Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2019

	NOTE	2019		2018
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
REVENUE				
Levies revenue	2	35,565	35,446	33,256
Passenger security charges	2	98,928	99,630	95,973
Revenue from other services	2	10,776	9,621	10,573
Crown funding revenue	3	3,500	3,881	3,499
Ministry contract revenue	3	2,422	1,924	1,842
Interest revenue		985	924	1,109
Other revenue	4	387	468	404
Total revenue		152,563	151,894	146,656
EXPENSE				
Personnel costs	5	126,211	124,889	116,893
Depreciation and amortisation expense	12,13	3,957	4,394	4,052
Finance costs	6	138	177	139
Other expenses	7	28,625	30,211	26,923
Total expenses		158,931	159,671	148,007
Net Surplus / (Deficit)		(6,368)	(7,777)	(1,351)
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(6,368)	(7,777)	(1,351)

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

Statement of Financial Position

For the Year Ended 30 June 2019

	NOTE	2019		2018
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
ASSETS				
Current Assets				
Cash and cash equivalents	8	9,384	3,035	5,145
Receivables	9	14,299	13,615	13,509
Investments- term deposits	10	21,733	14,500	30,355
Services work in progress		148	178	208
Prepayments		1,287	595	624
Investment property	14	-	-	21
Total Current Assets		46,851	31,923	49,862
NON-CURRENT ASSETS				
Property, plant and equipment	12	16,688	21,149	16,776
Intangible assets	13	868	5,585	504
Total Non-Current Assets		17,556	26,734	17,280
Total Assets		64,407	58,657	67,142
LIABILITIES				
Current Liabilities				
Creditors and other payables	15	8,971	5,595	6,529
Derivative financial instruments	11, 27	24	-	-
Employee entitlements	16	12,267	11,781	12,713
Provisions	17	1,279	145	864
Total Current Liabilities		22,541	17,521	20,106
Non-Current Liabilities				
Derivative financial instruments	11, 27	18	-	-
Employee entitlements	16	8,950	6,951	7,593
Provisions	17	468	778	645
Total Non - Current Liabilities		9,436	7,729	8,238
Total Liabilities		31,977	25,250	28,344
Net Assets		32,430	33,407	38,798
EQUITY				
General funds	18	26,331	25,191	24,987
Property, plant and equipment revaluation reserve	18	-	-	746
Passenger security charges and other fees and charges reserves	18	6,099	8,216	13,065
Total Equity		32,430	33,407	38,798

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	NOTE	2019		2018
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
EQUITY				
Opening balance of equity at 1 July				
General funds	18	24,987	25,591	25,468
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	13,065	14,845	13,935
Total opening balance of equity at 1 July		38,798	41,182	40,149
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		(6,368)	(7,777)	(1,351)
Total changes in equity during the year		(6,368)	(7,777)	(1,351)
Closing balance of equity at 30 June				
General funds	18	26,331	25,191	24,987
Property, plant and equipment revaluation reserve	18	-	-	746
Passenger security charges and other fees and charges reserves	18	6,099	8,216	13,065
Total closing balance of equity at 30 June		32,430	33,407	38,798

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2019

	NOTE	2019		2018
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from levies		35,520	34,409	33,313
Receipts from passenger security charges and other services		108,913	110,147	105,718
Receipts from Crown funding and Ministry contracts		5,922	5,805	5,342
Interest and other sundry revenue received		2,131	1,779	2,344
Payments to employees		(119,193)	(119,770)	(108,471)
Payments to suppliers		(32,911)	(36,401)	(34,176)
Goods and Services Tax (net)		(300)	(298)	87
Net Cash Flows from Operating Activities	19	82	(4,329)	4,157
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments		52,870	14,000	42,500
Sale of property, plant and equipment		168	-	103
Placement of investments		(44,604)	-	(48,000)
Purchase of property, plant and equipment		(3,674)	(6,898)	(4,583)
Purchase of intangible assets		(603)	(4,692)	(193)
Net Cash Flows from Investing Activities		4,157	2,410	(10,173)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributions from the Crown		-	-	-
Net Cash Flows from Financing Activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		4,239	(1,919)	(6,016)
Opening cash and cash equivalents at 1 July		5,145	4,954	11,161
Closing Cash and Cash Equivalents at 30 June	8	9,384	3,035	5,145

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

Notes to the Financial Statements

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 Regulatory Function of the Authority and the separate Security Service.

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

These financial statements of the Authority are for the year ended 30 June 2019. The financial statements were approved by the Authority on 23 October 2019.

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

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice. They have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

Measurement basis

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

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

Presentation currency and rounding

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

Changes in accounting policies

Apart from an increase in the Fixed Asset Accounting Policy capitalisation threshold from \$2,000 to \$2,500, there have been no other changes in accounting policies.

Standard early adopted

In line with the Financial Statements of the Government, the Authority has elected to early adopt PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Information about the adoption of PBE IFRS 9 is provided in Note 32.

Standards issued that are not yet effective and not early adopted

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

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Authority does not intend to early adopt the amendment.

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January

2019. The Authority will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Authority has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Authority has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Significant Accounting Policies

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

Revenue

The Authority earns revenue from:

- regulated levies and charges on airlines based on outgoing international passenger volumes and domestic sectors travelled by passengers;
- fees and charges for regulatory and aviation safety functions and security activities;
- interest revenue;
- Crown funding through Vote Transport; and
- Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity).

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Crown funding and Ministry contracts

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

Goods and service tax (GST)

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

The net GST 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 GST.

The net GST paid, or received, including the GST 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.

Derivative financial instruments and foreign currency transactions

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

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from the Authority's operational activities. The Authority does not hold or issue derivative financial instruments for trading purposes. The Authority has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

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

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Other financial assets

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

Financial assets at amortised cost – comprising cash and cash equivalents, receivables and investments.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Authority applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

Impairment of financial assets

Financial instruments are regularly reviewed for objective evidence of impairment or expected credit loss. 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.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Previous accounting policy for impairment of receivables

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

Other financial liabilities

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

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

Leases

Operating leases

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

Cash and cash equivalents

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

Services work in progress

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

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

Any write-down from cost to net realisable value for services work in progress in the provision of services is recognised in the surplus or deficit when the write-down occurs.

Investments

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

Bank term deposits

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not material.

Property, plant and equipment

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The threshold for this cost to be capitalised as an asset is \$2,500.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the surplus or deficit.

Subsequent costs

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

Depreciation

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

Leasehold improvements	Remaining life of lease	
	Years	Percentage
Furniture and fittings	10 years	10%
Plant and equipment	5- 10 years	20%- 10%
Office equipment	5 years	20%
Motor vehicles	4- 5 years	25%- 20%
Computer equipment	3- 4 years	33%- 25%

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

Intangible assets**Software acquisition and development**

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

Acquired computer software	3- 5 years	33%- 20%
Internally developed computer software	3- 5 years	33%- 20%

Impairment of property, plant and equipment and intangible assets

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

Non-cash-generating assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset is impaired, its carrying amount is written down to the recoverable amount. The total impairment loss and any subsequent reversals of impairment are recognised in the surplus or deficit.

Investment property

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

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

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

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, vested long service leave, retirement leave and sick leave. Non-vested long service leave and retirement entitlements expected to be settled within 12 months of balance date are also classified as a current liability.

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

Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

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

Post-employment entitlements

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

Provisions

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

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Restructuring

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

Lease make-good

A provision for lease make-good costs is recognised when the Authority is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Authority. The Authority has the option to renew leases, which affects the timing of expected cash outflows to make good the premises.

Equity

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

General funds

Property, plant and equipment revaluation reserve

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

Passenger security charges and other fees and charges reserves

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

Passenger safety reserves

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

Budget figures

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

Cost allocation

Criteria for direct and indirect costs

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

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

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

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.

Criteria for apportioning support services costs

The delivery of shared support services for both the Regulatory Function and the Security Service was established from 7 November 2011. The costs arising in each shared services group (Business Development and Services, and Legal Services) are apportioned to the two operational arms applying an allocation methodology reflecting the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both Regulatory Function and Security Service bear an equitable share of the costs of providing shared services.

Critical accounting estimates, assumptions and judgments

In preparing these financial statements, the Authority has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Internally developed computer software intangible assets availability of use

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

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

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

Lease classification

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

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

Retirement and long service leave

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

2 Revenue from Levies and Services

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
LEVIES REVENUE		
International passenger levies	10,974	10,653
Domestic passenger levies	22,414	21,334
Other levies	2,177	1,269
Total levies revenue	35,565	33,256
PASSENGER SECURITY CHARGES		
International passenger security charges	59,705	57,955
Domestic passenger security charges	39,223	38,018
Total passenger security charges	98,928	95,973
REVENUE FROM OTHER SERVICES		
Aviation regulatory and safety services	7,293	6,987
Other contracted aviation security services	3,483	3,586
Total revenue from other services	10,776	10,573

The various revenue sources have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Revenue from levies does not meet this definition because there is no direct connection between the levy payer and the Authority. However the Authority has decided that there is no material or practical difference between individual levy payers and payers as a group, and that there are no timing differences in the exchange transaction. The Authority has therefore treated levy revenue as well as security charges and other services as exchange transactions.

3 Crown Funding and Ministry Contract Revenue

Crown funding revenue

The Authority has been provided with funding from the Crown through a Multi-Category 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 (2018: nil).

International relations and International Civil Aviation Organization obligations

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

Ministerial servicing

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

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.

Improving safety in the aviation sector

The Authority has been provided funding from the Crown which is limited to the investigation, determining compliance, and enforcement of safety in the aviation sector. This is for the purpose of implementing the requirements of the Hazardous Substances and New Organisms Amendment Act 2015 and undertaking activity associated with innovative aviation certification.

Health and safety at work activities - Civil Aviation

The Authority has been provided funding from the Crown for the purpose of implementing the requirements of the Health and Safety at Work Act 2015 ('HSW') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

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

Maritime port security

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

Ministry contract revenue

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Rules development (Ministry of Transport)	800	1,096
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	1,622	746
Total Ministry contract revenue	2,422	1,842

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

Crown funding and Ministry contract revenue have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Funding from the Crown is generally considered to be a non-exchange transaction, however the Authority has provided detailed information in the Statements of Performance to describe the use of these funds and considers that an exchange of approximate value has occurred, and has therefore treated these funding sources as exchange transactions.

