

CIVIL AVIATION AUTHORITY 2019–2020

ANNUAL REPORT



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 2019 to 30 June 2020.



Janice Fredric

Chair of the Civil Aviation Authority of New Zealand
(10 December 2020)

Statement from the General Manager, Aviation Security Service

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
(10 December 2020)

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ISSN: 1177-6072

ISSN: 1177-9403 (online)

Note: Further copies of this document can be downloaded from www.aviation.govt.nz

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PART ONE

Introduction



From the Acting Chief Executive and Director of Civil Aviation

The past year has been one of transition for the Civil Aviation Authority (the Authority), as we have turned our attention to building a respectful and inclusive workplace and embedding the right capability and organisational structure to operate as a robust regulator, a reliable security service, and an efficient, effective modern public service agency.

Even before the advent of COVID-19, 2019/20 was shaping up to be a year of significant change for the Authority's regulatory function and the Aviation Security Service (Avsec). Over the course of the year the Authority concluded the Organisational Design Review, implementing a new structure for its regulatory and support services teams – firstly with the restructuring of leadership and management-level positions to enable the second stage of changes, which implemented a functional structure for regulatory teams. The structure aims to remove silos which existed between the previous sector-facing teams, enabling greater consistency in decision-making, particularly when it comes to matters such as certification. It is important that our teams continue to find new ways of working together to ensure that we fully realise the benefits of our new organisational structure, but as with all organisational change it will take some time for the new structure to be bedded in.

These changes led to a refreshed Authority Leadership Team, which in May was expanded to include Avsec Group Managers to help ensure that leaders from across the Authority are better represented in strategic decision-making. The Authority's Board has also changed considerably in its composition, with a new Board Chair and two other Authority Board members welcomed during the course of the year. This Board has set high standards for the whole Authority with regard to regulatory performance, the effectiveness of the security service function, and overarching efficiency.

Building a respectful, inclusive workplace

The Board also clearly stated its high expectations around the Authority's workplace culture and the standard of behaviour which is expected in a modern public service workplace following the release of the ministerial review into the Authority's workplace culture, in May 2020. The Review found significant shortcomings in the organisational culture across both the regulatory and Avsec groups, poor application of policies and procedures for dealing with issues of bullying and poor behaviour in the workplace, and a failure of the Authority's leadership team to adequately manage issues with workplace culture and bullying.

I want to take this opportunity to reiterate to all current and former staff that the Authority's culture and handling of issues of bullying and poor workplace behaviour was not acceptable, and to again apologise for the experiences of some of our staff and former staff, which nobody should be subjected to in any workplace, let alone a modern public service agency. Addressing the issues identified in the ministerial review has been a core focus for the Board and the Authority Leadership Team since the findings were released. We are committed to rebuilding our culture so it is more inclusive, respectful, and safe. We have accepted all 31 of the review's recommendations and have made good progress in responding to the findings. We have set up a dedicated team to advance the Te Kākano programme, which is taking a collaborative approach to transforming the Authority's workplace and building a respectful, inclusive and high performing culture where all staff feel safe and empowered to go about their vital work helping to keep New Zealand's skies safe and secure. The programme has been developed to include staff and the Authority's union partners, with a taskforce approach which will ensure that key decisions are staff-led, with staff and union delegates around the decision-making table.

Rising to the challenge of COVID-19

The emergence of the COVID-19 pandemic then led to the Authority rapidly taking on different roles and adopting new ways of working in support of New Zealand's wider response to the pandemic and the associated public health response. Avsec teams across the country stepped up to provide rapid support to the Government's COVID-19 response after the move to Alert Level 4 and the closure of New Zealand's border, providing high visibility assurance patrols in communities across the country and supporting the wider transport sector.

More significantly, Avsec officers became a cornerstone of the rapidly established series of managed isolation and quarantine facilities to ensure returning New Zealanders were not bringing COVID-19 into the community with them. Avsec teams play a vital role in these facilities, helping to ensure that guests remain within the facilities and are not mingling with each other – all helping to significantly reduce the risk of COVID-19 entering our communities from returning travellers. Avsec officers took on these new roles with enthusiasm and have shown themselves to be an adaptable, resilient team we can rightly be proud of.

New Zealand's aviation system has been particularly hard hit by the pandemic and border closure, which has had significant flow-on effects, and the package of regulatory relief measures implemented by the Authority's regulatory teams came as a welcome reprieve for the industry during lockdown.

New Zealand's aviation system has been particularly hard hit by the pandemic and border closure, which has had significant flow-on effects, and the package of regulatory relief measures implemented by the Authority's regulatory teams came as a welcome reprieve for the industry during lockdown. This package included a range of measures, such as extensions to organisational certificates that were up for renewal, free exemptions which extended the deadline for Safety Management System certification until 1 February 2022 for organisations yet to be certificated, and extensions for expiring medical certificates, currency requirements, flight reviews, and proficiency checks during the period of lockdown. The Authority's regulatory teams also developed a strong focus on operators most at risk as a result of COVID-19 and its economic ramifications, and worked proactively with operators to gain a full understanding of the challenges they face as well as assessing how the latent risks which come with economic disruption and financial stress were being managed.

Finally, I want to acknowledge Graeme Harris for his service as Chief Executive and Director of Civil Aviation. Graeme retired in May after eight years in the role, during which time the safety performance of New Zealand's civil aviation system continued to improve.

New Zealand's public air transport sector today is one of the safest in the world, with a more than 60 percent reduction in the accident rate per 100,000 hours flown since 2011. It is a real testament to the ongoing commitment and dedication from the Authority's staff, as well as from our participants and operators. Despite the challenges our people have faced over the course of the year as they have adapted to a rapidly changing world and aviation sector, and the important changes we have been making to improve our organisation, our people have kept doing their best to keep us safe and secure. So thank you to our team at the Authority for rising to the year's challenges and for the resilience you have shown along the way.



Shelley Turner

Acting Chief Executive and
Director of Civil Aviation Authority

About 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



Responsible
to the Minister
of Transport

What we do



Regulatory function

The aviation safety and regulatory function delivers four core outputs:



Policy and regulatory strategy

- Ensure the civil aviation system is robust and responsive
- Maintain safety and security standards
- Provide a regulatory toolkit for interventions



Outreach

- Support and encourage civil aviation participants to adopt desired aviation safety behaviours
- Influence and change attitudes and behaviours



Certification and licensing

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



Surveillance and investigation

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

The Authority



Governed

by a board of up to five members (“the Board”)



Primary objective

is safety and security

We deliver on this objective through the two functions of the Authority



Security service function

The security service function delivers the following core outputs:



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 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

Managing the impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a major impact on aviation in New Zealand. Flight activity dropped dramatically, and the reduced volumes of international and domestic passengers (and the subsequent decrease in related flight activity) significantly impacted all parts of the Authority.

This impact, like the pandemic, has been ongoing and continues to change rapidly. Both the Authority's regulatory function and the Aviation Security Service (Avsec) have been affected.

The regulatory function

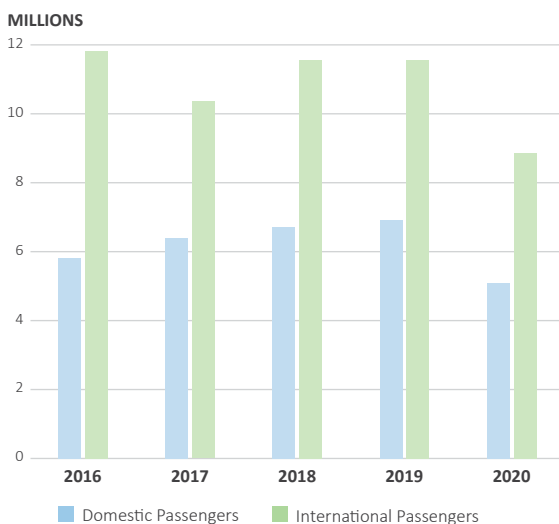
Throughout the COVID-19 pandemic, our regulatory function has continued to maintain the safety of the civil aviation system. This has included understanding the risks emerging from the COVID-19 environment and adjusting how we work in order to protect the ongoing safety of participants and sectors. Safety has, at all times, been paramount.

Notably, some sectors have been more severely affected by the COVID-19 pandemic than others. For example, at the height of the pandemic in quarter four of 2019/20, the agricultural aviation sector did not experience the drop-off in flight hours that the commercial passenger transport sector experienced. In fact, while Avsec experienced a significant reduction in security screening throughput at security-designated airports, the Authority's regulatory workload increased as a number of sectors continued operating steadily and we diverted our resource to responding to the emerging risks of the COVID-19 environment.

During the most intense COVID-19 restrictions (for example, during COVID-19 Alert Level 4) some activities that could not be undertaken safely were paused and safe new ways of working were introduced. While some activities experienced abrupt falls in demand, others experienced increased demand: our Aviation Safety Advisors conducted 574 engagements in quarter four (to provide extra assurance to the aviation system during this time), against a budgeted target of 500 visits over the entire year.

The Authority has also played a key role in enabling aviation operators to stay in business by supporting those wishing to alter their certification in response

International and Domestic Passenger Numbers by Financial Year



to the COVID-19 pandemic (for example, by re-certifying a tourism aviation operator to an agricultural aviation operator) and advancing urgent policy amendments (like the COVID-19 regulatory relief package) to allow the continuing, lawful function of the civil aviation system. The measures under the relief package helped by issuing short-term certificates to organisations who were close to expiry, extending the implementation of new Safety Management Systems, automatically extending medical certificates, and issuing short-term exemptions to currency requirements. There was a significant surge in certification activity during and immediately following the lockdown in quarter four of 2019/20.

The Authority engaged with participants of the civil aviation system throughout the pandemic and used learnings from this engagement to develop a stakeholder engagement strategy. For more information on how we have engaged with industry, see page 22.

The Aviation Security Service

The Aviation Security Service (Avsec) has consistently maintained security services at security-designated airports, regardless of the restrictions imposed on travel. The service level provided remains high, though continues to experience significantly reduced, and fluctuating, passenger screening demand. Since the beginning of the COVID-19 pandemic, domestic demand has generally been dependent on the COVID-19 alert level restrictions in place at any given time.

Avsec has had, and continues to have, a critical role in the All-of-Government response to COVID-19, especially while experiencing reduced demand for passenger screening services. Hundreds of Avsec staff have been re-deployed to support managed isolation and quarantine facilities and work with NZ Police on highly visible public assurance patrols. This has helped keep New Zealand safe from COVID-19, while also saving jobs that – due to reduced demand – may have otherwise been significantly impacted by the current environment.

Importantly, the high level of training and experience Avsec staff already receive in their roles meant that they were very well-suited to their new role. Additionally, re-deploying these people in this role has allowed Avsec to maintain the staffing, skill-set and knowledge capacity needed to support the aviation system as it gradually recovers from the impacts of the pandemic.

Impact of COVID-19 on our financial position

As a Crown entity that relies on third party revenue (for example, through levies on flight tickets), our financial position has been heavily impacted by reduced levels of flying during the COVID-19 pandemic. To address this, the Government has provided funding to some organisations and Crown entities, like the Authority, to protect and fund core services where third party revenue has been reduced by the impacts of COVID-19.

We understand that we must respond appropriately to the abrupt change in our expected revenue. Currently, we are reviewing our costs to ensure essential services can be maintained without placing any additional financial burden on New Zealand's aviation sector. We have also found, and must continue to find, savings where possible. For example, the Authority has postponed non-critical property projects and systems upgrades, stopped all non-essential travel, and reduced the allowance for performance-based remuneration adjustments.

Capability, Capacity and Costs (CAPCO)

CAPCO was a review launched in response to the sudden financial pressure placed on the Authority, due to the COVID-19 pandemic. It looked at our capability, capacity and costs, and what resources are needed in order to keep the civil aviation system in New Zealand safe. Importantly, CAPCO found that reduced passenger

numbers and flight hours have had very little impact on the Authority's regulatory workload. Further, while a reduced level of travel has impacted Avsec's passenger security screening volumes, there are a number of other core functions that need to be sustained – in addition to Avsec's current role supporting the Government's response to COVID-19 – like non-passenger screening, foot patrols, and area searches. Resourcing options that account for the reduced levels of fees, levies and charges being received by the Authority were investigated and presented to the Minister of Transport in June 2020.

This work is continuing in 2020/21. CAPCO 2 was launched in August 2020 to take a more detailed look at what our resourcing looks like over the next few years and if there are better, more efficient ways of working. Ultimately, this will protect our financial sustainability and our capacity to deliver our core regulatory functions and effective and efficient security services to New Zealanders.

Throughout the COVID-19 pandemic, our regulatory function has continued to maintain the safety of the aviation system.

Impact of COVID-19 on our non-financial performance

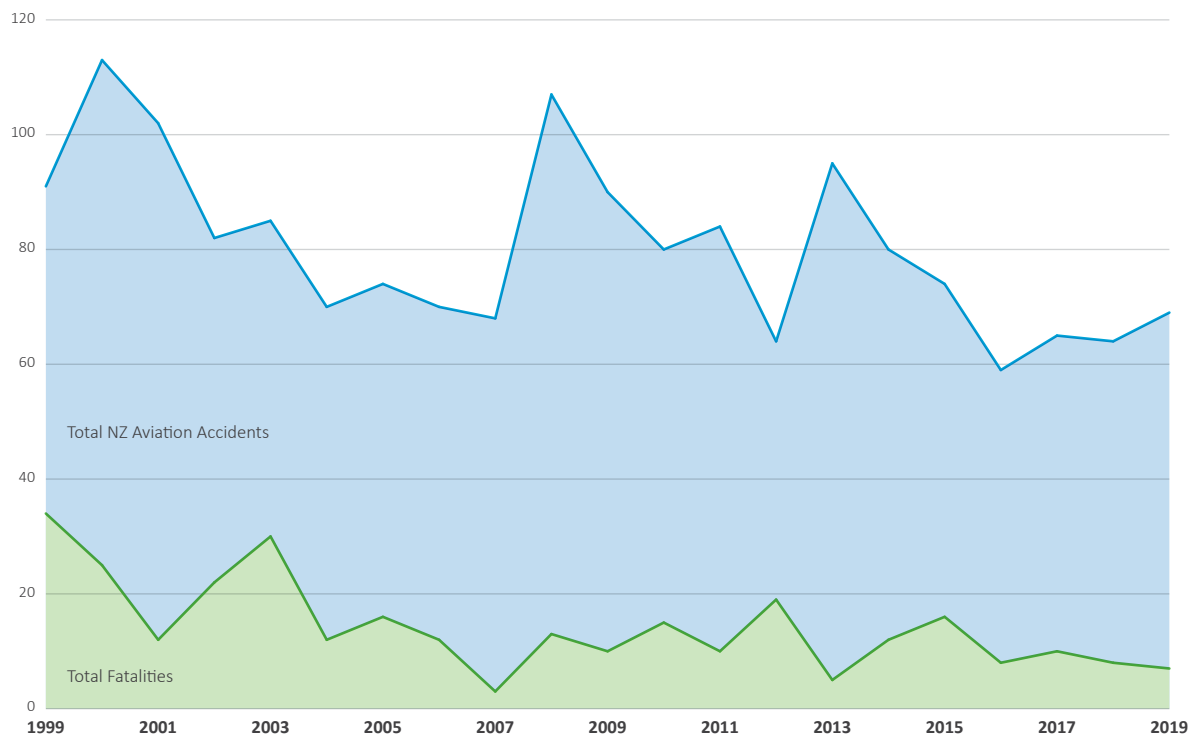
To provide Parliament and the public with confidence that the funding we received directly from the Crown (to maintain essential services where our third party revenue was reduced by the impacts of COVID-19) is being used effectively, two new non-financial performance measures have been introduced and have been reported in this year's Annual Report. These measures assess the maintenance of appropriate capability and resourcing and the mitigation of costs to the Crown. For more information on these two new measures, see page 47.

This year's Annual Report reflects the impact that the COVID-19 pandemic has had on our ability to deliver some of our core functions and services at the expected volumes. There are a number of non-financial performance measures with targets that have not been met, especially those that are demand driven. We also experienced significantly heightened demand in some areas (for example, certification activity). For more information on how we have reported the impact of the COVID-19 pandemic on this year's non-financial performance, see page 46.

Safety performance report

The Authority's main purpose is to ensure the safety and security of the civil aviation system. As a result of the work we do, people should both *be* safe and *feel* safe when they fly in New Zealand.

Aviation Accidents and Fatalities Annually



Are people safe when flying in New Zealand?

The Authority collects a lot of data about the performance of the civil aviation system. We use it to determine where to intervene in the system and what type of intervention is needed. Our first priority is always to respond to safety risks. Beyond our foremost focus on safety, our interventions aim to identify and mitigate future risk and enable new aviation opportunities.

Overall, safety in the system has improved over the past 20 years. Since 1999, both the number of aviation accidents and fatalities has 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.

The civil aviation system is made up of several smaller sectors, each posing different levels and types of risk due to the nature of their operations and the types of aircraft they use. Our data helps us to identify sector-specific risks, as well as interventions that are needed in particular sectors.

Safety by sector

Every sector of New Zealand's civil aviation system has demonstrated improved safety performance over the past 20 years. Despite annual fluctuations in flight hours and accident rates (accidents per 100,000 hours, averaged over a rolling 3-year period), overall accident rates have fallen across all sectors.

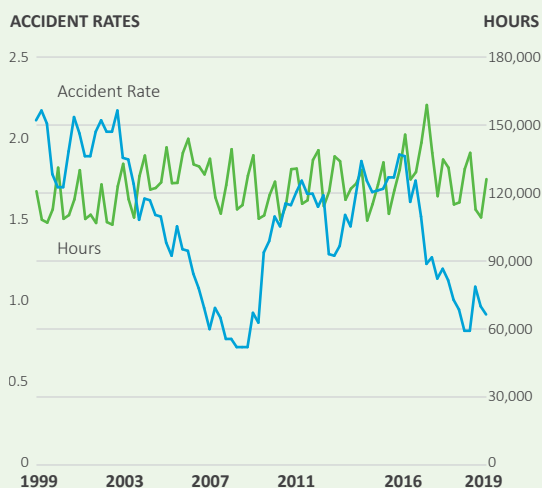
There is a wide range of aircraft in use in every sector of the civil aviation system. For example, aircraft can vary

between large aeroplanes used by airlines like Air New Zealand, to helicopters, gyroplanes, amateur-made helicopters and planes, hang gliders, para gliders and parachutes. This means that aviation accidents, like those captured by this report, can be relatively minor (resulting in no injury or minor injuries) or very serious. As you would expect, the accident rate in private aviation is much higher than in all sectors of commercial aviation.

Annual Accident Rate and Annual Flight Hours over the past 20 years

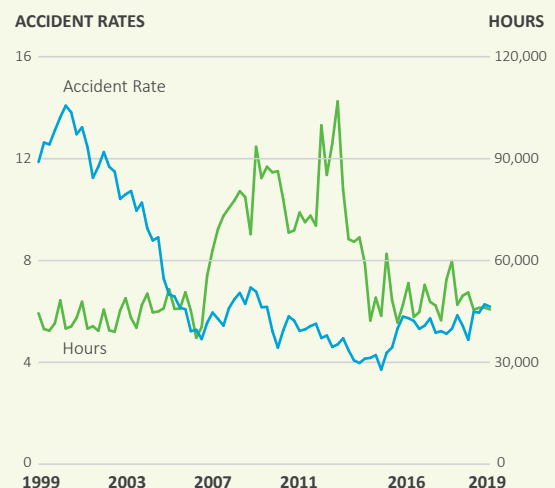
Commercial passenger transport

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



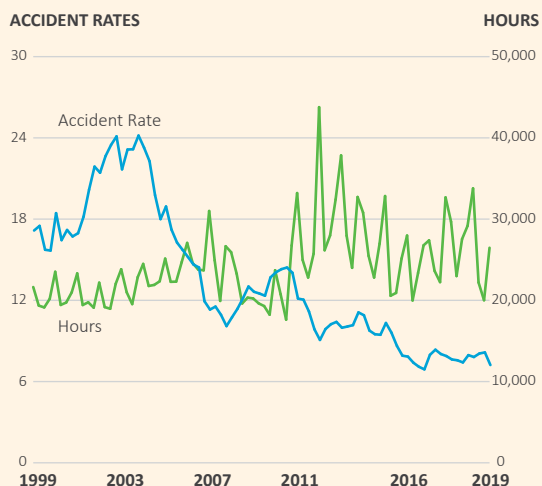
Commercial non-passenger

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



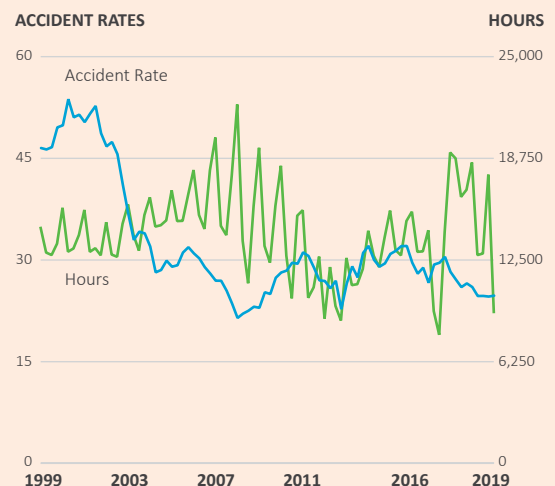
Agricultural aviation

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



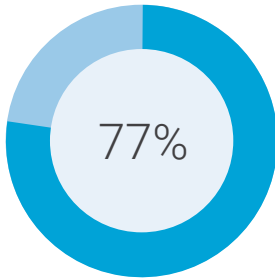
Private aviation

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

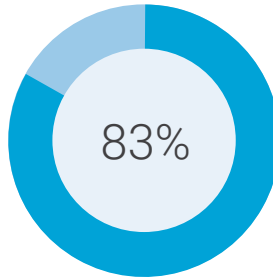


Do people feel safe when flying in New Zealand?

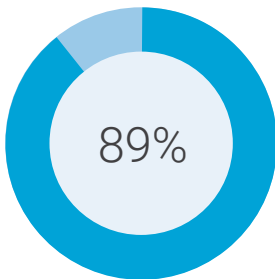
Every two years we commission a survey to assess how safe New Zealanders and international visitors feel when flying in New Zealand. The most recent survey was carried out in June 2019 by Colmar Brunton.¹ This information will be updated when the next two-yearly survey is completed.



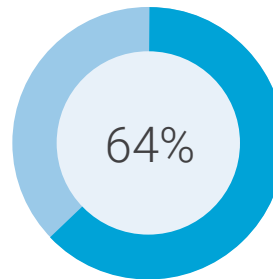
77% of New Zealand resident travellers felt extremely or very safe and secure on their most recent domestic or international flight (increase from 76% in May 2017).



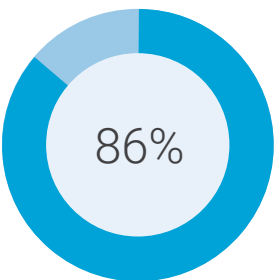
83% of people flying on screened domestic routes feel safe (increase from 81% in May 2017).



89% of overseas visitors felt extremely or very safe and secure on domestic or international flights departing New Zealand (decrease from 90% in May 2017).



64% of people flying on non-screened domestic routes feel safe (increase from 63% in May 2017).



86% of people flying to overseas destinations from New Zealand feel safe (no change from May 2017).

¹ *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.

Our interventions in the civil aviation system

The Authority's Strategic Framework outlines what we do and – importantly – why we do it. Everything we do should ultimately progress our outcome: *Safe and Secure Skies to help New Zealand fly*.

To progress this outcome, we also have outputs, objectives and impacts. We report against each of these in this year's Annual Report. Interventions are the things we do to advance our objectives and make the civil aviation system safer, like the introduction of new safety guidance or targeted monitoring of specific sectors.



We are embarking on our own change journey, which will improve the services we provide.

A major theme of 2019/20 was improvement through change. This means that we have been changing how we operate to improve our regulatory functions and security services.

The Organisational Design Review was finalised and resulted in a restructure of the Authority that will strengthen our regulatory function and improve the consistency of decision-making and the Authority's sustainability. The Regulatory Craft Programme was also progressed and continues to improve the regulatory capability of our people and the quality of our guidance. For more information on these programmes, see page 28.



Our interventions are intelligence-led and risk-based.

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

- act according to the information we receive and the data that we hold (intelligence-led)
- act according to the level of risk assessed for a sector, organisation, person or aircraft, or the travelling public (risk-based).

Our intelligence-led, risk-based approach helps us to target our resources as effectively as possible: we analyse risk to identify the areas that require intervention and use the information we have to inform the type of intervention needed.



We work collaboratively internationally and domestically, to keep New Zealand's skies safe.

The Authority's regulatory function operates alongside the aviation sector because we know that we achieve more, and are more effective, when we work together. We provide formal and informal education to participants, engage with operators to ensure safety and compliance with New Zealand's safety laws and rules, and maintain contact with (and welcome feedback from) key stakeholder groups.

As a participant within the international aviation system, we also co-operate with other aviation jurisdictions to keep abreast of safety and security trends, and issues of concern, worldwide.



Our system change programmes influence New Zealand's aviation system.

System change programmes are programmes that seek to fundamentally shift, update and improve specific aspects of our environment. This includes internally (within the Authority) and externally throughout the civil aviation system. These programmes span multiple years and have a wide range of priorities like introducing new technologies and regulatory tools, people development, and sector safety systems. Examples of our system change programmes include the New Southern Sky programme and our implementation of Safety Management Systems.

For more information on the New Southern Sky programme, see page 22. For more information on the implementation of Safety Management Systems, see page 18.



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 focus areas (for example, helicopter safety) to improve the safety and security of the civil aviation system. As these focus areas span multiple operational areas, we established a unified programme of work aimed at addressing them.

For a description of each of these focus areas and a detailed outline of our 2019/20 work programme, see page 116.

Our strategic framework

To avoid harm to New Zealanders and our visitors we must maintain a safe and secure aviation system. A safe and secure aviation system promotes travel, trade, and the enjoyment of aviation as a sport and recreational pursuit. Aviation is critical to New Zealand’s economy through the global connections it enables and the reputation it has.

Aviation is a part of a wider transport system that moves people and goods over land, sea and air, and therefore connects people with each other, and with opportunities for growth, health and wellbeing. The Government’s intention is for a transport system that improves wellbeing and liveability for all New Zealanders; putting people at the heart of all we do.

This intention has been expressed in the five outcomes for the New Zealand transport sector. Achieving these outcomes will improve intergenerational wellbeing and the quality of life in New Zealand’s cities, towns and provinces. The framework is closely tied into the Living Standards Framework established by the Treasury, the Government’s Health and Safety at Work Strategy 2018-2028, and the expectations set by the Minister of Transport.

Transport Outcomes 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.

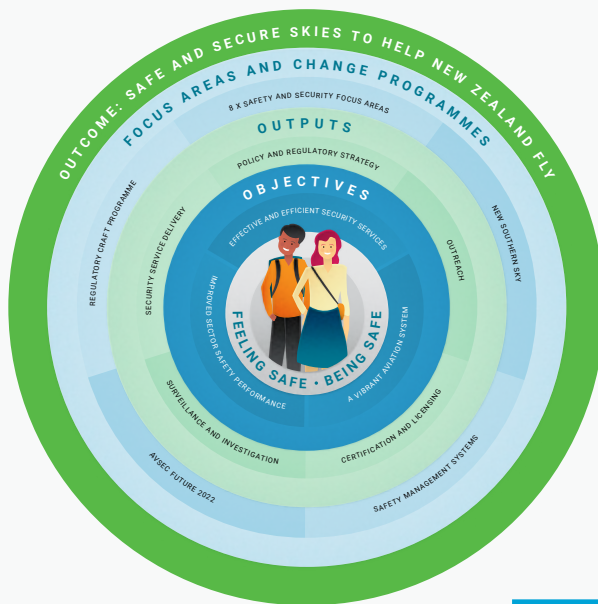
The transport sector outcomes align with the Authority Strategic Framework

MINISTER’S EXPECTATIONS

In 2019/20 the Minister of Transport set the expectation that the Civil Aviation Authority contribute towards:

-  Regulatory performance
-  Civil aviation safety and security
-  Regional development
-  Cross-government collaboration
-  Supporting the government’s goals for modernising the aviation system

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 Statements of Performance. For the Statements of Performance, see pages 40 to 71.

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

Benefits



SAFE AND SECURE PEOPLE

Through a 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.

Objective 1

A safe aviation system

Our role is fundamental in ensuring that the New Zealand civil aviation system is safe (*Civil Aviation Act 1990*). We identify and target areas of risk within the civil aviation system and work to reduce these risks to improve the overall performance of the system.