4 Other Revenue

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Gain on sale of property, plant and equipment	159	56
Net foreign exchange gains	-	10
Other revenue	228	338
Total other revenue	387	404

During the year the Authority disposed of property, plant and equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$159,000 (2018: \$56,000).

5 Personnel Costs

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Salaries and wages	115,649	104,504
Employer contributions to defined contribution plans	3,866	3,517
Other personnel expenses	5,786	6,883
Increase/(decrease) in employee entitlements	910	1,989
Total personnel costs	126,211	116,893

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

6 Finance Costs

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Discount unwind on long-term employee entitlements	138	139
Total finance costs	138	139

7 Other Expenses

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	128	118
• Fees to Audit New Zealand for other services	-	8
Operating lease expenses	5,804	5,837
Building operating expenses	1,239	1,188
Information technology expenses	3,833	4,817
Staff travel	4,101	3,881
Insurance	823	752
Allowance for credit losses on receivables	22	15
Safety information services	3,454	3,137
Consultancy	3,656	2,940
Consumables and maintenance	3,359	2,562
Net losses on derivative financial instruments	43	-
Net foreign exchange losses	4	-
Loss on disposal of property, plant and equipment & intangibles	34	-
Write-off/(write-back) of investment property	21	(95)
Other expenses	2,104	1,763
Total other expenses	28,625	26,923

Fees to Audit New Zealand for other services in 2018 was for a review of the Authority's response to the Office of the Auditor-General's 2010 performance audit on improving certification and surveillance.

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

8 Cash and Cash Equivalents

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Cash at bank and on hand	6,880	3,139
Term deposits with maturities of three months or less	2,504	2,006
Total cash and cash equivalents	9,384	5,145

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is not material.

The weighted average effective interest rate for cash and cash equivalents held is 1.46% (2018: 1.72%).

9 Receivables

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Debtors arising from exchange transactions	14,343	13,566
Other receivables	2	-
Less: Allowance for credit losses	(46)	(57)
Total receivables	14,299	13,509

The expected credit loss rates for receivables at 30 June 2019 and 1 July 2018 are based on the payment profile of revenue on credit over the prior 2 years at the measurement date and the corresponding historical credit losses experienced for that period.

The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses at 30 June 2019 and 1 July 2018 was determined as follows:

	2019			2018		
	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS RATE	LIFETIME EXPECTED CREDIT LOSS	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS RATE	LIFETIME EXPECTED CREDIT LOSS
	\$000	%	\$000	\$000	%	\$000
Not past due	12,908	-	-	12,730	-	-
Past due 1-30 days	1,081	1%	(6)	764	1%	(4)
Past due 31-60 days	295	1%	(2)	11	21%	(2)
Past due 61-90 days	14	10%	(1)	3	22%	(1)
Past due over 90 days	47	80%	(37)	58	87%	(50)
Total	14,345		(46)	13,566		(57)

The movement in the allowance for credit losses is as follows:

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Allowance for credit losses as at 1 July calculated under PBE IPSAS 29	(57)	(107)
PBE IFRS 9 expected credit loss adjustment- through opening accumulated surplus/deficit	-	N/A
Opening allowance for credit losses as at 1 July	(57)	(107)
Increase/(decrease) in loss allowance made during the year	(22)	(15)
Receivables written off during the year	33	65
Balance at 30 June	(46)	(57)

10 Investments - term deposits

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CURRENT INVESTMENTS ARE REPRESENTED BY:		
Term deposits	21,733	30,355
Total current investments	21,733	30,355
Effective interest rate on term deposits	3.5%	3.6%

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

The Authority considers there has not been a significant increase in credit risk for investments in term deposits because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA- or better investment grade credit rating, which indicates the bank has a very strong capacity to meet its financial commitments.

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is not material.

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

11 Derivative Financial Instruments

The Authority has taken forward exchange contracts to settle anticipated foreign currency liabilities in future periods. The contracts are to settle aviation liability insurance premiums for the 2019/20 financial year (USD 71,000 (2018: USD 219,000)) and supplier progress payments for major purchases for the 2019/20 and 2020/21 financial years (GBP 809,000 (2018: Nil)). The notional principal amounts of these contracts in NZ\$ were \$1,688,000 (2018: \$322,000).

The fair value of the forward exchange contracts have been determined using market rates as at balance date.

12 Property, Plant and Equipment

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

	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
COST OR VALUATION								
Balance at 1 July 2017	262	7,741	710	24,471	523	2,391	3,479	39,577
Additions/ (Transfers)	(46)	35	30	3,594	27	860	83	4,583
Disposals	-	-	-	(992)	-	(297)	-	(1,289)
Balance at 30 June 2018	216	7,776	740	27,073	550	2,954	3,562	42,871
Balance at 1 July 2018	216	7,776	740	27,073	550	2,954	3,562	42,871
Additions/ (Transfers)	1,859	81	17	1,248	15	428	26	3,674
Disposals	-	-	(16)	(374)	-	(419)	(1,887)	(2,696)
Balance at 30 June 2019	2,075	7,857	741	27,947	565	2,963	1,701	43,849
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at 1 July 2017	-	(4,868)	(584)	(13,034)	(498)	(1,531)	(3,012)	(23,527)
Depreciation expense	-	(511)	(34)	(2,529)	(18)	(436)	(282)	(3,810)
Eliminate on disposal	-	-	-	992	-	250	-	1,242
Balance at 30 June 2018	-	(5,379)	(618)	(14,571)	(516)	(1,717)	(3,294)	(26,095)
Balance at 1 July 2018	-	(5,379)	(618)	(14,571)	(516)	(1,717)	(3,294)	(26,095)
Depreciation expense	-	(502)	(24)	(2,527)	(15)	(486)	(164)	(3,718)
Eliminate on disposal	-	-	2	352	-	410	1,888	2,652
Balance at 30 June 2019	-	(5,881)	(640)	(16,746)	(531)	(1,793)	(1,570)	(27,161)
CARRYING AMOUNTS								
At 1 July 2017	262	2,873	126	11,437	25	860	467	16,050
At 30 June 2018	216	2,397	122	12,502	34	1,237	268	16,776
At 30 June 2019	2,075	1,976	101	11,201	34	1,170	131	16,688

The total amount of property, plant and equipment in the course of construction is \$2,075,000 (2018: \$216,000). The depreciation expense for property, plant and equipment is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's property, plant and equipment, nor are any of these assets pledged as security for liabilities or contingent liabilities.

13 Intangible Assets

Movements for each class of intangible asset are as follows:

	ACQUIRED SOFTWARE	ACQUIRED SOFTWARE UNDER CONSTRUCTION	INTERNALLY DEVELOPED SOFTWARE	INTERNALLY DEVELOPED SOFTWARE UNDER CONSTRUCTION	TOTAL
	\$000	\$000	\$000	\$000	\$000
COST					
Balance at 1 July 2017	5,397	-	2,118	-	7,515
Additions/(Transfers)	59	134	-	-	193
Balance at 30 June 2018	5,456	134	2,118	-	7,708
Balance at 1 July 2018	5,456	134	2,118	-	7,708
Additions/(Transfers)	160	443	-	-	603
Disposals	(934)	-	(2)	-	(936)
Balance at 30 June 2019	4,682	577	2,116	-	7,375
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2017	(4,863)	-	(2,100)	-	(6,963)
Amortisation expense	(225)	-	(17)	-	(242)
Balance at 30 June 2018	(5,087)	-	(2,117)	-	(7,204)
Balance at 1 July 2018	(5,087)	-	(2,117)	-	(7,204)
Amortisation expense	(238)	-	(1)	-	(239)
Disposals	934	-	2	-	936
Balance at 30 June 2019	(4,391)	-	(2,116)	-	(6,507)
CARRYING AMOUNTS					
At 1 July 2017	534	-	18	-	552
At 30 June 2018	369	134	1	-	504
At 30 June 2019	291	577	-	-	868

The total amount of intangibles in the course of construction is \$577,000 (2018: \$134,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's intangible assets, nor are any intangible assets pledged as security for liabilities or contingent liabilities.

14 Investment Property

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Balance at 1 July	21	143
Write-down on disposal or valuation	(21)	(122)
Balance at 30 June	-	21

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

The building was last revalued at 30 June 2018 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$143,000. Auckland Airport acquired the building at the end of the lease period in August 2018 and assumed all future liabilities.

15 Creditors and Other Payables

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS		
Creditors	6,222	3,730
Other payables	636	482
Total creditors and payables under exchange transactions	6,858	4,212
CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (GST, PAYE)	2,113	2,317
Total creditors and payables under non-exchange transactions	2,113	2,317
Total creditors and other payables	8,971	6,529

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

16 Employee Entitlements

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Accrued salaries and wages	1,906	2,491
Annual leave	9,158	9,082
Current portion of long-term employee entitlements		
Sick leave	175	162
Retiring and long service leave	1,028	978
Total current portion	12,267	12,713
NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Long-term employee entitlements		
Retiring and long service leave	8,663	7,327
Sick leave	287	266
Total non-current portion	8,950	7,593
Total employee entitlements	21,217	20,306

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 2019 ranged from 1.26% pa to 4.30% pa (2018: ranged from 1.78% pa to 4.75% pa) and a salary inflation factor of 3.0% pa for the year ended 30 June 2019, with a long term salary inflation rate of 2.92% (2018: 2.8% pa- 3.0% pa and 3.1% pa respectively) were used.

The Authority investigated the issue of historic non-compliance with certain provisions of the Holidays Act and concluded that remedial action was required in order to compensate affected present and past employees. The investigation was completed towards the end of 2018, with payments to present employees, and those past ones who had responded to the Authority's initiatives to contact them, completed by the end of the financial year. Amounts due to former employees who the Authority has not been able to contact will be managed in accordance with the requirements of the Unclaimed Money Act 1971.

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 \$824,000 lower/\$970,000 higher respectively (2018: \$668,000 lower/\$780,000 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 \$747,000 higher/\$648,000 lower respectively (2018: \$675,000 higher/\$587,000 lower respectively).