Safety performance in the civil aviation system ranges from excellent in the large aircraft (airline) sector, to relatively poor in the commercial helicopter and private recreational aviation areas.

To maintain and improve safety we carry out a number of functions, including:

- controlling entry, ongoing operation and exit from the civil aviation system – we certify and license organisations, individuals and products
- monitoring activity, such as conducting inspections, audits and investigations, and taking regulatory action as needed to address safety risk
- assessing issues within the civil aviation system and identifying the best approach to resolve these issues – sometimes this may result in rule changes or further policy work
- educating and influencing through outreach to participants in the civil aviation system.

Our achievements in 2019/20

Aviation Safety Advisors engaged with participants and provided education and support.

Aviation Safety Advisors (ASAs) are a direct point of contact between external participants in the civil aviation system and the Authority. Their role includes engaging with industry members and individuals to share safety messages, provide advice on operations, maintenance and other aviation topics and answering aviation-related queries. As a direct channel with the aviation system, ASAs often provide valuable feedback on the state of the system and shape the Authority's work in key areas. As part of their engagement role, ASAs also provide safety material to participants and often represent the Authority at key membership stakeholder meetings (for example, with airfield user groups).

Our two maintenance qualified ASAs also help with training courses for maintenance personnel, ensuring that rules and standards are followed correctly.

Throughout the year, ASAs undertook 1,400 engagements to participants of the aviation sector. Many of these took place following the end of COVID-19 Alert Level 4, and provided additional safety support to participants during this time. This also helped the Authority to maintain contact with the civil aviation sector and understand the risks emerging from the COVID-19 environment.

We worked with participants to address their risks.

As a part of ongoing sector engagement, we promoted Sector Risk Profiles as a collaborative effort between the Authority and participants (people or organisations that participate in the civil aviation system). Sector Risk Profiles assist participants by 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. The profiles are dynamic and are reviewed and updated regularly. The operator can then decide which risks apply to their business and mitigate them.

Individualised Safety Management Systems are helping operators to stay safe.

Safety Management Systems are formal risk management frameworks, informed by Sector Risk Profiles, that embed Risk Mitigation Action Plans for organisations in the aviation system, taking into account their specific risks, needs and circumstances. Their introduction means that operators have effective systems in place for hazard identification and risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education.

The implementation of Safety Management Systems is being undertaken in accordance with *Civil Aviation Rule Part 100 - Safety Management*, and has been ongoing for four years. Prior to the COVID-19 pandemic, we were on track to complete this programme of work by 1 February 2021 (meaning all organisations that require a Safety Management System, would have a suitable one in place). The programme has been extended to February 2022 in response to the delays caused by the COVID-19 pandemic, and presently 204 out of 340 relevant organisations have been certificated and have a suitable Safety Management System.

The certification and ongoing monitoring of operators' Safety Management Systems is also an important aspect of how we will continue to meet our obligations as a regulatory agency under the *Health and Safety at Work Act 2015*. They will give us additional oversight of individual operators' risks and assurance that they are addressing them and have appropriate response plans and systems.

We worked to improve helicopter safety in New Zealand.

This year, among other things, we formed a safety working group in partnership with the New Zealand Helicopter Association (a division of Aviation New Zealand), worked with helicopter operators to implement Safety Management Plans, and began updating our monitoring and inspection guidance.

For more information on the work we undertook to improve helicopter safety (and our other safety and security focus areas), see page 116.

Our Licensing and Standards team (previously the Personnel and Flight Training team) adapted how they work to the COVID-19 environment.

Licensing is a critical part of the work the Authority does to keep aviation safe. It ensures that people within the aviation sector are appropriately licensed and skilled to operate.

Despite the COVID-19 restrictions that were in place in the third and fourth quarters of 2019/20 and the rapid change in how we work, the team issued hundreds of licences and medical certificates in an effective and timely manner. All licensing and medical certificate requests were resolved within 10 days, with the majority being closed within three to four days. The team implemented automatic extensions, which were granted to document holders while the most intense COVID-19 restrictions were in place.

With the finalisation of the Organisational Design Review, the team now also has an improved focus on aviation standards (for example, flight and maintenance standards).

MINISTER'S EXPECTATIONS



Regulatory performance



Civil aviation safety and security



Supporting the government's goals for modernising the aviation system

Objective 2

An effective and efficient security service

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

The Aviation Security Service (Avsec) is a core part of the Authority and provides aviation security services in New Zealand. Avsec conducts the following activities:

- screening both domestic and international passengers, and crew, and their carry-on baggage at six security-designated airports, for weapons, explosives, and prohibited items
- screening both domestic and international checked baggage at security-designated airports, for weapons, explosives, prohibited items and dangerous goods, airport patrols and security
- conducting perimeter patrols, vehicle searches, guarding aircraft, mobile foot patrols, escort duties, and conducting aircraft searches at security designated airports
- managing the airport identity card system on behalf of the Director of Civil Aviation
- operating explosive detector dog teams around New Zealand – searching for explosives in and around airports, and providing support to other agencies as requested e.g. Police bomb threat call outs, venue clearances etc.
- operating a behavioural detection function
- screening of bulk and duty-free goods, and outbound mail and cargo
- screening of non-passengers (airport workers) into security enhanced and sterile areas at the six security-designated airports
- providing security services to other Government agencies, e.g. All-of-Government COVID-19 Response, national events of significance, etc.

Our achievements in 2019/20

Avsec has a critical role in supporting the Government's response to COVID-19. This is keeping New Zealanders safe from COVID-19, while protecting the economy for the harshest impacts of the pandemic.

The COVID-19 pandemic abruptly and severely cut the number of people travelling by air in New Zealand, reducing the number of passengers that Avsec needed to screen at airports. The Authority responded quickly to keep New Zealand safe from COVID-19, while protecting these jobs, by re-deploying hundreds of Avsec staff to managed isolation facilities around the country, hosting thousands of new arrivals. Further, our specialist behavioural detection teams were deployed to conduct interviews with new arrivals. We also supported the complex logistical efforts to repatriate citizens and residents and – in the absence of an existing system – we developed and administered the data management processes which tracked people through the network of managed isolation facilities.

This responsibility was, and remains, an important one. Our experience as an effective and efficient security service, operating in high volume, public-facing environments like airports, means that our staff were well-prepared to contribute to the COVID-19 response in this way. Crucially, our team at Avsec had the training and experience required to rapidly take on this responsibility, and have demonstrated adaptability, agility, resilience and empathy throughout the COVID-19 pandemic while working tirelessly to meet the demand of the response.

The Authority has several important initiatives underway to improve and future-proof Avsec and its services.

Our initiatives aim to develop our staff, improve our processes and systems, and implement new technology. The objective is always to support our security service to carry out its work in smarter and better ways in a continually changing security environment.

A greater focus on strategic thinking and business planning will make Avsec sustainable and encourage continuous improvement over the long-term. In 2019/20, the Authority began work on *Horizon 2030*, Avsec's new strategic plan. The plan will ensure Avsec is well-placed to deliver effective and efficient aviation security, that's trusted, professional and responsive.

For more information on Horizon 2030, see page 29.

This year we upgraded airport identity cards and supporting systems.

The new Airport Identity Card Information System is delivering smart security through a solution that is reliable and flexible enough to respond to the dynamic nature of the security environment and facilitates real-time validation of identity cards in restricted areas at New Zealand airports through the use of QR codes. Further, it has moved cardholders and employees away from a paper-based system onto a more secure and convenient online application, and allows them to view their own information.

The Screening Point Modernisation Programme is enhancing screening capability through the use of advanced imaging technology and automation.

The programme has so far been rolled out at Auckland Airport (international terminal), Christchurch Airport (international terminal) and Dunedin Airport (domestic and international terminals), and is improving the passenger experience through multiple divest points and automated tray flow. Importantly, the passenger experience is not the only aspect of our security services that the programme is improving: the programme – with its introduction of more modern security technology (advanced imaging technology) – is enhancing the security detection capability of New Zealand's aviation security system.

The Authority is continuously reviewing its security services to encourage effectiveness and efficiency.

In 2019/20, our efforts saw more paper-based and manual processes replaced with electronic solutions to improve data quality and recordkeeping, as well as to save staff time and effort and improve the experience of passengers. We also continued to work closely with our international and domestic security partners to identify and address emerging risks and provide an appropriate level of protection for all users of the aviation system.

MINISTER'S EXPECTATIONS



Civil aviation safety and security



Supporting the government's goals for modernising the aviation system

Objective 3

A vibrant aviation system

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

We contribute to a vibrant aviation system by:

- working across Government
- working internationally
- supporting Pacific Island nations and building regional security
- supporting innovation and new technologies.

Our achievements in 2019/20

The Authority has renewed its approach to engaging with the civil aviation system.

In 2019/20, the Authority placed more focus than ever on engaging meaningfully with participants in the civil aviation system. In June 2020, the Acting Chief Executive and senior leaders at the Authority commenced a programme of engagement that has included travelling the length of New Zealand, meeting industries and sectors face-to-face. This is helping industry to respond to changes in the aviation environment, especially as participants are facing unprecedented challenges through the COVID-19 pandemic. Further, it is helping us to better understand and address the needs of the system as a whole.

The feedback the Authority has received so far has been overwhelmingly positive. We have since built on our progress in this area by developing a new stakeholder engagement strategy and implementing a more structured programme of engagements and industry visits in 2020/21.

The New Southern Sky programme is supporting the adoption of new, safer technology on aircraft.

The new technology produces an air traffic ‘picture’ through automatic dependent surveillance – broadcast (ADS-B) transponders, that transmit an aircraft’s GPS position to a ground network twice a second.

To support adoption of the technology, we developed, implemented and now manage the Government’s ADS-B grant management scheme worth \$12.5 million. This is the most generous scheme of its kind in the world, allowing pilots to access up to \$3,000 plus GST to support installation of ADS-B OUT and IN equipment. It was launched ahead of schedule in March 2020 (during COVID-19 alert level 4 restrictions) and by the end of the financial year had approved over 200 grants and made over \$540,000 in payments (excluding GST). Not only is this scheme significantly improving safety in aviation, but is helping an industry that has been deeply impacted by the COVID-19 pandemic.

At the same time, new rules and technical advice have been prepared to mandate the use of this technology in all controlled airspace and deliver enhanced safety benefits. We are also developing, on behalf of the Minister of Transport, Performance Based Navigation rules and advice that will allow more pilots across the sector to use Global Positioning System (GPS) navigation to achieve further safety, environmental, economic and social benefits. This includes the development of:

- guidance on how to navigate safely if there is a GPS outage (extraction and recovery procedures)
- a final recommendation on a minimum operating network of back-up ground-based navigation aids to get aircraft back on the ground safely in the unlikely event of GPS failure.

In 2019/20, the New Southern Sky programme participated in the Australian Strategic Air Traffic Management Group (ASTRA) Council.

This type of engagement is ensuring that a joined-up approach is being taken in areas of mutual interest – in particular the joint Australia/New Zealand Satellite Based Augmentation System, planned to be introduced in 2024.

The Satellite Based Augmentation System will deliver significant benefits beyond aviation. For aviation, it will reduce Controlled Flight into Terrain, as well as economic benefits to regional airlines and airports.

We will be working closely with our Australian counterpart, the Civil Aviation Safety Authority (CASA) to support safe implementation of this joint Australian and New Zealand initiative. The New Southern Sky programme also participated in the US EQUIP 2020 meetings between the Federal Aviation Administration and industry, which successfully promoted ADS-B uptake in the United States to support the US ADS-B mandate on 1 January 2020. This led to the establishment, by the programme, of the New Zealand ADS-B Action Group to harness the power of industry in promoting ADS-B benefits and uptake.

We worked internationally to increase safety in the civil aviation system and deliver economic benefits.

Engagement with our international partners is key to keeping New Zealand and its neighbours safe and encouraging a strong economy.

This year, in addition to our international work on the New Southern Sky programme, we contributed to the 40th International Civil Aviation Organization (ICAO) Assembly meeting and the 56th Annual Conference of Directors-General of Civil Aviation, as well as negotiating for the mutual recognition of aviation licenses with Saudi Arabia and the mutual recognition of airworthiness certificates with Singapore.

Avsec also participates in a number of international security forums, working groups and partner security service delivery agencies. This year saw Avsec take up deputy chairmanship of the international Smart Security Management Group and continue strong engagement with the Transportation Security Administration in the United States.

Our ongoing work with our pacific neighbours is helping keep the region safe.

In 2019/20, the Authority's work in the Pacific included contributing to the International Civil Aviation Organization (ICAO) Pacific Small Islands and Developing States Needs Assessment, providing operational and policy support to the Pacific Aviation Safety Office, and offering technical support and infrastructure to Pacific Island nations.

MINISTER'S EXPECTATIONS



Regional development



Cross-government collaboration



Supporting the government's goals for modernising the aviation system

Our organisation

The Authority is a large organisation with over 1,500 staff members. The vast majority of our people (84%) work directly on the frontline, keeping aviation safe and secure in New Zealand.

The last financial year saw the Authority respond to a number of challenges both within the organisation and across the civil aviation system as a whole. For example, the COVID-19 pandemic had a significant impact across the sector, while also severely reducing the Authority's third party revenue (which comes from levies, fees and charges).

In 2019/20, the Organisational Design Review was finalised with the intention of strengthening our regulatory performance. Further, an external Ministerial Review into the culture at the Authority was undertaken, following claims of harassment and bullying. We are committed to addressing these concerns and have launched a work programme, *Te Kākano*, as an important foundational step in this journey.

The changes we continue to make will ensure we become a stronger, more effective public service agency that treats people well and delivers on its task of ensuring that the skies are safe and secure.



Impact on staff from COVID-19

The COVID-19 pandemic had an unprecedented impact on staff at the Authority. Not only did we need to rapidly change how we work in response to the restrictions that were put in place, but our people had to quickly address the abrupt changes occurring in the civil aviation system. A dramatic reduction in demand for passenger screening services at airports resulted in Avsec team members being re-deployed to assist with the Government's COVID-19 response. The re-deployment of Avsec staff means that their roles are now split between 'on-airport' security screening work and 'off-airport' work at managed isolation facilities and directly supporting the COVID-19 response in other ways.

The Authority was well-prepared to manage the impacts of COVID-19. Prior investment in our information and technology services meant that our regulatory staff were able to immediately work from home.

We regularly communicated with staff (including with information regarding COVID-19) throughout the most intense restrictions, by email, phone and regular updates on our external website and intranet. This communication has continued as the pandemic has eased in New Zealand and progressed around the world. For example, we are now supporting relevant Avsec staff to meet the regular COVID-19 testing requirements set out in the *COVID-19 Public Health Response Act (Required Testing) Amendment Order 2020*.

Organisational culture

In response to reports of bullying and harassment, on 20 September 2019, the Minister of Transport directed the Ministry of Transport to undertake an independent review of the culture of the Authority.

The intent of the review was to better understand whether or not there were, or had been, significant areas of concern regarding the organisational culture at the Authority, and if so, how the organisation responded to those concerns.

The review was published in May 2020 and found there was a governance and leadership failure over time, and it identified pockets of a dysfunctional workplace within both the Authority's regulatory function and Avsec. In total, it included 31 recommendations to address identified deficiencies and improve culture. The Authority Board has committed to addressing each of these recommendations, and we will become a stronger, healthier and more effective organisation as a result.

These recommendations have now been grouped into four key workstreams:

- Leadership and accountability
- Benchmarking expected behaviour
- Making it real
- Making it happen.

Te Kākano

We have set up a dedicated programme, Te Kākano, to ensure we deliver the changes to support a safer more inclusive culture. Te Kākano reflects the idea that if a seed falls in the right place, it will germinate, and a new seedling will sprout.

The Te Kākano work programme was established to advance each of the four workstreams and implement the review's 31 recommendations. It will completely revamp our practices, to ensure the health, safety and wellbeing of staff, and is a key part of our response to the Ministerial Review. It is being jointly led by management, staff and unions and is being closely monitored by the Board.

In early 2020/21, the Te Kākano Taskforce – a group of 22 staff members (both union and non-union members) – was established to advance the programme by engaging with people throughout the Authority. They are also working together to identify a unified set of values for us all and will be reviewing our policies and procedures relating to culture.

Since Te Kākano was launched, we have made several key changes in how we work. We have set up an interim complaints process based on learnings from the Ministerial Review, appointed a Kaiāwhina to support staff wellbeing and set clear expectations for senior managers around building a respectful and inclusive environment.

Te Kākano is a large programme of work that will take time to achieve. Our priority will be getting it right, so that we create lasting positive changes to our workplaces and so our people feel healthy and safe.

Being a 'good employer'

The Human Rights Commission has outlined seven elements of good practice that are the basis of being a 'good employer'². The Authority and the external Ministerial Review have closely examined each of these elements and identified areas for improvement.

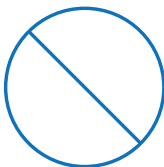
ELEMENT	ACTIONS IN 2019/20 AND NEXT STEPS
 <p data-bbox="245 712 400 801">Leadership, accountability and culture</p>	<ul data-bbox="485 551 1342 779" style="list-style-type: none"> • Te Kākano, our culture change programme, is implementing the 31 recommendations from the Ministerial Review to improve the Authority's culture, including the development of a new code of conduct, strengthened policies, and improving how harassment and bullying is dealt with by managers. • A Leadership Development Strategy will be developed during 2020/21 and the Authority's Leadership Programme will be aligned accordingly. This will include the development of a Leadership Competency Framework.
 <p data-bbox="245 1061 400 1151">Recruitment, selection and induction</p>	<ul data-bbox="485 920 1299 1055" style="list-style-type: none"> • A new recruitment strategy is being developed and implemented during 2020/21 that will be inclusive of our new values and behaviours. • The Authority induction plan has been refreshed with a new induction process for managers planned for 2021.
 <p data-bbox="220 1417 427 1507">Employee development, promotion and exit</p>	<ul data-bbox="485 1211 1318 1536" style="list-style-type: none"> • As a result of the Organisational Design Review, opportunities were created for employees to be moved into new roles, enabling employee development across the regulatory function. • All employees in the regulatory function are given the opportunity to complete the G-reg (government regulatory practice) qualification. • Avsec team members have been re-deployed in roles supporting the Government's COVID-19 response allowing for employee development. • Exits have been managed appropriately, with a minimal number of redundancies occurring as a result of the Organisational Design Review restructure.
 <p data-bbox="245 1794 400 1850">Flexibility and work design</p>	<ul data-bbox="485 1648 1326 1812" style="list-style-type: none"> • A taskforce made up of managers, staff and union representatives reviewed our flexible working policy and guidelines. This review was in response to people's experiences during COVID-19 Alert Level 4. • Our updated policy and guidelines reflect the various ways in which flexible working can benefit our people and our organisation. It was published in September 2020.

ELEMENT

ACTIONS IN 2019/20 AND NEXT STEPS


**Remuneration,
recognition and
conditions**

- A remuneration project will be carried out in 2020/21 in conjunction with unions. It will review job sizing, salary bands, allowances and gender pay.
- We recognise long service through quarterly presentations across the organisation.
- Bargaining was initiated by the Public Service Association in 2019/20 and has since been ratified.
- The Avsec collective agreements ended in June 2020 and bargaining has been initiated.


**Harassment
and bullying
protection**

- Te Kākano, our culture change programme, is implementing the 31 recommendations from the Ministerial Review to improve the Authority's culture, including the development of a new code of conduct, strengthened policies, and improving how harassment and bullying is dealt with by managers.
- A Respect and Inclusion workshop is currently being rolled out across the Authority.
- The Authority is improving the consistent application of its policies and processes throughout the organisation.


**Safe and healthy
environment**

- The Authority has signed up to a new provider (Instep) for our Employee Assistance Programme (EAP) that was effective from 1 July 2020.
- In addition to our EAP service, we have appointed an organisational psychologist (Kaiāwhina – which means a 'supporter, nurturer or advocate'). This role commenced 1 July 2020 and provides a support mechanism for our people to discuss any issues they may have.
- A new Health, Safety and Wellbeing team structure was introduced to the organisation from 1 July 2020. One of the new roles was a Health, Safety and Wellbeing Manager. A new strategy is currently being developed with implementation commencing in 2021.

Organisational change programmes

Organisational Design Review

The Organisational Design Review was an organisational review and restructure that commenced in 2019 to enhance the Authority's regulatory performance and the performance of the corporate services that support both the regulatory and security service functions. The review was completed in two separate stages and was completed in June 2020.

The review resulted in a move away from sector-based regulatory teams which would typically work with a single aviation sector (like the helicopter sector) to teams structured around particular functionalities (like certification). Our teams now have a range of skills within a particular area, while the change has reduced duplication across different teams, improving efficiency. Grouping our experts into unified teams (as opposed to, for example, needing a licensing expert in each sector-based team) has also improved cross-skilling and the consistency of regulatory decision-making. In a few areas (like the regulatory oversight of aviation security services), it was considered more effective and appropriate to retain sector-based teams.

Additionally, the Organisational Design Review separated the monitoring and inspection functions, with a view to placing more focus on pro-active activities (like the ongoing monitoring of aviation operators). This will enable our intelligence-led, risk-based approach to keeping the civil aviation system safe.

The review is a key step in the Authority's ongoing improvement journey.

The review is a key step in the Authority's ongoing improvement journey. It provides a framework within which any additional future resource that may be justified can be accommodated without the need for material restructure. In that context the new structure has better positioned the Authority to:

- enhance its regulatory practice and performance
- strengthen its relationships and influence with stakeholders
- become an intelligence-led, risk-based organisation
- ensure it has an integrated suite of enabling functions to support its important work.

We are now embedding the changes implemented as a result of the Organisational Design Review. As part of this process, the Authority will be looking at ways to measure the benefits of the new structure, including its facilitation of the intelligence-led, risk-based approach.

The Regulatory Craft Programme

The Regulatory Craft Programme (RCP) is a long-term change programme that is improving our effectiveness as a regulator and enhancing the regulatory capability of our people and the quality of our regulatory guidance. A third, critical workstream which focuses on improving technology support has now been established as a stand-alone piece of work that will replace the regulatory function's core business system – Aviation Safety Management System (ASMS) – with a modern, widely-used regulatory tool, EMPIC. This work has been paused due to COVID-19 related funding restraints, and will re-commence once funding has been secured.

In 2019/20, the RCP's people workstream continued talent development work and leadership development, with an emphasis on lifting regulatory capability. An overarching 'People' strategy has been developed and includes these activities. This will help us to retain the improvements the programme has achieved as it transitions to 'business-as-usual'. An important part of this is the roll out of the G-Reg (government regulatory practice) qualification to all staff within the regulatory function – in 2019/20, 78 staff members achieved this.

The programme's guidance workstream has developed the foundational documents for an operational policy framework. Through the Organisational Design Review, a new Operational Policy Unit has been established, which will continue with the development of high quality regulatory guidance. A review of the Authority's

regulatory philosophy – which sets out our approach to regulation, including how we will perform our regulatory role and work with participants of the civil aviation system – is planned for completion in 2020/21. This is an important step in our improvement journey: all of our regulatory processes, policies and tools are aligned with our overarching regulatory philosophy.

Overall, programme progress slowed during 2019/20, as a result of resourcing constraints, the COVID-19 pandemic, and to allow the progression of the Organisational Design Review and the Ministerial Review. While we originally intended to transition the programme to ‘business-as-usual’ by June 2020, this was extended to ensure we had the systems in place to safeguard the progress the RCP has made. As we gradually complete this transition in 2020/21, we will carry out an evaluation of the success of the programme and establish a framework for evaluating and monitoring its ongoing benefits.

Horizon 2030

In 2019/20, Avsec began re-developing its strategic plan, from its previous Future 2022 strategy to Horizon 2030. Horizon 2030 will set out a strategic plan for Avsec to deliver effective and efficient aviation security, that’s trusted, professional and responsive.

Horizon 2030 will help ensure that our security services are strategically aligned with the priorities of our key aviation and transport partners (for example, the International Civil Aviation Organization’s global aviation security plan), while also meeting our domestic and international security obligations. We will finalise Horizon 2030 in 2020/21.

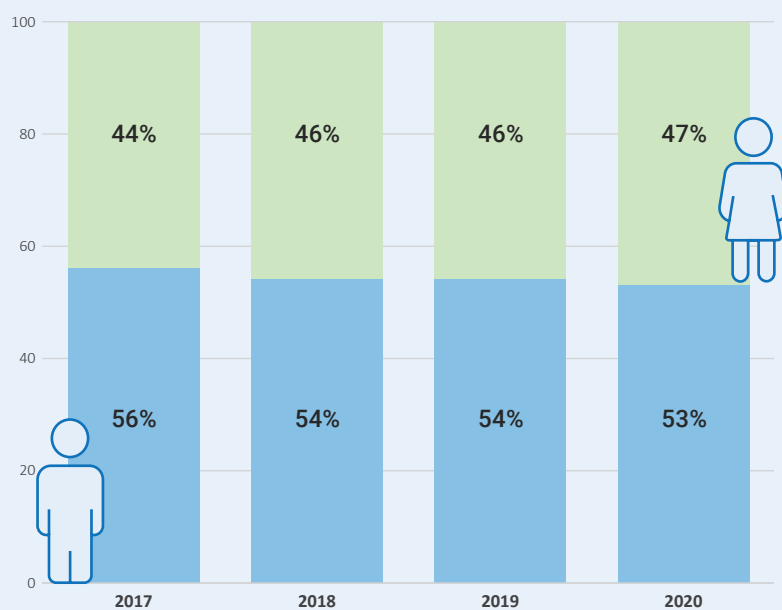


Our people

Ethnicity

	2017	2018	2019	2020
Not reported	70%	71%	64%	53%
NZ European	19%	20%	19%	23%
Asian	1%	3%	5%	9%
Pasifika	2%	2%	3%	4%
Māori	3%	2%	3%	4%
Other	5%	2%	6%	7%

Gender profile³



Management gender profile³

	2017	2018	2019	2020
Male	67%	67%	64%	63%
Female	33%	33%	36%	37%

³ The Authority provides three options to staff who choose to report their gender: 'male', 'female' and 'gender diverse'. While several staff members self-reported as being gender diverse when taking part in the Authority's anonymous engagement survey, no staff members have formally chosen this option when updating their internal staff profile.

Total staff numbers

	2017	2018	2019	2020 ⁵
Headcount (excluding contractors)	1,247	1,359	1,409	1,572
Full-time equivalent	1,127	1,247	1,295	1,430

Staff turnover (unplanned)⁴

	2017	2018	2019	2020 ⁶
The Authority	11.13%	10.15%	11.42%	10.18%
Public Service	11.50%	12.10%	11.8%	–

As at 30 June 2020



KiwiSaver enrolments
97% enrolled



Average age
45 years old



Employment relations
54%

Individual employment agreements



Proportion of employees who have disclosed disabilities

1.3%

46%

Members of collective agreements



Employment status

84%

Frontline operator

Employment status

16%

Managerial and support

⁴ Unplanned turnover is primarily due to resignations but also includes retirements and deaths. It includes fixed-term staff who resign before the expiry of their fixed-term contract but not those that leave on the planned completion date of the contract. The average tenure for Unplanned Leavers at 31 March 2020 was 5.12 years compared to the average tenure for the Authority of 6.66 years.

⁵ Avsec increased its staff numbers by 157 (headcount) in 2019/20. The majority of this increase was to meet increased safety requirements, including the introduction of Advanced Imaging Technology and behavioural detection capability, and increased non-passenger screening.

⁶ At the time of publishing this report, the Public Service Commission has not published public service turnover data for 2019/20.

Our tools and infrastructure

Digital assets

Information management, technology and finance systems are critical to the work we do and our ability to deliver regulatory and security services. We regularly review our systems and assets – and how we manage them – to encourage continuous improvement.

Our systems were vital to supporting staff during the COVID-19 restrictions, allowing people to work from home where appropriate. This occurred relatively seamlessly, with minor issues early on being quickly resolved.

In 2019/20, the Authority strengthened its focus on information security with a new dedicated team. We also introduced a new back-up and recovery system and upgraded our applications servers. We progressed large internal and public-facing projects like the implementation of the Human Resources Information System (Ngātahi), the replacement of the Airport Identity Card Information System, an upgrade of the Authority's website, and rolled out a new telecommunications platform and technical changes to support the Organisational Design Review. New internal applications were developed to support the aviation sector, including the Behavioural Detection Application and Rest Break Tracker.