17 Provisions

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	779	805
Restructuring	500	-
Lease make-good	-	59
Total current portion	1,279	864
NON-CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	278	459
Lease make-good	190	186
Total non-current portion	468	645
Total provisions	1,747	1,509

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS \$000	LEASE MAKE- GOOD \$000	RESTRUCTURING \$000	TOTAL \$000
2019				
Balance at 1 July 2018	1,264	245	-	1,509
Additional provisions made/(reversed)	(207)	(55)	500	238
Balance at 30 June 2019	1,057	190	500	1,747
2018				
Balance at 1 July 2017	722	458	200	1,380
Additional provisions made/(reversed)	542	(213)	(200)	129
Balance at 30 June 2018	1,264	245	-	1,509

Onerous contracts

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

The Authority has a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 2.23% was used to calculate the present value of the cost of the onerous lease.

In September 2017 the Authority had entered into a contract for the replacement of a business system, which had a commitment to a minimum level of future licence payments. The Authority has decided not to proceed with the project and to serve notice to terminate the contract. The future licence payments associated with this contract have been recorded as a provision.

Leasehold make-good provisions

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 20.

The Authority had previously recognised a liability for the estimated cost to make good the leased land at Auckland Airport which had previously been occupied by the old security service operational base building. During the 2017/18 financial year Auckland Airport confirmed they would require this land on expiry of the lease in August 2018, and the liability at 30 June 2018 had been adjusted to reflect the full and final commercial settlement agreement concluded between the Authority and Auckland Airport on this matter. The building was accounted for as an investment property and is disclosed in Note 14.

Restructuring provision

The Authority approved a detailed and formal restructuring plan which was announced in June 2019. The provision represented the estimated cost for redundancy payments.

18 Equity

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
GENERAL FUNDS		
Opening balance at 1 July	24,987	25,468
Surplus/(deficit) for the year	(6,368)	(1,351)
Transfer (to)/from specific reserves	7,712	870
Capital contributions from the Crown	-	-
Closing balance at 30 June	26,331	24,987
RESERVES		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Transfer (to)/from specific reserves on disposal	(746)	-
Closing balance at 30 June	-	746
Passenger security charges reserve - international		
Opening balances at 1 July	12,236	13,172
Surplus/(deficit) for the year	(7,317)	(656)
Transfer (to)/from general funds	242	(280)
Closing balance at 30 June	5,161	12,236
Passenger security charges reserve - domestic		
Opening balances at 1 July	442	763
Surplus/(deficit) for the year	119	(201)
Transfer (to)/from general funds	104	(120)
Closing balance at 30 June	665	442
Passenger security charges reserve - other fees and charges		
Opening balances at 1 July	387	-
Surplus/(deficit) for the year	(114)	46
Transfer (to)/from general funds	-	341
Closing balance at 30 June	273	387

Passenger safety reserve - fixed fees		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(2,023)	(2,240)
Transfer (to)/from levies reserve	2,023	2,240
Closing balance at 30 June	-	-
Passenger safety reserve - hourly charges		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(5,474)	(6,335)
Transfer (to)/from levies reserve	5,474	6,335
Closing balance at 30 June	-	-
Passenger safety reserve - other		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(1,668)	(958)
Transfer (to)/from levies reserve	1,668	958
Closing balance at 30 June	-	-
Passenger safety reserve - levies		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	9,335	8,346
Transfer (to)/from specific reserves	(9,165)	(9,533)
Transfer (to)/from passenger safety reserve – other general reserves	(170)	1,187
Closing balance at 30 June	-	-
Passenger safety reserve - other general reserves		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	774	647
Transfer (to)/from specific reserves	170	(1,187)
Transfer (to)/from general funds	(944)	540
Closing balance at 30 June	-	-

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

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

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
Net surplus/(deficit)	(6,368)	(1,351)
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	3,957	4,052
Impairment of receivables	(11)	(45)
Net (gains)/losses on foreign exchange and derivate financial instruments	47	(10)
Discount unwind on employee entitlements	138	139
Fair value (gains)/losses on investment property	21	(95)
Total non-cash items	4,152	4,041
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:		
(Gains) / losses on disposal of property, plant & equipment and intangibles	(125)	(56)
Total items classified as investing or financing activities	(125)	(56)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
Receivables (increase)/decrease	(779)	(34)
Services work in progress (increase)/decrease	60	(30)
Prepayments (increase)/decrease	(663)	-
Creditors & other payables increase/(decrease)	2,395	(254)
Employee entitlements increase/(decrease)	1,172	1,712
Provisions increase/(decrease)	238	129
Net movements in working capital items	2,423	1,523
Net cash from operating activities	82	4,157

20 Capital and Operating Commitments

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CAPITAL COMMITMENTS		
Plant and equipment	9,588	132
Total capital commitments	9,588	132

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

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
NON-CANCELLABLE OPERATING LEASES		
Not later than one year	4,663	5,753
Later than one year and not later than five years	9,976	10,828
Later than five years	1,058	1,736
Total non-cancellable operating leases	15,697	18,317

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

Part of the office premises in Wellington has been sublet due to it being surplus to requirements and the sublease expires in November 2022. The Authority has recognised a provision of \$397,000 (2018: \$604,000) in respect of this lease (refer note 17).

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

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

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are \$1,955,000 (2018: \$3,078,000).

21 Contingencies

Contingent liabilities

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2018: \$nil) existing in relation to any legal matters currently in progress.

Personal grievance

The Authority has a contingent liability relating to a personal grievance brought by a former employee where the potential liability was assessed as approximately \$27,000 (2018: \$Nil). This is being vigorously defended and the Authority is confident it will not be found liable.

Contingent assets

The Authority has no contingent assets (2018: \$nil).

22 Related Party Transactions and Key Management Personnel

Related party transactions

The Authority is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Authority would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

There were no related party transactions that were conducted on a non-commercial terms basis.

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Board Members	144	129
Authority Leadership Team and senior employees	4,066	3,926
Total key management personnel compensation	4,210	4,055
KEY MANAGEMENT PERSONNEL FULL-TIME EQUIVALENT		
Board Members	1	1
Authority Leadership Team and senior employees	16	16
Total key management personnel full-time equivalent	17	17

Key management personnel include Board Members, the Director of Civil Aviation and his nine member Authority Leadership Team (refer to page 51) and also includes other senior employees with the ability to influence decisions.

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

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

23 Board Members Remuneration

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

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
A Adams (appointed May 2017)	24	24
J Boulton (resigned June 2019)	21	24
H Duynhoven (appointed May 2019)	2	-
N Gould (Chairman – resigned August 2019)	49	49
P Griffiths (resigned September 2017)	-	5
D Huse (appointed May 2018)	27	3
G Lilly (resigned May 2019)	21	24
Total Board Member remuneration	144	129

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

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

24 Employee Remuneration

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
TOTAL REMUNERATION PAID OR PAYABLE		
\$100,000 - \$109,999	46	56
\$110,000 - \$119,999	39	33
\$120,000 - \$129,999	55	49
\$130,000 - \$139,999	31	26
\$140,000 - \$149,999	21	19
\$150,000 - \$159,999	14	12
\$160,000 - \$169,999	8	8
\$170,000 - \$179,999	11	7
\$180,000 - \$189,999	2	5
\$190,000 - \$199,999	7	9
\$200,000 - \$209,999	2	-
\$210,000 - \$219,999	2	3
\$220,000 - \$229,999	2	1
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	2
\$250,000 - \$259,999	2	5
\$260,000 - \$269,999	3	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	-	-
\$290,000 - \$299,999	-	-
\$300,000 - \$309,999	1	-
\$310,000 - \$319,999	-	-
\$320,000 - \$329,999	-	1
\$330,000 - \$339,999	1	-
\$340,000 - \$349,999	-	-
\$350,000 - \$359,999	-	-
\$360,000 - \$369,999	-	-
\$370,000 - \$379,999	-	-
\$380,000 - \$389,999	-	-
\$390,000 - \$399,999	-	-
\$400,000 - \$409,999	-	-
\$410,000 - \$419,999	-	-
\$420,000 - \$429,999	1	-
\$430,000 - \$439,999	-	1
\$440,000 - \$449,999	-	-
Total number of employees	251	238

During the year ended 30 June 2019, 3 (2018: 5) employees received compensation and other benefits in relation to cessation totalling \$114,000 (2018: \$247,000). No Authority Members received compensation or other benefits in relation to cessation (2018: nil).

25 Events after the Balance Sheet Date

In August 2019 the Authority signed a Crown Loan facility agreement with the Crown for a \$97 million facility to provide funding for investment by the Aviation Security Service in security screening equipment and related infrastructure.

26 Financial Instruments

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

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
MANDATORILY MEASURED AT FAIR VALUE THROUGH SURPLUS OR DEFICIT – (2018: HELD FOR TRADING)		
Derivative financial instrument assets	-	-
Derivative financial instrument liabilities	42	-
FINANCIAL ASSETS MEASURED AT AMORTISED COST (2018: LOANS AND RECEIVABLES)		
Cash and cash equivalents	9,384	5,145
Receivables	14,299	14,133
Investments – term deposits	21,733	30,355
Total financial assets measured at amortised cost	45,416	49,633
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	8,971	6,529
Total financial liabilities measured at amortised cost	8,971	6,529

Fair value hierarchy disclosures

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

27 Financial Instrument Risks

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

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

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

Market Risk

Price risk

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

Fair value Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is exposed to interest rate risk on its bank deposits that are held at fixed rates of interest. 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.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Authority to cash flow interest rate risk. The Authority's treasury policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Authority currently has no variable interest rate investments.

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$311,000 (2018: \$355,000).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 for major transactions to mitigate the foreign currency risk exposure. The Authority has no designated hedging instruments, foreign currency bank accounts, or foreign currency translation reserves.

Sensitivity Analysis

At year end, if the NZ dollar had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the surplus for the year would have been:

- \$87,000 (2018: Nil) higher if the NZ dollar had weakened.
- \$78,000 (2018: Nil) lower if the NZ dollar had strengthened.