As a result of COVID-19 funding restraints, the Authority's planned replacement of the regulatory function's core business system, ASMS (which is a bespoke application that is over 30-years old), was placed on hold. EMPIC – the preferred replacement option – is a commercial-off-the-shelf solution, that is widely used by international aviation jurisdictions. The replacement of ASMS will be critical to our ongoing role as a regulator of New Zealand's civil aviation system and will re-commence as soon as funding is secured.

Physical assets

In 2019/20, the Authority's property team led several building projects that support aviation security. These included a seismic upgrade and refurbishment of our Christchurch Base building on Ivan Crescent and a new Explosive Detector Dog Unit and Southern Training building in Orchard Road. Space changes were made at multiple airports to facilitate advanced screening technology and smart lanes. Screening lanes and staff welfare facilities were set up at Invercargill Airport to support the Air New Zealand jet trial (with the subsequent introduction of an Auckland – Invercargill jet service).

We are also working to optimise our property portfolio in response to the COVID-19 environment, with a view to reducing costs while remaining prepared for an eventual recovery in travel numbers.



Governance and leadership

Having strong governance arrangements helps ensure we are on track: our strategy and business plans are robust, our spending is effective and reflects our activities and areas of focus, and our goals are set to stretch us and are met.

Board appointment and composition

The Minister appoints the Board to ensure that the Authority performs well, manages risks prudently, and is sustainable over the long-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.

The Board is made up of five independent non-executive members (there is currently one vacant position). The current Board Chair is Janice Fredric and the current Board members are Harry Duynhoven, Jill Hatchwell and Charles Spillane. During 2019/20 Anna Adams, Nigel Gould and Don Huse stepped down as Board members and Ms Fredric, Ms Hatchwell and Mr Spillane were appointed.

Diverse capability across the Board is vital. 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 aviation, regulation accounting, law, and commercial performance.

How the Board operates

The Board has eleven statutory functions directing the operation of the Authority to achieve its outcome: *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 and the General Manager of the Aviation Security Service, by formal delegation.

Board governance of the Te Kākano culture change programme

The Board has been explicit: Te Kākano is a critical programme of work and the Authority will be held accountable for its delivery.

As part of the governance arrangements supporting Te Kākano, the Board is actively monitoring the progress of the 31 recommendations (that came from the Ministerial Review) and the programme's key deliverables. The Board is also making itself readily and regularly available to members of the Te Kākano Taskforce, to keep staff across the organisation informed about key issues facing the Authority.

Leadership

The Authority is made up of two distinct operational functions:

- the regulatory function (often referred to as the Civil Aviation Authority or CAA) which regulates New Zealand’s civil aviation system
- the Aviation Security Service (Avsec) which is jointly responsible with New Zealand Police for security at security-designated airports and air navigation facilities.

The Chief Executive, who is also the Director of Civil Aviation, and the General Manager of the Aviation Security Service both have statutory functions:

- The Chief Executive 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*. As the Director of Civil Aviation, this person also makes independent decisions about aviation documents, medical certificates, exemptions and regulatory interventions.
- The Board delegates responsibility and authority relating to the performance of Avsec to the General Manager of the Aviation Security Service.

Authority Leadership Team

In 2019/20, we changed the make-up of our leadership team, to ensure both operational functions (the regulatory function and the Aviation Security Service) were appropriately represented at the highest levels of the organisation. This has strengthened our ‘one Authority’ approach to leadership. The Leadership team now includes a range of senior managers from both operational functions:

- Chief Executive and Director of Civil Aviation
- General Manager Aviation Security Service
- Deputy Chief Executive Aviation Safety
- Deputy Chief Executive Aviation Security and Infrastructure
- Deputy Chief Executive System and Practice Design
- Deputy Chief Executive Performance Monitoring and Assurance
- Deputy Chief Executive Organisational Development and Support
- Executive Group Manager, Aviation Security Service
- Group Manager Operations, Aviation Security Service
- Group Manager Compliance and Improvement, Aviation Security Service
- Group Manager Strategic Development, Aviation Security Service.

Committees

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee 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
- budgeting and planning
- financial management
- accounting
- audit (external and internal)
- performance reporting
- risk management.

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

Health and Safety Committee

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 who come in contact with our workplaces.

Te Kākano Committee

The Te Kākano Committee provides oversight of the Te Kākano work programme and the Authority’s implementation of the 31 recommendations in the May 2020 Ministerial Review into culture.



Left to right: Jill Hatchwell, Charles Spillane, Janice Fredric (Board Chair) and Harry Duynhoven.

Financial highlights

The financial results of the Authority for the 2019/20 financial year have been severely impacted by COVID-19 and the impacts this has had on the aviation industry.

Traditionally the Authority has operated in an environment where its revenues are primarily derived from levies paid by airlines on the basis of departing passengers, as well as ‘demand driven’ fees and charges. The proportion of total funding received from the Crown has been relatively small – in its budget for the 2019/20 year, Crown funding was only forecast to comprise 2% of total Authority revenue.

COVID-19 has had a material negative impact on these revenue drivers. In response, through Budget 2020 Cabinet approved a \$196.4 million appropriation to protect the Authority’s core functions, with the Crown effectively purchasing core services from the Authority that are currently no longer able to be cost-recovered from third parties.

However, prior to being able to access this appropriation, the Authority was first required to spend its cash reserves to maintain payment of employees and suppliers, which means its reserves are now significantly depleted compared to prior years and the minimums prescribed in its Reserves and Funding policy. The financial results (in particular the significant deficits in both the regulatory function and Aviation Security service functions) represent this utilisation of reserves before the additional Crown support was first accessed.

Key results

Regulatory function

For the regulatory function, the 2020 year produced an operating deficit of \$8.0 million, a negative variance of \$7.4 million from the budgeted \$0.6 million deficit. Of this variance, revenue was \$9.2 million lower than budgeted, largely reflecting reduced passenger safety levy income.

Expenses were \$1.8 million less than budget reflecting cost saving initiatives introduced in the second half of the financial year as the impacts of COVID-19 became apparent.

The regulatory function incurred significantly lower than budgeted capital expenditure (\$2.9 million less than budget), principally because a major business systems replacement project was delayed, again due to the negative impact COVID-19 has had on the regulatory function’s cash reserves and uncertainty around future revenues.

Aviation Security Service

The 2020 year produced a deficit of \$14.4 million, compared to a budgeted surplus of \$7.1 million.

This negative variance of \$21.5 million was due to an adverse variance in revenue of \$29.0 million, offset by lower expenditure of \$7.5 million. Again, the reduced revenue was primarily as a result of fewer passengers in the second half of the year due to the impacts of COVID-19, offset by expenditure savings which were principally achieved through recruitment freezes and delays in the roll-out of new screening technologies.

Capital expenditure was \$13.5 million below budget for the year, largely due to the deferral of planned expenditure on new screening equipment.

Financial health

As a consequence of the financial results described above, both the regulatory function's and Aviation Security Service's cash and equity reserve levels are currently significantly below the minimums prescribed in the Authority's Reserves and Funding Policies (six to nine weeks of normal operating expenditure). This situation is expected to continue for the foreseeable future, as cash drawdowns against the Crown liquidity facility appropriation are only permitted to meet funding shortfalls on a month by month basis, not to restore previous reserve levels. Any such 're-capitalisation' of the Authority will be subject to future Cabinet decision-making.



Group Financial Result and Organisation Financial Health Indicators

	REGULATORY FUNCTION 2020		SECURITY SERVICE 2020		GROUP 2020		REGULATORY FUNCTION 2019	SECURITY SERVICE 2019
	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	BUDGET \$M	ACTUAL \$M	ACTUAL \$M
COMPREHENSIVE REVENUE AND EXPENSE								
Revenue	40.1	49.3	115.4	144.4	155.1	193.6	49.3	103.6
Expense	48.1	49.9	129.8	137.3	177.5	187.0	48.4	110.9
(Deficit)/surplus	(8.0)	(0.6)	(14.4)	7.1	(22.4)	6.6	0.9	(7.3)
Note that Group Revenue and Expense includes inter-entity eliminations of \$0.4m (Budget \$0.1m).								
EQUITY								
General funds	3.5	9.7	6.5	14.8	10.0	24.5	11.6	14.7
PASSENGER SECURITY CHARGES AND OTHER FEES AND CHARGES RESERVES								
International passenger security charge	-	-	-	7.1	-	7.1	-	5.1
Domestic passenger security charge	-	-	-	4.6	-	4.6	-	0.7
Other fees and charges	-	-	-	0.4	-	0.4	-	0.3
Sub-total passenger security charges and other fees and charges reserves	-	-	-	12.1	-	12.1	-	6.1
Total equity	3.5	9.7	6.5	26.9	10.0	36.6	11.6	20.8
LIQUIDITY								
Working capital	2.0	5.0	(4.6)	18.6	(2.6)	23.6	9.9	14.4
Bank and investments	6.0	5.7	7.5	22.0	13.5	27.7	11.7	19.4
CAPITAL EXPENDITURE								
Capital expenditure	0.6	3.5	9.0	22.5	9.6	26.0	0.7	3.6
PASSENGER NUMBERS (000'S)								
International	5,046	7,091	5,374	7,660	5,374	7,660	6,859	6,859
Domestic	10,416	14,356	5,693	7,899	10,416	14,356	13,967	7,702

Capital and Asset Management

The table below shows comparative actual capital expenditure against budget:

	ACTUAL 2020 (\$000)	BUDGET 2020 (\$000)	% OF BUDGET SPENT	VARIANCE COMMENT
REGULATORY FUNCTION				
Computer hardware	106	85	125%	Purchase of replacement Surface Hubs delayed from 2018/19 and computer hardware equipment to increase the Organisations resilience and ability to work remotely.
Computer software	397	2,745	14%	Replacement of the business system has been delayed due to a pause placed on the CAA pricing review and Covid-19 issues.
Plant and equipment	11	-	-	Not material.
Furniture and fittings	30	510	6%	A refurbishment project of the Wellington Head office to increase capacity has been cancelled due to COVID-19.
Motor vehicles	59	135	44%	The replacement of two vehicles cost less than budgeted and the third vehicle purchase has been delayed due to the organisational restructure and will be purchased in the 2020/21 financial year.
Leasehold improvements	9	-	-	Not material.
Total	612	3,475	18%	
SECURITY SERVICE				
Computer hardware	16	192	8%	Initiative deferred.
Computer software	847	814	104%	Not material.
Plant and equipment	6,884	18,945	36%	Some initiatives deferred (\$5.3M), plus delays in SPAM and AIT implementation (\$5.2M) at airport companies' request.
Furniture and fittings	24	276	9%	Some initiatives deferred.
Motor vehicles	458	948	48%	Replacement programme on hold pending strategy to migrate to EV's.
Leasehold improvements	712	1,360	52%	EV infrastructure deferred, some base refurbishments deferred.
Total	8,941	22,535	40%	

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*.

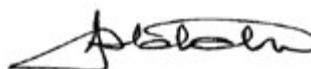
In the opinion of the Authority, the financial statements and statements of performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2020.

Signed on behalf of the Board:



Janice Fredric

Chair of the Civil Aviation Authority of New Zealand
(10 December 2020)



Jill Hatchwell

Board member of the Civil Aviation Authority of New Zealand and Chair of the Audit, Finance and Risk Committee
(10 December 2020)

Independent Auditor's Report

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2020.

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.

We have audited:

- the financial statements of the Authority on pages 73 to 109, that comprise the statement of financial position as at 30 June 2020, 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 46 to 70 and 121 to 125.

Opinion

Unmodified opinion on the financial statements

In our opinion, the financial statements of the Authority on pages 73 to 109:

- present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 the Public Benefit Entity Reporting Standards.

Qualified opinion on the performance information – we are unable to verify passenger wait times through security screening at international and domestic airport screening points

In our opinion, except for the possible effects of the matter described in the *Basis for our unmodified opinion on the financial statements and qualified opinion on the performance information* section of our report, the performance information of the Authority on pages 46 to 70 and 121 to 125:

- presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2020, 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 10 December 2020. This is the date at which our unmodified opinion on the financial statements and qualified opinion on the performance information are expressed.

The basis for our unmodified opinion on the financial statements and qualified opinion on the performance information are explained below, and we draw attention to the impact of COVID-19 on the Authority. 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 unmodified opinion on the financial statements and qualified opinion on the performance information

Passenger screening is a key service provided by the Authority to the travelling public in New Zealand, and the timeliness of this service impacts on the public's view of the Authority's performance. As explained on page 64, the Authority's performance against "passenger wait times through security screening at international and domestic airport screening points" was based on a small sample and evidence to support these wait times has not been retained by the Authority.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance the reported result for this performance measure is materially correct.

We carried out our audit of the financial statements and performance information 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 unmodified opinion on the financial statements and qualified opinion on the performance information.

Emphasis of matter – Impact of COVID-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Authority as set out in note 25 to the financial statements and page 46 of the performance information.

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 129, 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: International 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 2019/20

The Statements of Performance report against the performance measures contained in the Statement of Performance Expectations 2019/20. The performance measures are divided into five output classes:

Output Class 1 – Policy and Regulatory Strategy

Output Class 2 – Outreach

Output Class 3 – Certification and Licensing

Output Class 4 – Surveillance and Investigation

Output Class 5 – Security Service Delivery

To comply with our responsibilities under the *Public Finance Act 1989*, 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 financials⁷.

The funding for International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), Hazardous Substances and New Organisms Act and Innovative Aviation Certificates (delivered within 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.

The funding for Health and Safety at Work activities is provided under the Transport non-departmental output expense 'Health and Safety at Work Activities – Civil Aviation' appropriation (delivered within Output Class 4: Surveillance and Investigation).

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

Reporting the impact of COVID-19

The COVID-19 pandemic has had an unprecedented impact on every Government agency, including Crown entities like the Authority. It is important for public transparency that we report, as clearly as possible, the impact that COVID-19 has had on our operations. This is why our non-financial performance reporting (our Statements of Performance) looks slightly different this year.

At the Authority, quarters one, two and three of 2019/20 were generally 'business-as-usual'. It was around mid- to late-quarter three that COVID-19 began to significantly impact our operations. COVID-19 was first detected in New Zealand on 28 February 2020, and New Zealand entered COVID-19 Alert Level 4 on 25 March 2020. As a result, we experienced significantly reduced demand in some areas, and heightened demand in others, especially during quarter four.

To articulate the impacts of COVID-19 on our operations, in addition to our year-end results, we have included our results for the nine months ended 31 March 2020. This extra reporting ensures that our performance prior to the most severe impacts of COVID-19 can still be assessed. We have also included a comment against each of the non-financial performance measures that were impacted by COVID-19, regardless of whether or not we achieved our target. Where there are measures that did not achieve target and were not on track to achieve target prior to 31 March 2020, we have included the reason for this.