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, investments in term deposits, and derivative contracts entered into. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Risk management

The Authority reviews the credit quality of clients and participants before granting credit, and continues to monitor and manage receivables based on their activity and expected future conditions and adjusts the expected credit loss allowance accordingly. Levies and charges revenue from domestic and international airlines account for approximately 81% (2018: 82%) of receivables. There are no other significant individual concentrations of credit risk.

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. Surplus funds are invested with registered banks and organisations with a minimum AA- credit rating (Standard and Poor's, or equivalent Fitch or Moody's ratings agencies).

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

Impairment

Cash and cash equivalents (Note 8), receivables (Note 9), and term deposit investments (Note 10) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding receivables

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to the credit agency credit ratings.

	ACTUAL 2019 \$000	ACTUAL 2018 \$000
CASH AT BANK AND TERM DEPOSITS		
AA-	31,117	35,500
Total cash at bank and term deposits	31,117	35,500

All instruments in this table have a loss allowance based on 12-month expected credit losses.

Liquidity risk

Management of 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 treasury policy.

Contractual maturity analysis of financial liabilities, excluding derivatives

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

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS & 1 YEAR	LATER THAN 1 YEAR
	\$000	\$000	\$000	\$000	\$000
2019					
Payables (excluding income in advance and taxes payable)	6,539	6,539	6,539	-	-
Total contractual undiscounted cash flows	6,539	6,539	6,539	-	-
2018					
Payables (excluding income in advance and taxes payable)	3,982	3,982	3,982	-	-
Total contractual undiscounted cash flows	3,982	3,982	3,982	-	-

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses derivative financial instrument liabilities that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the undiscounted contractual cash flows.

	LIABILITY CARRYING AMOUNT	ASSET CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS & 1 YEAR	LATER THAN 1 YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
2019						
Forward foreign exchange contracts	43	-				
-outflow			(1,688)	(1,041)	-	(647)
-inflow			1,645	1,017	-	628
2018						
Forward foreign exchange contracts	-	10				
-outflow			(312)	(312)	-	-
-inflow			322	322	-	-

28 Capital Management

The Authority's capital is its equity, which comprises the Crown's capital contributions, accumulated surplus and other reserves. Equity is represented by net assets. The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, the Public Finance Act 1989, and the Civil Aviation Act 1990, which impose restrictions in relation to borrowings, the acquisition of securities, the issue of guarantees and indemnities, and the use of derivatives.

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

29 Security Service Specific Reserves

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

	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	OTHER FEES / CHARGES	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
2019						
Revenue	59,708	39,060	3,509	102,277	103,239	99,729
Expense	(67,025)	(38,941)	(3,623)	(109,589)	(110,216)	(100,540)
Net surplus / (deficit)	(7,317)	119	(114)	(7,312)	(6,977)	(811)
Opening balance at 1 July 2018	12,236	442	387	13,065	14,847	13,935
Transfer (to)/from General Reserves	242	104	-	346	346	(59)
Closing balance at 30 June 2019	5,161	665	273	6,099	8,216	13,065
2018						
Revenue	57,957	38,151	3,621	99,729	98,860	92,461
Expense	(58,613)	(38,352)	(3,575)	(100,540)	(97,489)	(92,004)
Net surplus / (deficit)	(656)	(201)	46	(811)	1,371	457
Opening balance at 1 July 2017	13,172	763	-	13,935	14,249	14,219
Transfer (to)/from General Reserves	(280)	(120)	341	(59)	(400)	(741)
Closing balance at 30 June 2018	12,236	442	387	13,065	15,220	13,935

30 Regulatory Function Specific Reserves

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

	FIXED FEES	HOURLY CHARGES	OTHER (CROWN AND MINISTRY FUNDING)	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2019							
Revenue	2,043	5,288	5,777	36,185	49,293	47,843	46,098
Expense	(4,066)	(10,762)	(7,445)	(26,076)	(48,349)	(48,643)	(46,638)
Net surplus / (deficit)	(2,023)	(5,474)	(1,668)	10,109	944	(800)	(540)
Opening balance at 1 July 2018	-	-	-	10,651	10,651	11,255	11,191
Transfer (to)/from General Reserves	2,023	5,474	1,668	(9,165)	-	-	-
Closing balance at 30 June 2019	-	-	-	11,595	11,595	10,455	10,651
2018							
Revenue	1,965	5,034	5,196	33,903	46,098	44,144	44,157
Expense	(4,205)	(11,369)	(6,154)	(24,910)	(46,638)	(46,167)	(44,348)
Net surplus / (deficit)	(2,240)	(6,335)	(958)	8,993	(540)	(2,023)	(191)
Opening balance at 1 July 2017	-	-	-	11,191	11,191	12,180	11,382
Transfer (to)/from General Reserves	2,240	6,335	958	(9,533)	-	-	-
Closing balance at 30 June 2018	-	-	-	10,651	10,651	10,157	11,191

31 Explanation of Major Variances Against Budget

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

Statement of Comprehensive Revenue and Expense

Revenue

Revenue for the year ended 30 June 2019 of \$152.6 million was higher than the budget of \$151.9 million by \$0.7 million (0.4%). The significant variances are as follows:

Levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and operator safety levies of \$35.5 million was marginally higher than budget of \$35.4 million by \$0.1 million (0.3%). This was achieved despite both domestic passenger and international passenger volumes being slightly lower than budget expectations, offset by higher than budgeted other levy revenue of \$0.9m.

Revenue from passenger security charges

Revenue from passenger security charges of \$98.9 million was lower than the budget of \$99.6 million by \$0.7 million (0.7%), again reflecting the lower than budgeted volume of international passengers.

Revenue from other services

Revenue from other services of \$10.8 million was higher than the budget of \$9.6 million by \$1.2 million (12%), largely due to additional certification and medical licensing activity in the Regulatory Function.

Crown funding revenue

Crown funding revenue of \$3.5 million was \$0.4 million lower than the budget of \$3.9 million due to an underspend in regulatory activity in respect of the Authority's new responsibilities under the Hazardous Substances and New Organisms (HSNO) Amendment Act 2015 that arose due to difficulties in recruiting new inspectors.

Expense

Expenditure for the year ended 30 June 2019 of \$158.9 million was lower than the budget of \$159.6 million by \$0.7 million (0.5%). The significant variances are as follows:

Personnel costs

Personnel costs of \$126.2 million were higher than the budget of \$124.9 million by \$1.3 million (1.1%). This variance was primarily due to higher personnel costs in the Security Function that were needed to meet demand and deliver the screening standards set by the Director of Civil Aviation.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$4.0 million was lower than the budget of \$4.4 million by \$0.4 million (10%). This was due to savings being achieved on some projects, and for timing reasons other projects being moved into the 2019/20 financial year.

Other expenses

Other expenses of \$28.6 million were lower than the budget of \$30.2 million by \$1.6 million (5%) and this was primarily due to lower infrastructure expenses in the Security Function.

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

32 Adoption of PBE IFRS 9 Financial Instruments

In accordance with the transitional provisions of PBE IFRS 9, the Authority has elected not to restate the information for previous years to comply with PBE IFRS 9. Adjustments arising from the adoption of PBE IFRS 9 are recognised in opening equity at 1 July 2018.

Accounting policies have been updated to comply with PBE IFRS 9. The main updates are:

- Note 9 Receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.
- Note 10 Investments – term deposits: This policy has been updated to explain that a loss allowance for expected credit losses is recognised only if the estimated loss allowance is not material.

On the date of initial application of PBE IFRS 9, being 1 July 2018, the classification of financial instruments under PBE IPSAS 29 and PBE IFRS 9 is as follows:

	MEASUREMENT CATEGORY		CARRYING AMOUNT		
	ORIGINAL PBE IPSAS 29 CATEGORY	NEW PBE IFRS 9 CATEGORY	CLOSING BALANCE 30 JUNE 2018 (PBE IPSAS 29)	ADOPTION OF PBE IFRS 9 ADJUSTMENT	OPENING BALANCE 1 JULY 2018 (PBE IFRS 9)
			\$000	\$000	\$000
2019					
Cash at bank and on hand	Loans and receivables	Amortised cost	3,139	-	3,139
Receivables	Loans and receivables	Amortised cost	13,509	-	13,509
Term deposits	Loans and receivables	Amortised cost	35,500	-	35,500
Derivative financial instruments	Fair Value Through Surplus or Deficit	Fair Value Through Surplus or Deficit	-	-	-
Total financial assets			52,148	-	52,148

The measurement categories and carrying amounts for financial liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to PBE IFRS 9.

Additional Financial Information

Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2019

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

GROUP	REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP		
	2018 ACTUAL	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE									
33,256	Levies revenue	35,565	35,446	-	-	-	-	35,565	35,446
95,973	Passenger security charges	-	-	98,928	99,630	-	-	98,928	99,630
10,573	Revenue from other services	7,330	6,177	3,487	3,464	(41)	(20)	10,776	9,621
3,499	Crown funding revenue	3,355	3,736	145	145	-	-	3,500	3,881
1,842	Ministry contract revenue	2,422	1,924	-	-	-	-	2,422	1,924
1,109	Interest revenue	349	300	636	624	-	-	985	924
404	Other revenue	272	260	407	435	(292)	(227)	387	468
146,656	Total revenue	49,293	47,843	103,603	104,298	(333)	(247)	152,563	151,894
EXPENSE									
116,893	Personnel costs	38,666	38,585	87,545	86,304	-	-	126,211	124,889
4,052	Depreciation and amortisation expense	601	851	3,356	3,543	-	-	3,957	4,394
139	Finance costs	7	10	131	167	-	-	138	177
26,923	Other expenses	9,075	9,197	19,883	21,261	(333)	(247)	28,625	30,211
148,007	Total expenses	48,349	48,643	110,915	111,275	(333)	(247)	158,931	159,671
(1,351)	Net Surplus / (Deficit)	944	(800)	(7,312)	(6,977)	-	-	(6,368)	(7,777)
(1,351)	Total comprehensive revenue and expense	944	(800)	(7,312)	(6,977)	-	-	(6,368)	(7,777)

Statement of Financial Position

For the Year Ended 30 June 2019

GROUP	REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP		
	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
CURRENT ASSETS									
5,145	Cash and cash equivalents	1,607	1,107	7,777	1,928	-	-	9,384	3,035
13,509	Receivables	4,912	4,359	10,290	10,343	(903)	(1,087)	14,299	13,615
30,355	Investments- term deposits	10,104	3,500	11,629	11,000	-	-	21,733	14,500
208	Services work in progress	148	178	-	-	-	-	148	178
624	Prepayments	726	462	561	133	-	-	1,287	595
21	Investment property	-	-	-	-	-	-	-	-
49,862	Total Current Assets	17,497	9,606	30,257	23,404	(903)	(1,087)	46,851	31,923
NON-CURRENT ASSETS									
16,776	Property, plant and equipment	1,471	2,329	15,217	18,820	-	-	16,688	21,149
504	Intangible assets	624	4,625	244	960	-	-	868	5,585
17,280	Total Non-Current Assets	2,095	6,954	15,461	19,780	-	-	17,556	26,734
67,142	Total Assets	19,592	16,560	45,718	43,184	(903)	(1,087)	64,407	58,657
CURRENT LIABILITIES									
6,529	Creditors and other payables	4,163	2,927	5,711	3,755	(903)	(1,087)	8,971	5,595
-	Derivative financial instruments	-	-	24	-	-	-	24	-
12,713	Employee entitlements	2,247	2,725	10,020	9,056	-	-	12,267	11,781
864	Provisions	1,160	-	119	145	-	-	1,279	145
20,106	Total Current Liabilities	7,570	5,652	15,874	12,956	(903)	(1,087)	22,541	17,521
NON-CURRENT LIABILITIES									
-	Derivative financial instruments	-	-	18	-	-	-	18	-
7,593	Employee entitlements	337	371	8,613	6,580	-	-	8,950	6,951
645	Provisions	90	82	378	696	-	-	468	778
8,238	Total Non-Current Liabilities	427	453	9,009	7,276	-	-	9,436	7,729
28,344	Total Liabilities	7,997	6,105	24,883	20,232	(903)	(1,087)	31,977	25,250
38,798	Net Assets	11,595	10,455	20,835	22,952	-	-	32,430	33,407
EQUITY									
24,987	General funds	11,595	10,455	14,736	14,736	-	-	26,331	25,191
746	Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	-
13,065	Passenger security charges and other fees and charges reserves	-	-	6,099	8,216	-	-	6,099	8,216
38,798	Total Equity	11,595	10,455	20,835	22,952	-	-	32,430	33,407

Statement of Changes in Equity

For the Year Ended 30 June 2019

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity									
<i>Opening balance of equity at 1 July</i>									
25,468	General funds	10,651	11,255	14,336	14,336	-	-	24,987	25,591
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
13,935	Passenger security charges and other fees and charges reserves	-	-	13,065	14,845	-	-	13,065	14,845
40,149	Total opening balance of equity at 1 July	10,651	11,255	28,147	29,927	-	-	38,798	41,182
(1,351)	Net surplus / (deficit) for the year	944	(800)	(7,312)	(6,977)	-	-	(6,368)	(7,777)
-	Capital contributions from the Crown	-	-	-	-	-	-	-	-
(1,351)	Total changes in equity during the year	944	(800)	(7,312)	(6,977)	-	-	(6,368)	(7,777)
<i>Closing balance of equity at 30 June</i>									
24,987	General funds	11,595	10,455	14,736	14,736	-	-	26,331	25,191
746	Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	-
13,065	Passenger security charges and other fees and charges reserves	-	-	6,099	8,216	-	-	6,099	8,216
38,798	Total closing balance of equity at 30 June	11,595	10,455	20,835	22,952	-	-	32,430	33,407

Statement of Cash Flows

For the Year Ended 30 June 2019

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET	2019 ACTUAL	2019 BUDGET
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Flows from Operating Activities									
33,313	Receipts from levies	35,520	34,409	-	-	-	-	35,520	34,409
105,718	Receipts from passenger security charges and other services	6,906	7,022	102,048	103,145	(41)	(20)	108,913	110,147
5,342	Receipts from Crown funding and Ministry contracts	5,777	5,660	145	145	-	-	5,922	5,805
2,344	Interest and other sundry revenue received	756	560	1,602	1,446	(227)	(227)	2,131	1,779
(108,471)	Payments to employees	(35,831)	(36,203)	(83,362)	(83,567)	-	-	(119,193)	(119,770)
(34,176)	Payments to suppliers	(11,033)	(11,947)	(22,146)	(24,701)	268	247	(32,911)	(36,401)
-	Interest paid	-	-	-	-	-	-	-	-
87	Goods and Services Tax (net)	(63)	(3)	(237)	(295)	-	-	(300)	(298)
4,157	Net Cash Flows from Operating Activities	2,032	(502)	(1,950)	(3,827)	-	-	82	(4,329)
Cash Flows from Investing Activities									
42,500	Maturity of investments	13,000	5,000	39,870	9,000	-	-	52,870	14,000
103	Sale of property, plant and equipment	18	-	150	-	-	-	168	-
(48,000)	Placement of investments	(13,604)	-	(31,000)	-	-	-	(44,604)	-
(4,583)	Purchase of property, plant and equipment	(159)	(425)	(3,515)	(6,473)	-	-	(3,674)	(6,898)
(193)	Purchase of intangible assets	(544)	(3,818)	(59)	(874)	-	-	(603)	(4,692)
(10,173)	Net Cash Flows from Investing Activities	(1,289)	757	5,446	1,653	-	-	4,157	2,410
Cash Flows from Financing Activities									
-	Capital contributions from the Crown	-	-	-	-	-	-	-	-
-	Net Cash Flows from Financing Activities	-	-	-	-	-	-	-	-
(6,016)	Net increase/(decrease) in cash and cash equivalents	743	255	3,496	(2,174)	-	-	4,239	(1,919)
11,161	Opening cash and cash equivalents at 1 July	864	852	4,281	4,102	-	-	5,145	4,954
5,145	Closing Cash and Cash Equivalents at 30 June	1,607	1,107	7,777	1,928	-	-	9,384	3,035

Appendices



1. Diversity and inclusion work programme

The Authority's diversity and inclusion strategy was launched in 2018, with the aim of continuing to build a work environment that ensures all staff feel that the Authority is a good place to work, all voices are heard, and where individual differences are respected and embraced. The strategy outlines a three-year action plan towards an increasingly diverse, supportive, and inclusive workplace.

Actions that we have committed to in our diversity and inclusion strategy include:

Strengthening policies and processes

- reviewing and updating diversity and inclusion, anti-harassment, discrimination and bullying policies to strengthen these and increase awareness
- reviewing our current staff induction programme to ensure that our behavioural expectations are set clearly for all new staff
- enhancing reporting, resolution and employee support processes, providing staff and managers with better tools for resolving issues and ensuring staff are supported through the process
- reviewing and updating our flexible working and leave policies and guidelines
- reviewing our performance system to ensure that positive behaviours are recognised and rewarded, and including a core leadership capability that focuses on diversity and inclusion in our leadership framework and performance system
- completing a pay equity review and communicating the outcomes of this review

Developing support structures and promoting awareness

- investigating employee support networks with the intention of strengthening these and enabling more to be created
- creating and supporting diversity and inclusion champions across the Authority

- connecting and enabling collaboration between Business Improvement, Facilities, and Information Technology to ensure that projects enable inclusion
- developing a Māori responsiveness strategy, which takes into account the principles of the Treaty of Waitangi and our obligations under the Te Ture mō Te Reo Māori 2016 – Māori Language Act 2016
- developing and supporting greater awareness of diversity and inclusion through supporting wider diversity initiatives (for example, promoting New Zealand Sign Language Week, and supporting LGBTQIA+ and Pride Week)

Training and tools for staff and management

- training all staff to recognise unconscious bias
- providing managers with toolkits for dealing with challenging situations

Recruitment and talent development

- developing and implementing a talent programme, which will grow a diverse leadership pipeline
- developing an attraction strategy designed to grow a more diverse workforce
- reviewing our recruitment processes to ensure they are free from bias (for example, ensuring diverse interview panels).

The diversity and inclusion strategy work plan is regularly reported on to the Authority Leadership Team, ensuring that it is kept a high priority for senior management.