⁷ Activities that are currently being funded by the Crown as a result of the impact that COVID-19 has had on our third party revenue are not indicated in this way.



New performance measures under the Supplementary Estimates of Appropriations 2019/20 (Vote Transport)

	HOW WILL WE MEASURE OUR PERFORMANCE?	2018/19 ACTUAL	2019/20 TARGET	ACTUAL 30 JUNE 2020	COMMENTS
In addition to the Output Classes on the following pages, two new non-financial Authority-wide performance measures have been introduced.	Maintain appropriate capability for core functions- appropriate resourcing to meet service level requirements.	New measure	Achieved	Achieved	
These cover the performance expectations of the Crown against the funding provided to the Authority to protect core services where third party revenue has been significantly impacted by COVID-19.	Mitigate costs to the Crown- delivery of a plan to minimise the fiscal costs to the Crown by 30 June 2020.	New measure	Achieved	Achieved	

Output Class 1: Policy and Regulatory Strategy

What we do under this output class

- Coordinate the Authority’s strategic engagement in the international aviation system.
- Administer New Zealand’s civil aviation obligations and interests within the delegation of the Minister of Transport.
- Deliver Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials.
- Develop options and solutions for specific issues within the aviation regulatory system.
- Proactively identify emerging issues for aviation.
- Deliver major policy and regulatory projects.
- Develop and maintain linkages internally, across government, internationally and within industry.

PERFORMANCE MEASURE


1.1 International Relations and International Civil Aviation Organization Obligations⁸

What is intended to be achieved


Administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.

The rationale for our intervention

New Zealand’s international civil aviation obligations and interests as delegated by the Minister of Transport are administrated.

 We will develop an Authority International Engagement strategy that will enable us to proactively influence the global debate on aviation safety and security issues that are important to New Zealand including:

- working with other States and regulators to influence changes that will benefit aviation growth and safety
- seeking mutual recognition arrangements in areas where it can help reduce the regulatory burden for New Zealand companies operating, or want to operate, overseas
- keeping abreast of developments and ensuring we take a consistent approach to how we regulate where this is consistent with New Zealand’s interest
- working with other states and regulators to share information, knowledge, expertise, and resources for mutual benefit.

 * We will ensure New Zealand’s obligations as a signatory State to the Chicago convention are met⁹ through:

- maintained alignment with existing Standards and Recommended Practices (SARPs) where appropriate
- alignment with new SARPs where appropriate for New Zealand
- filing of Differences within required timeframes.

⁸ The Authority administrates New Zealand’s international civil aviation obligations and interests as delegated by the Minister of Transport. For example, coordinating New Zealand input into international conferences and meetings, managing the flow of incoming International Civil Aviation Organization state letters, and coordination of technical aviation agreements with other countries.

⁹ The Convention on International Civil Aviation, also known as the Chicago Convention, established the International Civil Aviation Organization, a specialized agency of the UN charged with coordinating and regulating international air travel.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	New measure	Strategy developed by 30 June 2020	In development	In development	The development of the Authority International Engagement strategy was delayed as resource was re-prioritised to the Capability, Capacity and Costs (CAPCO) review, which was undertaken urgently to investigate resourcing options taking into account the impact that COVID-19 has had on the Authority's revenue and activity. The work on the strategy remains on hold as the Authority's response to COVID-19 continues to be the priority.
	New measure	Maintained Achieved 100%	Maintained Achieved 100%	Maintained Achieved 100%	

PERFORMANCE MEASURE	
<p>1.2 Ministerial Servicing – Civil Aviation</p> <p>What is intended to be achieved The effective delivery of support to executive government and parliamentary processes.</p> <p>The rationale for our intervention The obligations of the Authority to provide support are met while effective engagement provides the opportunity to inform the Minister and other parts of Government and support informed decisions on matters relating to civil aviation safety and security.</p>	<p> * Our reports, correspondence and Parliamentary questions will be acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.</p> <p> Reports and responses will be delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.</p>
<p>1.3 Policy Advice – Civil Aviation</p> <p>What is intended to be achieved A high level of safety and security standards within the New Zealand civil aviation system.</p> <p>The rationale for our intervention Sharing of information, knowledge, expertise and resources to inform policy, practices and procedures.</p>	<p> * The policy advice we provide to Ministers, government departments and agencies will meet Treasury and DPMC guidelines (as per section 3.2 of “Reorganisation of Appropriations for Policy Advice – Guide for Departments (Treasury 2011) and DPMC policy guidance).</p> <p> All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies.</p>
<p>1.4 System Level Design and Intervention</p> <p>What is intended to be achieved An effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.</p> <p>The rationale for our intervention Early identification of threats or risks to New Zealand’s civil aviation regulatory system.</p>	<p> All new issue assessments that impact the aviation regulatory system completed according to the Authority’s issue assessment procedures and align with the Government’s expectations for good regulatory practice.</p>
<p>1.5 Rules and Standards Development</p> <p>What is intended to be achieved Timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.</p> <p>The rationale for our intervention The need for an effective and responsive regulatory regime that contributes to reducing safety and security risks in the aviation system.</p>	<p> Percentage of 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>

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	Met expectations	Met or exceeded expectations	n/a	No response received	In 2019/20, the Authority did not receive a survey response from the Minister of Transport.
	100%	100%	100%	100%	
	New measure	100%	100%	100%	
	100%	100%	100%	100%	
	100%	100%	100%	100%	
	100%	100%	100%	100%	As is expected in any work programme, some timelines were adjusted throughout the year to respond to changing circumstances and priorities. While the Authority did not meet all timelines set out in the original work programme, all deadlines that were adjusted in agreement with the Ministry of Transport were achieved.

PERFORMANCE MEASURE

1.6 Pacific Support

What is intended to be achieved

Provision of support for our Pacific region neighbours to improve regional aviation security.

The rationale for our intervention

Support our South Pacific region neighbours to improve national and regional civil aviation security and to protect the New Zealand travelling public.



Provision of regulatory assistance and advice to eight South Pacific Island States to further develop and enhance aviation regulatory security requirements across the region as agreed with the Ministry of Foreign Affairs and Trade (MFAT).

- Meet quality and timeliness requirements in annual programme of work as agreed with MFAT.

- Evaluation Reports provided to the Pacific Security Coordination Committee meet the project objectives and deliverables.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
New measure		100%	100%	100%	This measure was significantly impacted by COVID-19 border closures. The Authority negotiated a variance to the memorandum of understanding with the Ministry of Foreign Affairs and Trade to accommodate and met all the quality and timeliness requirements set out in the updated memorandum.
		100%	No reports were submitted	No reports were submitted	During 2019/20 there were no live Pacific Security Fund project activities, therefore no reports were submitted to the Pacific Security Coordination Committee (PSCC).

	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Cost to deliver output class 1: Policy and Regulatory Strategy				
Crown funding (Vote Transport: Policy advice)	2,029	2,030	(1)	2,029
Ministry of Transport contract revenue (rules development & Pacific)	1,529	1,600	(71)	2,422
Levies	1,287	1,365	(78)	1,883
Fees and charges	5	-	5	29
Revenue	4,850	4,995	(145)	6,363
Expense	(4,850)	(4,995)	145	(6,363)
Net surplus/(deficit)	-	-	-	-

Output Class 2: Outreach

What we do under this output class

- Foster and promote safety and security across the civil aviation sector.
- Raise public awareness on the transport of dangerous goods by air.
- Raise public awareness of Civil Aviation Rules for the safe use of Unmanned Aerial Vehicles (drones).

PERFORMANCE MEASURE

<p>2.1 Outreach</p> <p>What is intended to be achieved Increased understanding and knowledge of aviation safety amongst participants and the public.</p> <p>The rationale for our intervention</p> <ul style="list-style-type: none"> • To improve aviation safety through raising awareness of good aviation safety practice and positively influencing the adoption of desired aviation safety behaviours. • Participants are better informed about risks and consequences and the ways in which to address them. • Non-traditional participants and the wider public are aware of their responsibilities when engaging in the civil aviation system (e.g. operation of unmanned aircraft, carriage of dangerous goods). 	<ul style="list-style-type: none"> ⊕ We will deliver targeted education courses, workshops or seminars to participants nation-wide. 🏆 The percentage of participants that rate our educational courses, workshops or seminars as a 3 or higher in their overall rating.¹⁰ ⊕ (Demand driven) We will deliver targeted safety awareness campaigns to participants and/or the general public, based on Authority priorities. 🏆 The Percentage of safety awareness campaigns that meet or exceed their agreed success criteria.¹¹ ⊕ The total number of research reports we will publish on the Authority’s website. ⊕ The number of participants our Aviation Safety Advisors will visit this year.
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¹⁰ Based on a total score from a post-seminar assessment completed by participants. These assessments were paper-based, but moved online from November 2019.

¹¹ Based on a combination of web and social media analytic and completion of communications objectives.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	10 (Amended measure)	12 delivered	13	13	Five additional workshops were planned for 24 March – 29 May 2020, but were cancelled as a result of restrictions put in place as part of the Government's COVID-19 response.
	100% (Amended measure)	85%	97.49%	97.49%	
	New measure	5	2	5	Five targeted safety awareness campaigns about drones were delivered in 2019/20.
	New measure	85%	100%	85%	
	New measure	4	2	4	
	New measure	500	826	1,400	Despite the COVID-19 Alert Level 4 restrictions being implemented in late-quarter three, Aviation Safety Advisors increased the frequency of engagement with participants in the aviation sector. In response to COVID-19 restrictions, face-to-face visits were replaced with digital engagements and phone-based conversations. This increase in activity helped provide participants with safety support and advice during a difficult time and kept them engaged with the Authority. It also helped the Authority to understand the emerging risks in the COVID-19 environment.

	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Cost to deliver output class 2: Outreach				
Levies	4,447	5,739	(1,292)	5,857
Other revenue	76	87	(11)	106
Revenue	4,523	5,826	(1,303)	5,963
Expense	(5,528)	(5,836)	308	(5,784)
Net (deficit)/surplus	(1,005)	(10)	(995)	179

Output Class 3: Certification and Licensing

What we do under this output class

- Exercise 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.
- Exercise control over the exit from New Zealand’s civil aviation system through the suspension and revocation of documents.

PERFORMANCE MEASURE

3.1 Certification and 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.

The rationale for our intervention

- Exercise of control over entry into the New Zealand civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products (refer section 7 of the Civil Aviation Act 1990).
- Exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions and documents where such action is necessary in the interests of safety and security.
- People and organisations within the system maintain the requisite knowledge, skill and attributes required.



(Demand driven) We will conduct licensing of personnel, certification of organisations’, aircraft and service providers within prescribed certification standards.



Certification activities (demand driven volumes for contextual information):

- Organisation
- Aircraft
- Service provider

KEY



Quality



Timeliness





Quantity




Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	New measure	100%	100%	100%	
	1,590	1,200-1,600	1,013	1,494	The completion of the Safety Management Systems programme of work (which includes certifying relevant organisations as having suitable Safety Management Systems) was delayed as a result COVID-19. This was because non-essential certification activity was delayed as a result of restrictions put in place as part of the Government's COVID-19 response.
	731	930-1,130	541	677	As this target is demand driven and dependent on requests for certification of aircraft, it is vulnerable to external factors like the economic conditions of the time. While the volume of aircraft certification activity was tracking below target at March 2020, the travel restrictions in place as part of the Government's response to COVID-19, as well as the resulting economic climate, further impacted the quantity of new aircraft imports.
	139	35-45	67	103	The impacts of COVID-19 resulted in a high volume of organisational change among service providers. This led to an increase in certificate amendments.

PERFORMANCE MEASURE

 Licensing procedures


 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 Policy¹²).

12 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.

KEY

 Quality
  Timeliness
  Quantity
  Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	6,734	5,000-7,000	5,066	5,911	The Authority experienced a drop in demand for licensing services while COVID-19 restrictions were in place. This was eventually counter balanced by a significant surge in demand with Level 1 conditions in place.
	Achieved	Achieved	Not achieved	Not achieved	<p>The Authority did not complete the intended number of internal reviews of regulatory activities in 2019/20. Expectations around these reviews and the need for continuous improvement have been communicated internally.</p> <p>Refer to page 69 for commentary against the Regulatory Oversight Review programme.</p>

	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Cost to deliver output class 3: Certification and Licensing				
Crown funding (Vote Transport: New Technologies and ADS-B)	757	-	757	-
Levies	14,586	18,686	(4,100)	18,739
Fees and charges	6,668	6,843	(175)	7,203
Other revenue	378	395	(17)	473
Revenue	22,389	25,924	(3,535)	26,415
Expense	(27,365)	(26,437)	(928)	(25,627)
Net (deficit)/surplus	(4,976)	(513)	(4,463)	788

Output Class 4: Surveillance and 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 under the respective Acts.
- Conduct inspections, audits and investigations under the *Health and Safety at Work Act 2015* and *Hazardous Substances and New Organisms Act*.
- Assess safety data and information to identify safety and security risks in order to inform and influence the management of risk.
- Take appropriate action in the public interest to enforce the provisions of the Act and Rules and to address safety risk.

PERFORMANCE MEASURE

4.1 Surveillance and 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.

The rationale for our intervention

- New Zealand must have continued assurance that the civil aviation system is well managed and poses minimal safety and security risk.
- Operators conduct operations in full compliance with the *Civil Aviation Act*, *Health and Safety at Work Act* and the *Hazardous Substances and New Organisms Act*.
- Participants are managing their aviation risks with the appropriate Regulatory oversight.

- 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 Policy¹³).

* Health and Safety at Work Act 2015 and Hazardous Substances and New Organisms Act

- Number of scheduled activities (audits and outreach).
- Number of non-scheduled activities (assessments, investigations).
- Number of aviation-specific good practice guides and guidance material developed and maintained.
- Percentage of all health and safety and hazardous substances and new organisms Act work types¹⁴ completed¹⁵ within 180 days.
- Percentage of all health and safety and hazardous substances and new organisms Act work types¹⁴ completed¹⁵ within 12 months.

Civil Aviation Act 1990¹⁶

- Number of audits, inspections and spot checks.

¹³ 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.

¹⁴ All work types includes assessment and audits as well as investigations.

¹⁵ A completed work type is when the recommendations/findings are made.