2. Safety and security focus area work programme

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

	CRITICAL	ACTIVE MANAGEMENT	MONITORING/MAINTAINED					
	Helicopter Safety	Airborne Conflicts	International Air Cargo Security	Smart Security	Security Threat Levels and Responses	Loss of Control in Flight	Runway Excursions	Queenstown Operations
DESCRIPTION OF RISK	Fatal and serious injury helicopter accidents, particularly in air transport operations, have the potential to damage New Zealand's reputation for safe and secure skies, as well as incurring unnecessary social cost.	There is a risk that any airborne conflict safety interventions not informed by a full understanding of contributing factors will fail to target and address underlying causes. This has the potential to result in ineffective interventions on the part of the CAA resulting in significant aviation and public safety risks remaining untreated and increasing the potential for fatalities to occur.	The absence of a robust and trusted international air cargo security system will impact negatively on the security of international aviation operations from New Zealand and New Zealand's international reputation. It will also impact on the continued facilitated flow of high value air cargo from New Zealand to international markets, with the resulting potential for adverse economic consequences for New Zealand exporters.	To avoid exponential cost increases being required to respond to evolving threats and increasing passenger numbers, there needs to be a greater focus on how new processes, systems and technologies can be utilised to deliver security services more efficiently and effectively.	The dynamic nature of the domestic and international security environment demands an aviation security system that is agile and able to continue to respond to changes in threat levels in a focused, timely and coordinated manner. In the event of an aviation security crisis, the failure to maintain timely and coordinated decision-making processes and the ability to implement additional security controls in a timely and effective manner would adversely impact on the quality of overall system responses with resulting negative consequences for public safety.	There are multiple reasons for loss of control in flight and often accidents in this area are complex and a result of multiple factors. These can be categorised under three main causal categories, technical, non-technical (human factors) and environmental.	Many factors contribute to runway excursions including weather, aerodrome/runway design, runway condition, aircraft technical, aircraft performance, operator procedures, instrument procedures, crew handling or errors etc. Given the wide range of factors, this focus area requires a multidisciplinary approach.	Aviation accidents in the Queenstown area have the potential to damage New Zealand's reputation for safe and secure skies, and as a tourist destination, as well as incurring unnecessary social cost.
ACTIVITY FOR 2018/19	<p>The use of Sector Risk Profile (SRP) risks in operators' Safety Management Systems (SMS) is being monitored through certification and oversight activity, and the action plan has been allocated across the Authority and industry – there is ongoing collaboration and engagement. ●</p> <p>All relevant material relating to the Part 135 SRP released on the Authority website. This includes the coordinators guide updated in June 2019. ●</p> <p>SMS Certification of operators progressing in accordance with the implementation schedule. ●</p> <p>The number of Health and Safety at Work assessments of helicopter operators was less than intended due to reduced staff levels and priority on Health and Safety at Work (HSWA) investigations following fatal accidents. ●</p> <p>Engagement with the National Ambulance Sector Office (NASO) over contracting of helicopter operators to provide Emergency Medical Services - further inter-agency meetings between the Authority, Ministry of Health, NASO, Worksafe, ACC, and the Rescue Coordination Centre have been conducted. ●</p>	<p>Ongoing interventions to target the identified airborne conflicts risk, applied over the year as necessary based on identified risk areas. The Authority Regulatory Safety Management System (RSMS) mechanism, as it matures, is proving an effective tool to manage, track and record interventions related to this Focus Area. ●</p>	<p>Ongoing effective recertification of those Part 109 regulated air cargo agents whose certificates were due for renewal. ●</p> <p>Educational focused Regulated Air Cargo Agent forums conducted in Auckland, Wellington and Christchurch in June 2019. ●</p> <p>Analysis conducted of the performance of the Part 109 sector since rule introduction in 2009. Insight and intelligence gained from this work is to be used to inform ongoing surveillance and sector outreach activity into 2019/20. ●</p>	<p>Smart lane rollout has commenced with the first lanes introduced in Auckland. ●</p> <p>Wide area network operations have been tested and proof of concept has been achieved. This can be built on in future if it becomes a priority relative to Avsec's more immediate work. ●</p> <p>Business Analysts have mapped business needs for the Digitisation and Paperless Office solution development to begin. This will result in potential slippage being reduced. The Project initiation is underway. ●</p> <p>A 12-month behavioural detection pilot was successfully undertaken at Auckland international and domestic airports. ●</p> <p>Security Management System (SeMS) (ISO 2008/2015) – the SeMS implementation plan will be developed early in 2019 in conjunction with the application for the Civil Aviation Rule Part 141 Aviation Training Organisations – Certification certificate which requires an SMS and is programmed for later in 2019. ●</p> <p>Aviation Security Service Triennial Funding Review- Cabinet approved recommended changes on 11 March 2019 to meet a 1 July 2019 implementation date. The level approved incorporated last-minute increases required due to incorrect transit passenger numbers being provided by industry. ●</p>	<p>Behavioural Analysis completed a 12-month operational trial. A report on achievements and benefits is now with the Director of Civil Aviation for consideration before fully operationalising Behaviour Detection Officers. Behavioural Detection Officers provided an additional immediate security response to events in Christchurch post 15 March 2019. ●</p> <p>Covert testing, now called systems testing, has expanded to include more complex items across a greater range of areas where security services are delivered. ●</p> <p>Authority intelligence resource within All of Government (AoG) threat assessment function is fully embedded and operational as demonstrated within AoG security responses and processes to the 15 March 2019 events in Christchurch. ●</p> <p>Authority involvement in AoG security responses and processes following the 15 March 2019 events in Christchurch will be the subject of future review, both internally and within any relevant wider review processes looking at overall Government responses. Any learnings identified will be considered and implemented as appropriate. ●</p> <p>Rapid responses to events in Christchurch have shown capability to respond to changes in threat levels and implement contingency measures in a timely and effective manner. However, these urgent priorities have now delayed formal testing of business continuity plans. ●</p>	<p>This activity continues to be delivered through output class 4 Surveillance and Investigation. As part of these activities the Authority is now monitoring the Medium and Large Aircraft Air Transport Operations sector. Operators are expected to include loss of control in flight risk, as part of their proactive risk management. ●</p> <p>A follow up Sector Risk Profile workshop was delivered on 7 March 2019 to review sector progress with implementation action and to review priorities. ●</p> <p>An awareness programme has rolled out to elevate industry awareness. ●</p> <p>The National Runway Safety Group (NRSRG) was established to collaborate with industry to address operational risks such as Runway Excursion. The NRSRG is the governance group for the local Runway Safety Teams. ●</p> <p>Operators of Airbus and Boeing aircraft use of new Take-off and Landing Performance (TALPA) procedures, which facilitate accurate landing distance calculations. A key component of this is runway surface condition reporting in a new format which is used by pilots in their TALPA calculations, available at certain locations. ●</p> <p>A project plan has been developed to determine appropriate amendments to rule 139.103 that would require aerodromes, where they meet specific applicability criteria, to provide real-time runway surface condition reporting using standardised reporting methods. Good industry support to meet the target date of 5 November 2020. ●</p> <p>CAANZ has established a relationship with Transport Canada which will facilitate direct feedback on the Global Reporting Format Symposium (TALPA). It was held in Montreal in March 2019 – led by ICAO. ●</p>	<p>Large and medium aircraft air transport operators are expected to include Runway Excursion risk as part of their proactive risk management, and the Authority monitors uptake through ongoing surveillance and certification activities. ●</p> <p>A follow up Sector Risk Profile workshop was delivered on 7 March 2019 to review sector progress with implementation action and to review priorities. ●</p> <p>An awareness programme has rolled out to elevate industry awareness. ●</p> <p>The National Runway Safety Group (NRSRG) was established to collaborate with industry to address operational risks such as Runway Excursion. The NRSRG is the governance group for the local Runway Safety Teams. ●</p> <p>Operators of Airbus and Boeing aircraft use of new Take-off and Landing Performance (TALPA) procedures, which facilitate accurate landing distance calculations. A key component of this is runway surface condition reporting in a new format which is used by pilots in their TALPA calculations, available at certain locations. ●</p> <p>A project plan has been developed to determine appropriate amendments to rule 139.103 that would require aerodromes, where they meet specific applicability criteria, to provide real-time runway surface condition reporting using standardised reporting methods. Good industry support to meet the target date of 5 November 2020. ●</p> <p>CAANZ has established a relationship with Transport Canada which will facilitate direct feedback on the Global Reporting Format Symposium (TALPA). It was held in Montreal in March 2019 – led by ICAO. ●</p>	<p>Monitoring of Queenstown operations ongoing. ●</p> <p>The Regulatory Safety Management System (RSMS) identified a potential issue with go around procedures used by airlines. This was addressed with operators. ●</p>

3. Rules Development Programme

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

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

Rule No.	Project Title	Latest Milestone Achievement	Progress Status and Comment	Next Milestone/ Expected Delivery Date	Target quarter for the Minister to sign
Part 66	Aircraft Maintenance Engineers – Licences and Ratings	Notice of Proposed Rule Making (NPRM) consultation closed on 29th March 2019. 29 submissions received.	● Minor delay in drafting of summary of submissions due to staff illness. Final rule drafting will start shortly after.	Publish summary of submissions: August 2019	November 2019
Part 108 & 109	Domestic Cargo Security Review	Consultation period for the Advisory Circular (AC) closed on 24th May 2019.	● Changes made to the AC based on feedback from consultation. Awaiting Deputy Director Aviation Infrastructure and Personnel signoff.	AC publication: August 2019	December 2019
Various	Omnibus 2017/18	NPRM consultation closed on 7 June 2019. Three submissions were received.	● Drafting of summary of submissions has begun.	Publish summary of submissions: July 2019	October 2019
Part 61	Private pilot licence (PPL) medical requirements	Minister accepted rule project onto Transport Rules Programme	● NPRM development is underway.	Publish NPRM: September 2019	April 2020
Various	Omnibus 2019/20	Minister accepted rule project onto Transport Rules Programme	● Initial triage of issues is currently being carried out to form the rule set.	Publish NPRM: December 2019	May 2020

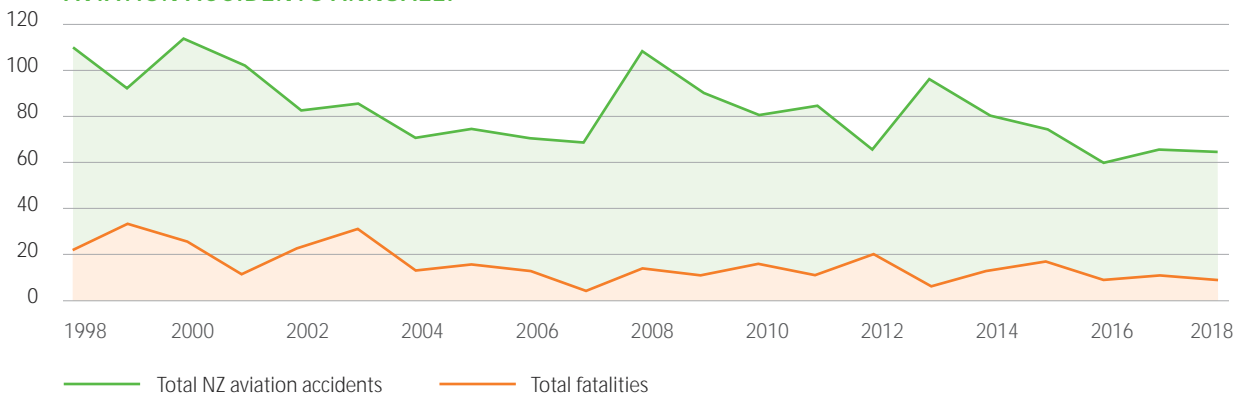
4. Safe and Secure Skies – measuring our outcome

a. Low and reducing numbers of accidents

Achieved – aviation accidents have decreased over the past 20 years. Rates of accidents in specific sectors remain a concern and the Authority continues to work to improve safety across the civil aviation system.

The overall level of safety failure in the aviation system is low, meaning that one event can cause dramatic shifts or fluctuations in the rates that we measure. This makes it difficult to accurately determine statistically meaningful trends over time, however we are of the view that the safety performance of the sector is generally improving over time.

AVIATION ACCIDENTS ANNUALLY*



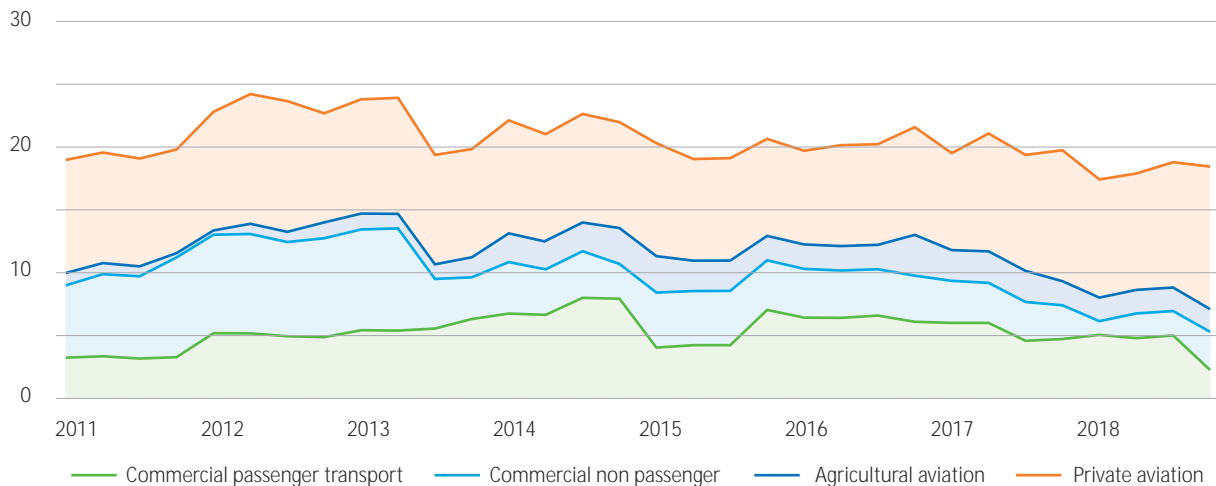
*Note these are accidents involving NZ-registered aircraft - including all types of aircraft, such as airplanes, helicopters, gliders and microlights. This excludes foreign-registered aircraft and parachutes, paragliders, and hang gliders.

b. Reduced social cost of accidents

Not able to measure – social cost is a measure very sensitive to the nature and character of occurrences in the aviation system. As explained in Appendix 4a, the ability to accurately determine statistically meaningful trends over time is difficult.

The Value of Statistical Life (VOSL) was established at \$2 million in 1991 and is regularly indexed to the average hourly earnings to express the value in current dollars. The updated VOSL is \$4.34 million per fatality, at June 2018 prices. Work has been planned at the Ministry of Transport to update the VOSL over the coming year, with an intention to replace the 1991 value. For the full VOSL report refer to: www.transport.govt.nz/mot-resources/road-safety-resources/roadcrashstatistics/social-cost-of-road-crashes-and-injuries/.

SOCIAL COST BY SECTOR (\$M) – THREE-YEARLY MOVING AVERAGE



c. No security incidents compromising safety

Achieved – nil incidents.

	For the years ended 30 June							
	2012	2013	2014	2015	2016	2017	2018	2019
In-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.	nil	nil	nil	nil	nil	nil	nil	nil
Airside security incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.	nil	nil	nil	nil	nil	nil	nil	nil
Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service.	nil	nil	nil	nil	nil	nil	nil	nil

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

d. Decreasing risk profiles in aviation document holders

Achieved – our goal is low and decreasing risk profiles in aviation document holders. The below information shows the sectors where risk has decreased since 2011, and how the risk profiles are trending.

AVERAGE DISTRIBUTION OF RISK PROFILES FOR AVIATION DOCUMENT HOLDERS (ASSESSED PARTICIPANTS)

Activity Type	2011 risk score	Trend from 2011-19	2019 risk score
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security	6.5		6.6
Part 108 Security Programme	9.3		9.3
Part 109 Regulated Air Cargo Agent	10.5		14
Part 115 Adventure Aviation Operator	-		13.2
Part 121 Air Operator Large Aeroplanes	11.8		10
Part 125 Air Operator Medium Aeroplanes	16.1		12
Part 129 Foreign Air Transport Operator	10.5		9.2
Part 135 Air Operator Helicopters and Small Aeroplanes	16.4		13.6
Part 137 Agricultural Aircraft Operator	16.1		13.6
Part 139 Aerodrome Operator	6.5		8
Part 140 Aviation Security Service Organisation	4.6		21.7
Part 141 Aviation Training Organisation	10.8		7.9
Part 145 Maintenance Organisation	12.1		8.4
Part 146 Aircraft Design Organisation	12.6		9.6
Part 147 Maintenance Training Organisation	-		8.2
Part 148 Aircraft Manufacturing Organisation	11.3		9.9
Part 149 Aviation Recreation Organisation	15.9		10.2
Part 171 Telecom Service Organisation	11.6		6.1
Part 172 Air Traffic Service Organisation	17.1		13
Part 173 Instrument Flight Procedure	9.1		4.2
Part 174 Meteorological Service Organisation	11.4		10.1
Part 175 Aeronautical Info Service Organisation	15.1		16.3
Part 19F Supply Organisation	10.4		8.5
Part 92 Dangerous Goods Pack Approval Holder	13.7		9.2

= Reduced

5. Measuring our impacts

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

Measure	Target	Result	Comment
Maintaining our domestic and international reputation	Maintenance of our international accreditation through the ICAO safety audit	Achieved	The Authority maintained its Effective Implementation score in 2018/19. Refer to Appendix 6 for details.
Confidence that the safety and security of the aviation system is maintained	Improvements demonstrated in a confidence survey	No significant change	No significant change since 2017 across all summary measures in the Feel Safe survey conducted in May 2019. Refer to page 17 for details.
Safe flight is demonstrated	Low and decreasing number of accidents and incidents	Achieved	As demonstrated in the Safety Performance Report (pages 16-19) and Appendix 4a (previous page) accidents in the whole of the aviation sector are low and decreasing. Note that some sub-sectors, in particular commercial non-passenger helicopters and private aviation, have not demonstrated the high level of safety performance improvement that other sectors have shown across the past 20 years.
Value for money to government, participants and users is evidenced	Value for money to government, participants and users is evidenced	Achieved	Funding review of Avsec carried out in 2018/19.
Aviation security services are delivered effectively	The achievement of all non-financial measures in the Statement of Performance Expectations	Not achieved	See Output Class 5.1 and 5.2 in the Statement of Performance. 12 out of 17 measures achieved.
The ability of New Zealand Civil Aviation to operate internationally and domestically is supported	No restriction on New Zealand airlines operating internationally	Achieved	New Zealand airlines continue to operate internationally.
Economic benefits are considered and supported where possible in the delivery of our functions	Consideration of economic benefits in the delivery of our functions, evidenced through analysis in policy papers, uptake of all of government options or other	Achieved	See Output Class 1.3-1.5 in the Statement of Performance.

6. Maintaining international credibility

A practical way of illustrating how the Authority maintains international credibility is by using the International Civil Aviation Organization (ICAO) Universal Safety Oversight Audit (USOAP) data. The parallel Universal Security Audit Programme (USAP) data is confidential and not available for publication.

States are audited periodically by ICAO to assess their effective implementation (EI) of the eight critical elements of their safety oversight systems. Eight separate audit areas are examined, and the results are tabulated here by critical element and by audit area – the overall score (expressed as a percentage) is the same.

New Zealand was audited in all eight audit areas in 2006, and was to have been audited in five in 2016. The November 2016 earthquake reduced the scope to the Accident and Incident Investigation (AIG) audit area only, as the Authority premises were closed for repairs over the audit period. Some minor changes to the audit scores resulted from the 2016 audit. Any further movement depends on ICAO's validation of the completed corrective actions from the 2006 and 2016 audits. No validation action for New Zealand is currently scheduled in 2019/20.

Under the current USOAP Continuous Monitoring Approach, States are encouraged to update their audit information through ICAO's online framework self-assessment facility. This enables ICAO to track States' progress and thus to allocate their audit resources accordingly.

INTERNATIONAL CIVIL AVIATION ORGANIZATION – universal safety oversight audit programme continuous monitoring approach									
CRITICAL ELEMENT	CE-1	CE-2	CE-3	CE-4	CE-5	CE-6	CE-7	CE-8	OVERALL EI
(CEs 2-8 are principally attributable to the work of the Civil Aviation Authority)	Primary aviation legislation	Specific operating regulations	State civil aviation system & safety oversight function	Technical personnel qualification and training	Technical guidance, tools and provision of safety-critical information	Licensing, certification, authorisation & approval obligations	Surveillance obligations	Resolution of safety concerns	
NZ EI (%)	84.38	85.09	84.62	80.0	83.33	89.5	90.12	78.85	85.63
Australia	93.75	86.73	98.77	93.51	97.24	95.9	96.2	98.11	95.02
Global average	77.53	74.98	70.18	59.31	69.84	71.30	60.02	54.66	68.50

AUDIT AREA	LEG	ORG	PEL	OPS	AIR	AIG	ANS	AGA	OVERALL EI
	Primary aviation legislation and civil aviation regulations	Civil aviation organization	Personnel licensing	Aircraft operations	Airworthiness of aircraft	Accident and incident investigation	Air navigation services	Aerodromes and ground aids	
NZ EI	85.71	100	98.75	86.55	90.7	77.78	86.36	82.07	85.63
Australia	80.95	100	97.5	88.89	93.16	97.0	99.4	96.32	95.02
Global average	74.75	70.90	74.49	71.14	79.88	57.56	67.01	62.12	68.50