¹⁶ Information on the Authority's regulatory enforcement is provided at Appendix 6.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	Achieved	Achieved	Not achieved	Not achieved	The Authority did not complete the intended number of internal reviews of regulatory activities in 2019/20. Expectations around these reviews and the need for continuous improvement have been communicated internally. Refer to page 69 for commentary against the Regulatory Oversight Review programme.
	New measure	24	29	33	
	New measure	30-50	24	35	
	2	2-5	1	2	
	New measure	60%	73%	64%	
	New measure	100%	94%	94%	This year, four work requests were not closed within one year. In two instances, the Authority was waiting for the participant to address its findings or for charges to proceed through court. The remaining two were requests that were not closed immediately after work was completed.
	442	500-600	278	434	In recent years there has been an anticipated decline in the number of surveillance and investigation activities under Output Class 4. This is, in part, due to the Authority moving towards a more risk-based approach. There has also been an increase in demand driven certification work under Output Class 3. This increase has led to some resource being re-prioritised away from surveillance and investigation activity into certification and licensing activity (particularly Safety Management Systems certification).

PERFORMANCE MEASURE

- ⊕ Number of safety and regulatory investigations:
 - Safety Investigations (demand driven)
 - Number of Themes and Systems Safety Investigations conducted¹⁷
 - Enforcement Investigations (demand driven)
 - Aviation Related Concerns (ARC) investigations
 - Section 15A of the *Civil Aviation Act 1990* Investigations (Power of the Director to investigate holder of aviation document).
- 🏆 Percentage of Aviation Related Concerns¹⁸ closed within six months of receipt.
- 🕒 Percentage of Aviation Related Concerns closed within 12 months of receipt.
- Percentage of a representative sample of closed Aviation Related Concerns that comply with the Authority's related policy and procedures (representative sample = 20% or circa 70/annum).
- 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.

Cost to deliver output class 4: Surveillance and Investigation	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Crown funding (Vote Transport: Health and safety at work and improving safety in the Aviation Sector)	1,694	1,676	18	1,326
Levies	6,347	10,546	(4,199)	8,932
Fees and charges	117	138	(21)	99
Other revenue	144	188	(44)	195
Revenue	8,302	12,548	(4,246)	10,552
Expense	(10,384)	(12,586)	2,202	(10,575)
Net (deficit)/surplus	(2,082)	(38)	(2,044)	(23)

17 Themes and Systems Safety Investigations review safety information (including occurrences) with the aim of identifying any themes and/or system influences, which may lead to system safety issues.

18 Aviation Related Concern (ARC) – the report of an aviation safety or security concern, that may include complaints, or allegations of suspected breaches of civil aviation legislation.

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
	357	300-390	238	317	
	2	2	2	2	
	44	20-40	36	54	Enforcement Investigations are demand driven.
	728	300-360	415	662	Due to the restrictions put in place as part of the Government's response to COVID-19 (for example, some functions were paused), more regulatory resource and focus was placed on ARC investigations.
	5	5-10	3	3	Section 15A investigations are demand driven. Their purpose is to help determine if action is required to prevent future harm.
	52%	80%	77%	80.1%	
	74%	100%	99%	98.0%	Previously, a focus on critical ARCs and the closure of historical ARCs has resulted in minor ARC closure rates being below standard. An emphasis by the Authority's Executive on increasing the closure rate through a triage approach has increased current ARC closure rates (including minor ARC closure rates).
New measure		90%	60%	63%	This is a new qualitative measure. Following an internal review, processes will improve, and training will be provided. As these processes are embedded it is anticipated that this measure will improve over time.
	100%	100%	Independent review is carried out at the end of the financial year	100%	An independent review conducted by a third party assessed a random sample of 5 percent of investigations completed by the Authority in 2019/20. The conclusion of the review found that all decisions made by the Authority were in line with requirements, were appropriate and well supported.

Cost to deliver output classes 1 – 4	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Crown funding	4,480	3,706	774	3,355
Ministry of Transport contract revenue	1,529	1,600	(71)	2,422
Levies	26,667	36,336	(9,669)	35,411
Fees and charges	6,790	6,981	(191)	7,331
Other revenue	598	670	(72)	774
Revenue	40,064	49,293	(9,229)	49,293
Expense	(48,127)	(49,854)	1,727	(48,349)
Net (deficit)/surplus	(8,063)	(561)	(7,502)	944

Output Class 5: Security Service Delivery

What we do under this output class

- Screen all passengers and their carry-on baggage on departing international flights and domestic flights over security screening size threshold at security designated airports.
- Screen all hold baggage on departing international flights and domestic flights over security screening size threshold at security designated airports.
- Screen airport workers with access to security enhanced areas at security designated airports.
- Manage the issue of airport identity cards.
- Conduct perimeter patrols at security designated airports and navigation facilities.
- 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.

PERFORMANCE MEASURE

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.

The rationale for our intervention

Aviation security screening identifies threats and manages associated risks at security designated airports.



- Proportion of passengers screened against optimum screening lane throughput of 270 people per hour.
- Passenger wait times through security screening at international and domestic airport screening points.
- Staff are efficiently deployed to meet screening fluctuations²⁰.
- Compliance with aviation security regulation requirements as required under Civil Aviation Rule Part 140.

¹⁹ The reported result for this performance measure is based on a small sample of passengers moving through security screening lines, with the waiting times manually measured by staff using CCTV. The evidence for this sample has not been retained for privacy reasons, which means that auditors have been unable to verify the accuracy and completeness of the reported result.

²⁰ Percentage of time that operational staff are deemed unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
New measure		>60%	62.30%	69.30%	<p>The COVID-19 pandemic significantly impacted security screening throughput. International passenger volumes were severely reduced from March 2020, so were seldom enough to meet optimum throughput.</p> <p>Domestic passenger volumes reduced to minimal levels during April 2020 (when the strictest COVID-19 restrictions were in place). As restrictions were gradually lifted, domestic traveller numbers started to rebound, but with reduced flight schedules and social distancing requirements.</p> <p>Throughout the fluctuating demand, Avsec adjusted capacity to suit, meaning screening throughput varied, but was maintained overall.</p>
New measure		95% processed within 10 minutes of entering security queue	98.53%	98.82% ¹⁹	<p>Wait times depend on a combination of passenger volumes and presentation, and security screening capacity.</p> <p>Avsec regularly plans and adjusts screening point capacity to match required demand. This means that security screening wait times were not markedly impacted by the fluctuations in passenger numbers and flight schedules caused by the COVID-19 pandemic.</p>
6.9% (Amended measure)		<12%	6.2%	8.20%	<p>The COVID-19 pandemic resulted in lower levels of on-airport activity, which meant that some staff were not fully utilised in some locations. Avsec was able to mitigate these impacts by re-deploying staff to assist with Government's COVID-19 response. This included working on community reassurance patrols, assisting public transport, and providing security at managed quarantine or isolation facilities.</p>
New measure		100%	100%	100%	

PERFORMANCE MEASURE

	<ul style="list-style-type: none"> • No unjustified flight delays resulting from security screening activities. • No airside access by unauthorised or unscreened personnel as a result of failure by the Aviation Security Service. • Number of prohibited items or dangerous goods discovered post-screening points (due to screening failure).
<p>5.2 Audit Performance; Access Control; Maritime Security Services</p> <p>What is intended to be achieved This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.</p> <p>The rationale for our intervention Aviation security screening identifies threats and manages associated risks at security designated airports.</p>	<ul style="list-style-type: none"> • Audit Performance: Percentage of any audit findings cleared within the specified timeframes. • Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit. • Access Control: Number of corrective action requests pertaining to access control issued by the Regulator. • * Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support. • Customer Complaints: Percentage of customer complaints responded to within 5 working days.

KEY



Quality



Timeliness



Quantity



Organisational focus

	2018/19 ACTUAL	2019-20 TARGET	ACTUAL 31 MARCH 2020	ACTUAL 30 JUNE 2020	COMMENTS
New measure		Nil	Nil	Nil	
New measure		Nil	5	5	<p>The target is 'Nil'; however, five instances have been recorded. Each of the five were due to very specific circumstances and four relate to specific oversight in procedures by Avsec staff. They were not due to systematic issues or gaps, and were often self-reported.</p> <p>Four separate incidents were Avsec staff moving between non-sterile and sterile areas without following the correct security protocols. Each individual incident has been investigated and procedural changes made in training materials for new staff. Ongoing monitoring of this measure is taking place.</p> <p>One was a passenger who entered a sterile area through an insecure door following an Avsec officer. The investigation was used to act on and eliminate potential future risks.</p>
3.00 items per million screened		<3.4 items per million screened	3.36	3.25	
100%		100%	100%	100%	
3		Nil	3	3	<p>Three requests for corrective action were recorded, against a target of 'Nil'.</p> <p>Two were technical non-compliances around recording of data or support activity and not directly related to service delivery and performance.</p> <p>One was related to Non-Passenger Screening practices. Increased supervision and changes in procedures, equipment and data recording have been taken to prevent a re-occurrence.</p>
Nil		Nil	Nil	Nil	
Nil		Nil	Nil	Nil	
New measure		100%	98.7%	94.41%	<p>In earlier months, a small number of complaints via email or website channels were not responded to within the target timeframe.</p> <p>Avsec improved efficiency of these processes, which saw responsiveness improve. However, limitations on staff available at airport locations during the strictest COVID-19 restrictions slowed down on-site verification processes for some complaints during that period.</p>

Cost to deliver output class 5: Security Service Delivery	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Contracted services	1,863	2,589	(726)	3,487
Passenger security levies and charges	99,878	140,985	(41,107)	98,928
Crown funding - Maritime Port Security	145	145	-	145
Crown - COVID Liquidity	13,000	-	13,000	-
Other revenue	479	727	(248)	1,043
Revenue	115,365	144,446	(29,081)	103,603
Expense	(129,735)	(137,265)	7,530	(110,915)
Net (deficit)/surplus	(14,370)	7,181	(21,551)	(7,312)

Cost to deliver outputs Output Class Financials	2020 ACTUAL \$000	2020 BUDGET \$000	2020 VARIANCE \$000	2019 ACTUAL \$000
Policy and regulatory strategy	(4,850)	(4,995)	145	(6,363)
Outreach	(5,528)	(5,836)	308	(5,784)
Certification and licensing	(27,365)	(26,437)	(928)	(25,627)
Surveillance and investigation	(10,384)	(12,586)	2,202	(10,575)
Regulatory Function delivery total	(48,127)	(49,854)	1,727	(48,349)
Security Service delivery	(129,735)	(137,265)	7,530	(110,915)
Security Service delivery total	(129,735)	(137,265)	7,530	(110,915)

Output classes financial commentary

The output class financials 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 Aviation Security Service and inter-entity rent amounting to \$351,000 (2019: \$333,000).

Regulatory Oversight Review programme

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

The programme requires the Authority to regularly undertake internal reviews of its regulatory activities (for example, the certification of operators) and interventions (for example, broader aviation system changes). These reviews are designed to assess the quality and effectiveness of the regulatory work we do against the Regulatory Operating Model²¹.

There are three key types of review or audit included within the programme.

- Plan-Do-Check-Act process reviews (PDCA reviews)** assess the overall execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.

PDCA reviews are undertaken by operational managers (who review the activities within their area of responsibility) with independent oversight from a centralised quality team.
- Measurement of the Effectiveness of Interventions (IEM)** assess how well certain regulatory interventions achieve their goals based on an assessment of its intent, capability and results.

As IEMs assess our interventions in the civil aviation system (as opposed to one-off activities like the certification of a specific operator), they are more involved, wide-ranging processes, undertaken by a panel of staff.
- Internal audits** are conducted into the Authority's operational functions and systems, and can have a variety of purposes (for example, providing assurance about compliance or measuring and improving efficiency). These are undertaken independently of the operational units and are objective.

Internal audits can look into any part of the Authority's operations. For the purpose of reporting on continuous improvement within the regulatory function, the ROR programme only includes audits that have a specific regulatory focus.

The results of PDCA reviews, IEMs and internal audits are then used to identify opportunities for improvement.

The ROR programme in 2019/20

In 2019/20, the Authority completed 75 PDCA reviews and two internal audits into regulatory activities. The Authority did not complete the intended number of PDCA reviews, IEM reviews or internal audits (with a regulatory focus) for the year.

As such, the Authority cannot demonstrate the intended level of continuous improvement activity in 2019/20. This activity, which is a business-as-usual part of our regulatory function, is important as it helps to maintain consistency of decision-making, enhance efficiency, and improve the ways we keep the civil aviation system safe.

To improve the effectiveness of the ROR programme in 2020/21, the Authority has communicated the need to complete these reviews and their core role in our regulatory functions. We have also implemented new benchmarks for completing these reviews, which have been incorporated in the Authority's Statement of Performance Expectations 2020/21.

ROR programme reviews and audit completions in 2019/20

	NUMBER COMPLETED	TARGET
PDCA reviews	75	102
IEM reviews	0	4
Internal audits	2	4

²¹ The Authority's Regulatory Operating Model is an internal policy that identifies the regulatory principles and approach we adopt in regulating safety in the civil aviation system. It is the highest level regulatory policy at the Authority, and informs how we work, the tools we use, and the policies we adhere to.

PDCA reviews

In 2019/20, 75 PDCA reviews were conducted by 13 operational units, directly relating to the Authority's seven regulatory Safety and Security Focus Areas (the eighth focus area 'Smart Security' does not intersect with the regulatory function). PDCA's covered certification, surveillance, licensing, investigation and other functions.

PDCA reviews in 2019/20 found instances where:

- the required documentation was not completed, was incorrectly completed or not available
- there was poor recordkeeping or a lack of evidence to support decision-making
- there was incorrect or poor filing, archiving of information, records or evidence
- there was poor timeliness
- there was a failure to follow correct policy, procedure or process
- uncontrolled or incorrect documentation was used
- the procedure or guidance for the activity was unclear or did not exist.

In order to address these findings, 97 opportunities for improvement were identified, resulting in 40 corrective or preventative actions being raised. Other relevant work requests were also raised in response to some of the opportunities for improvement identified – three in total.

This is almost double the number actions that were raised in the previous financial year, despite a reduction in the number of PDCA reviews submitted overall.

Internal audits (with a regulatory focus)

Two internal audits with a regulatory focus were completed in 2019/20 (the Internal Review of Operational Approvals and Surveillance Auditing of Regulated Air Cargo Agents).

Two further internal audits into 'Output Class 3 – Certification & Licensing' and 'Civil Aviation Rule Part 12 – Occurrence Reporting' were started but not finalised by the end of the financial year. These have since been completed.