7. Airspace reports and actions

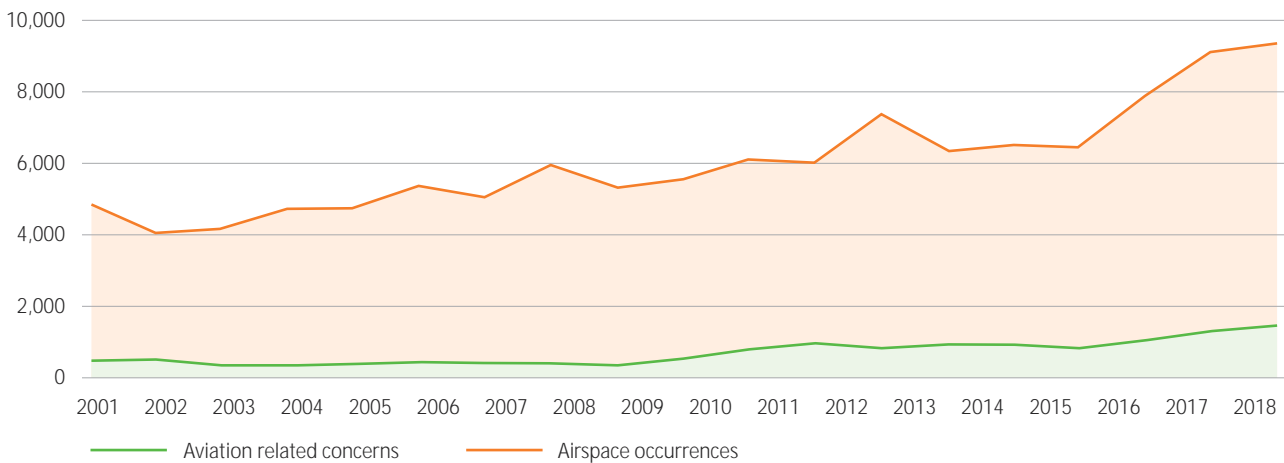
7a. Airspace occurrences and reports

With the intent of influencing a safe airspace environment for all aviation activities, we actively monitor airspace occurrences (safety events that have been reported to the Authority). We are aiming for a reduction in near misses, loss of separation, and uncontrolled incursions.

Reported airspace occurrences have increased over the past 20 years, in part as a result of encouragement from the Authority to report safety events. The intention is to learn from experience and encourage good safety practice. The vast majority of these reports do not require an enforcement response.

Airspace occurrence reports generally come from participants in the aviation sector. The Authority also monitors reports of 'Aviation Related Concerns' (ARCs). These concerns from the public are also recorded and investigated as appropriate.

REPORTS OF AVIATION RELATED CONCERNS AND AIRSPACE OCCURRENCES



AIRSPACE OCCURRENCE DATA FOR THE YEAR ENDED 30 JUNE

		2012	2013	2014	2015	2016	2017	2018	2019	TARGET		
CLOSE PROXIMITY EVENTS												
A safe airspace environment is sustained for all aviation activities	'Near misses'/loss of separation incidents	COUNT	115	163	107	121	102	89	121	97	Fewer 'near misses'/loss of separation incidents through time	
		COUNT PER 100,000 HOURS	11.3	15.6	10.3	14.11	11.12	9.16	13.01	10.93		
	UNAUTHORISED AIRSPACE INCURSIONS											
	Uncontrolled incursions (into controlled airspace)	COUNT	370	355	300	340	389	341	394	367		Fewer uncontrolled incursions (into controlled airspace) through time
COUNT PER 100,000 HOURS		36.5	34	28.8	39.66	42.4	35.08	42.38	41.35			
5-10% improvement since 2007 – not achieved												

5-10% REDUCTION IN MAJOR AND CRITICAL OCCURRENCES SINCE 2007

Severity of occurrence	2006/07	Target at 5%	Target at 10%	2018/19	Actual increase/ (reduction)
Critical	28	26.6	25.2	84	66.67%
Major	313	297.35	281.7	481	34.93%
Minor	4,570	n/a	n/a	8,792	n/a
Total Occurrences	4,911			9,357	

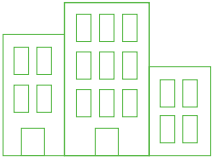
7b. Enforcement actions/prosecutions

ENFORCEMENT ACTIONS/ PROSECUTIONS FOR NON-COMPLIANCE AND/
OR BREACH WITH CIVIL AVIATION AUTHORITY RULES

Financial Year	Prosecutions Commenced	Written Warnings	Infringement notices
2001	21	23	-
2002	22	34	-
2003	18	27	-
2004	19	31	-
2005	22	26	-
2006	23	18	4
2007	21	16	5
2008	19	12	10
2009	17	11	9
2010	24	9	7
2011	11	4	7
2012	18	11	4
2013	10	12	8
2014	10	12	18
2015	13	7	6
2016	12	11	9
2017	10	12	15
2018	5	9	11
2019	7	8	28

8. Sector profile

NEW ZEALAND'S ACTIVE AVIATION DOCUMENT HOLDERS (AT 30 JUNE 2019)



Organisations

	2019	2009
Australian AOC Operating with ANZA Privileges	5	n/a
Part 109 Regulated Air Cargo Agent	68	n/a
Part 115 Adventure Aviation Operator	27	n/a
Part 119 Air Operator	167	174
Part 129 Foreign Air Operator	54	40
Part 137 Agricultural Aircraft Operator	105	109
Part 139 Aerodrome Certification	27	25
Part 140 Aviation Security Organisation	1	1
Part 141 Training Organisation	47	49
Part 145 Maintenance Organisation	52	55
Part 146 Design Organisation	13	11
Part 148 Manufacturing Organisation	13	22
Part 149 Recreation Organisation	8	9
Part 171 Telecommunication Service Organisation	1	2
Part 172 Air Traffic Service Organisation	1	2
Part 173 Instrument Flight Procedure	2	n/a
Part 174 Meteorological Service Organisation	3	2
Part 175 Information Service Organisation	2	2
Part 19F Supply Organisation	28	64
Part 92 Dangerous Goods Packaging	53	44
Synthetic Training Device (Airlines)	8	7
Synthetic Training Device (General Aviation)	39	28

Total

724 646

Individuals

	2019	2009
Part 66 Aircraft Maintenance Engineer	2,952	2,342
Part 66 Certificate of Inspection Authorisation	204	142
Part 66 Certificate of Maintenance Approval	316	220
Pilot licences (3,959 with active class 1 medical certificate and 4,828 with active class 2 medical certificate including 4,224 ATPL Aeroplane licence holders, 1,155 holding active class 1 medical certificates and 1,061 holding active class 2 medical certificates)	27,991	20,784
Air traffic and Flight service licences (614 holding class 3 medical certificates)	1,144	762

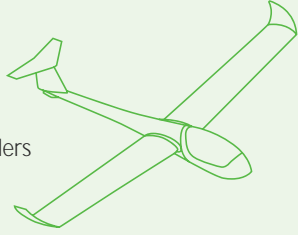
Total

29,655 24,250

Aircraft

3

amateur built gliders
2009 - 5

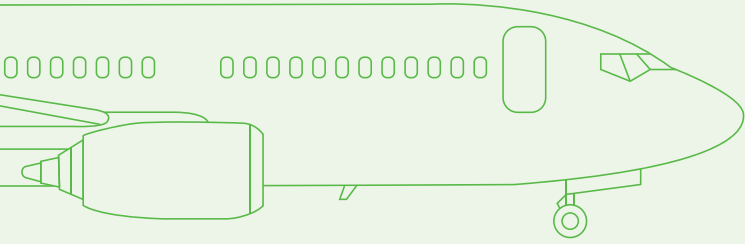
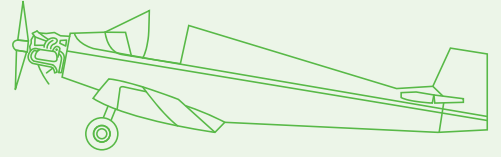


290

gliders
2009 - 312

297

amateur built aeroplanes
2009 - 260

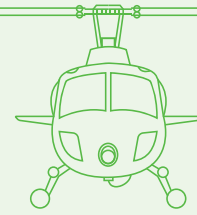


2,017

aeroplanes
2009 - 1,922

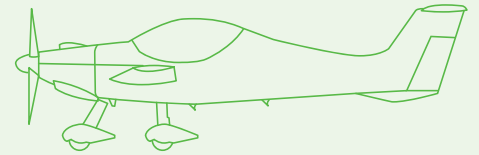
24

amateur built
helicopters
2009 - 19



895

helicopters
2009 - 752



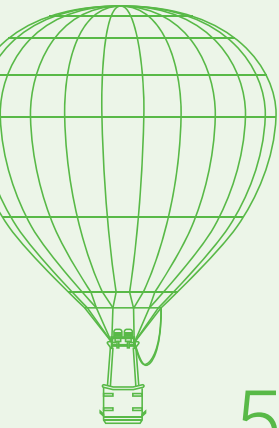
912

microlight class 2
2009 - 702



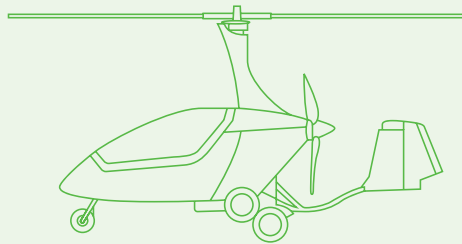
212

microlight class 1
2009 - 229



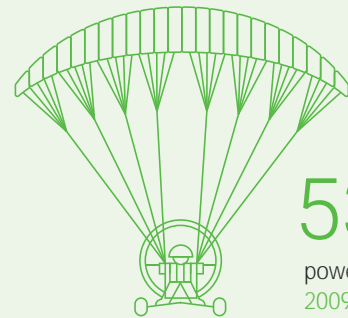
58

balloons
2009 - 67



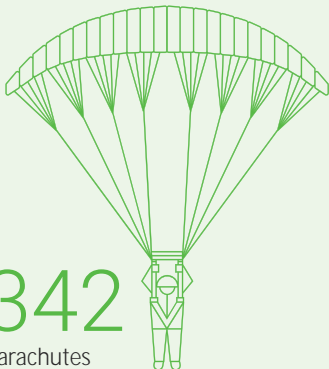
77

gyroplanes
2009 - 37



53

power gliders
2009 - 49



342

parachutes
2009 - n/a



18

hang gliders
2009 - n/a

109

para gliders
2009 - n/a

Total

5,308



Aviation Security Service
— Kaiwhakamaru Rererangi —

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