Internal Review of Operational Approvals

The key areas for improvement identified by this internal audit were:

- policies, procedures and guidance documents
- ownership and collaboration
- training of personnel
- documentation of assessment and approval
- quality assurance.

As a result of these observations, it was identified that the Operational Approvals process was being applied inconsistently across the organisation. This was leading to delayed and/or no actions being taken where required. A number of actions have been agreed by the CAA Executive Management Team, which will address the findings in areas like ownership and collaboration, documentation, training and quality assurance.

Audits of Regulated Air Cargo Agents

The final report for 'Surveillance Auditing of Regulated Air Cargo Agents' stated that the framework implemented at the Authority for the surveillance audits of regulated air cargo agents met all six key elements that the auditors expected to find. A comprehensive framework is deployed within the security regulatory unit for managing the planning and performance of audits of regulated air cargo agents and for ensuring that recommendations from audits are actioned by agents promptly.

No areas for improvement were identified from this review.



PART THREE

Financial Statements



Statement of comprehensive revenue and expense

For the year ended 30 June 2020

	NOTE	2020		2019
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
REVENUE				
Levies and passenger security charges		126,565	177,321	134,493
Revenue from other services		8,640	9,550	10,776
Crown funding revenue		17,625	3,851	3,500
Ministry contract revenue		1,529	1,600	2,422
Interest revenue		504	984	985
Other revenue		215	306	387
Total revenue	2	155,078	193,612	152,563
EXPENSE				
Personnel costs	3	141,928	146,384	126,211
Depreciation and amortisation expense	12, 13	4,465	6,364	3,957
Finance costs	4	115	1,088	138
Other expenses	5	31,003	33,156	28,625
Total expenses		177,511	186,992	158,931
Net (deficit)/surplus		(22,433)	6,620	(6,368)
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(22,433)	6,620	(6,368)

Explanations of major variances against budget are provided in note 24.
The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2020

	NOTE	2020		2019
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
ASSETS				
Current assets				
Cash and cash equivalents	6	13,531	3,764	9,384
Receivables	7	6,371	16,203	14,299
Investments- term deposits	8	-	23,900	21,733
Services work in progress	10	35	208	148
Prepayments		1,518	624	1,287
Investment property	11	-	-	-
Total current assets		21,455	44,699	46,851
NON-CURRENT ASSETS				
Property, plant and equipment	12	20,854	37,417	16,688
Intangible assets	13	1,791	4,630	868
Total non-current assets		22,645	42,047	17,556
Total assets		44,100	86,746	64,407
LIABILITIES				
Current liabilities				
Creditors and other payables	14	7,610	7,042	8,971
Derivative financial instruments	9, 20	10	-	24
Employee entitlements	15	15,382	13,935	12,267
Provisions	16	1,048	145	1,279
Total current liabilities		24,050	21,122	22,541
NON-CURRENT LIABILITIES				
Borrowings		-	21,000	-
Derivative financial instruments	9, 20	14	-	18
Employee entitlements	15	9,679	7,593	8,950
Provisions	16	360	390	468
Total non-current liabilities		10,053	28,983	9,436
Total liabilities		34,103	50,105	31,977
Net assets		9,997	36,641	32,430
EQUITY				
General funds		9,997	24,534	26,331
Specific reserves	22, 23	-	12,107	6,099
Total equity	18	9,997	36,641	32,430

Explanations of major variances against budget are provided in note 24. The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2020

	NOTE	2020		2019
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
EQUITY				
Opening balance of equity at 1 July				
General funds		26,331	25,043	24,987
Property, plant and equipment revaluation reserve		-	-	746
Specific reserves		6,099	4,978	13,065
Total opening balance of equity at 1 July	18	32,430	30,021	38,798
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		(22,433)	6,620	(6,368)
Owner transactions				
Capital contributions from the Crown		-	-	-
Total changes in equity during the year	18	(22,433)	6,620	(6,368)
Closing balance of equity at 30 June				
General funds		9,997	24,534	26,331
Specific reserves		-	12,107	6,099
Total closing balance of equity at 30 June	18	9,997	36,641	32,430

Explanations of major variances against budget are provided in note 24.
The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2020

	NOTE	2020		2019
		ACTUAL \$000	BUDGET \$000	ACTUAL \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from levies		131,186	165,694	35,520
Receipts from passenger security levies and charges, and other services		12,061	20,262	108,913
Receipts from Crown funding and Ministry contracts		19,154	5,451	5,922
Interest and other sundry revenue received		1,096	1,804	2,131
Payments to employees		(131,311)	(139,068)	(119,193)
Payments to suppliers		(41,481)	(40,926)	(32,911)
Goods and Services Tax (net)		1,179	208	(300)
Net cash flows from operating activities		(8,116)	13,425	82
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments		79,233	18,300	52,870
Sale of property, plant and equipment		82	-	168
Placement of investments		(57,500)	(26,050)	(44,604)
Purchase of property, plant and equipment		(8,309)	(22,451)	(3,674)
Purchase of intangible assets		(1,243)	(3,559)	(603)
Net cash flows from investing activities		12,263	(33,760)	4,157
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributions from the Crown		-	-	-
Proceeds from external borrowings		-	21,000	-
Net cash flows from financing activities		-	21,000	-
Net increase/(decrease) in cash and cash equivalents		4,147	665	4,239
Opening cash and cash equivalents at 1 July		9,384	3,099	5,145
Closing cash and cash equivalents at 30 June	6	13,531	3,764	9,384

Explanations of major variances against budget are provided in note 24. The accompanying notes form part of these financial statements.

Statement of cash flows (continued)

For the year ended 30 June 2020

Reconciliation of net surplus/(deficit) to net cash from operating activities

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
(Deficit)/surplus	(22,433)	(6,368)
ADD/(LESS) NON-CASH ITEMS		
Depreciation and amortisation expense	4,465	3,957
Impairment of receivables	584	(11)
Net (gains)/losses on foreign exchange and derivate financial instruments	(4)	47
Discount unwind on employee entitlements	115	138
Fair value (gains)/losses on investment property	-	21
Total non-cash items	5,160	4,152
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		
(Gains)/losses on disposal of property, plant and equipment and intangibles	(82)	(125)
(Gains)/losses on disposal of intangible assets	-	-
Total items classified as investing or financing activities	(82)	(125)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS		
Receivables (increase)/decrease	7,344	(779)
Services work in progress (increase)/decrease	113	60
Prepayments (increase)/decrease	(231)	(663)
Creditors and other payables increase/(decrease)	(1,357)	2,395
Employee entitlements increase/(decrease)	3,709	1,172
Provisions increase/(decrease)	(339)	238
Net movements in working capital items	9,239	2,423
Net cash flow from operating activities	(8,116)	82

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 2020. The financial statements were approved by the Authority on 10 December 2020.

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.

The COVID-19 pandemic continues to have a major impact, both on aviation in New Zealand and the operations of the Authority. Note 25 on page 109 has been included to provide further detail around this, including the basis on which it has been determined to prepare these financial statements on a going concern basis.

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. The Authority is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards.

These financial statements comply with PBE Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards early adopted

There were no standards that required early adoption or adopted early by the Authority.

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 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.

Summary of significant accounting policies

Significant accounting policies which materially affect the measurement of financial performance and financial position are included in the notes to which they relate.

Those policies that do not relate to a specific note are outlined below:

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.

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.

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

The Authority has determined the cost of outputs using the cost allocation system outlined below:

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 (Organisational Development and Support, and Performance Monitoring and Assurance) 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 and assumptions

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:

- Useful lives and residual values of property, plant, and equipment – refer to Note 12
- Useful lives of software assets – refer to Note 13
- Retirement and long service leave – refer to Note 15

These significant estimates and assumptions are included in the relevant note.

Critical judgements in applying accounting policies

No critical judgements have been applied in the preparation of these financial statements.

2. Revenue

Accounting policy

The specific accounting policies for significant revenue items are explained below:

Revenue from levies and services

Levies and security charges

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

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
SAFETY LEVIES		
International passenger levies	8,074	10,974
Domestic passenger levies	16,631	22,414
Other levies	1,982	2,177
Total safety levies revenue	26,687	35,565
SECURITY LEVIES AND CHARGES		
International passenger levies and charges	64,377	59,705
Domestic passenger levies and charges	35,501	39,223
Total security levies and charges	99,878	98,928
Total levies and passenger security charges	126,565	134,493
REVENUE FROM OTHER SERVICES		
Aviation regulatory and safety services	6,781	7,293
Other contracted aviation security services	1,859	3,483
Total revenue from other services	8,640	10,776

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.

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.

Crown funding and Ministry contract revenue

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.

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.

Crown funding revenue

The Authority has been provided with funding from the Crown through Multi-Category Expense and Multi-Year Expense Appropriations 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 (2019: 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.

Automatic Dependent Surveillance – Broadcast (ADS-B) Transponders rebate scheme

The Authority has been provided funding from the Crown to establish an ADS-B rebate scheme for the purpose of incentivising the uptake of ADS-B transponders for the owners of aircraft that operate in controlled airspace in New Zealand below flight level 24,500 feet.

Protection of transport sector agency core functions

The Authority has been provided with a Multi-Year Appropriation from the Crown for the purchase of core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19. \$13,000,000 of this appropriation was drawn down in 2020.

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

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Rules development (Ministry of Transport)	800	800
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	729	1,622
Total Ministry contract revenue	1,529	2,422

Interest revenue

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

Other revenue

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Gain on sale of property, plant and equipment	82	159
Net foreign exchange gains	4	-
Other revenue	129	228
Total other revenue	215	387

Asset disposals

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 \$82,000 (2019: \$159,000).

3. Personnel costs

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution schemes

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Salaries and wages	127,012	115,649
Employer contributions to defined contribution plans	4,298	3,866
Other personnel expenses	6,774	5,786
Increase/(decrease) in employee entitlements	3,844	910
Total personnel costs	141,928	126,211

Total employee remuneration paid or payable that is or exceeds \$100,000

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
\$100,000 – \$109,999	56	46
\$110,000 – \$119,999	41	39
\$120,000 – \$129,999	46	55
\$130,000 – \$139,999	38	31
\$140,000 – \$149,999	23	21
\$150,000 – \$159,999	17	14
\$160,000 – \$169,999	13	8
\$170,000 – \$179,999	8	11
\$180,000 – \$189,999	7	2
\$190,000 – \$199,999	4	7
\$200,000 – \$209,999	3	2
\$210,000 – \$219,999	1	2
\$220,000 – \$229,999	2	2
\$230,000 – \$239,999	-	1
\$240,000 – \$249,999	1	1
\$250,000 – \$259,999	4	2
\$260,000 – \$269,999	-	3
\$270,000 – \$279,999	2	1
\$280,000 – \$289,999	1	-
\$300,000 – \$309,999	-	1
\$310,000 – \$319,999	1	-
\$330,000 – \$339,999	-	1

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
\$340,000 – \$349,999	1	-
\$400,000 – \$409,999	1	-
\$420,000 – \$429,999	-	1
Total number of employees	270	251

During the year ended 30 June 2020, 7 (2019: 3) employees received compensation and other benefits in relation to cessation totalling \$51,000 (2019: \$114,000).

Board member remuneration paid or payable to each Board member during the year

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
A Adams (resigned December 2019)	10	24
J Boulton (resigned June 2019)	-	21
H Duynhoven (appointed May 2019)	24	2
J Fredric (Chair – appointed December 2019)	28	-
N Gould (Chair – resigned August 2019)	8	49
J Hatchwell (appointed July 2019)	24	-
D Huse (resigned November 2019)	17	27
G Lilly (resigned May 2019)	-	21
C Spillane (appointed December 2019)	14	-
Total Board member remuneration	125	144

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.

No Board members received compensation or other benefits in relation to cessation (2019: nil).

4. Finance costs

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Discount unwind on long-term employee entitlements	115	138
Total finance costs	115	138

5. Other expenses

Accounting policy

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	130	128
Operating lease expenses	6,808	5,804
Building operating expenses	1,385	1,239
Information technology expenses	3,731	3,833
Staff travel	3,442	4,101
Insurance	989	823
Allowance for credit losses on receivables	617	22
Safety information services	3,306	3,454
Consultancy	4,332	3,656
Consumables and maintenance	3,642	3,359
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
Other expenses	2,621	2,104
Total other expenses	31,003	28,625

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 3.

Operating leases as Lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Not later than one year	6,845	4,663
Later than one year and not later than five years	20,550	9,976
Later than five years	2,500	1,058
Total non-cancellable operating leases	29,895	15,697

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 three 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 \$286,000 (2019: \$397,000) in respect of this lease (refer note 16).

A significant portion of the total non-cancellable operating lease expense relates to two leases of two floors of office premises in Wellington. The Authority has given notice to exercise a six year right of renewal on the first lease that expired in November 2019. The leases ultimately expire in November 2037 and November 2040, with the option to vacate the premises at the respective lease renewal dates of November 2025 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 \$1,382,000 (2019: \$1,955,000).

6. Cash and cash equivalents**Accounting policy**

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Cash at bank and on hand	13,531	6,880
Term deposits with maturities of three months or less	-	2,504
Total cash and cash equivalents	13,531	9,384

While cash and cash equivalents at 30 June 2020 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 0.51% (2019: 1.46%).

7. Receivables

Accounting policy

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.

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Receivables arising from exchange transactions	7,001	14,343
Other receivables	-	2
Less: allowance for credit losses	(630)	(46)
Total receivables	6,371	14,299

The expected credit loss rates for receivables at 30 June 2020 and 30 June 2019 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 2020 and 30 June 2019 were determined as follows:

	2020			2019		
	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	3,731	-	-	12,908	-	-
Past due 1-30 days	219	3%	(7)	1,081	1%	(6)
Past due 31-60 days	39	1%	(1)	295	1%	(2)
Past due 61-90 days	2,270	27%	(602)	14	10%	(1)
Past due over 90 days	742	3%	(20)	47	80%	(37)
Total	7,001		(630)	14,345		(46)

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

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Opening allowance for credit losses as at 1 July	(46)	(57)
(Increase)/decrease in loss allowance made during the year	(617)	(22)
Receivables written off during the year	33	33
Balance at 30 June	(630)	(46)

8. Investments

Accounting policy

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
CURRENT INVESTMENTS ARE REPRESENTED BY:		
Term deposits	-	21,733
Total current investments	-	21,733
Effective interest rate on term deposits	-	3.5%

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

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.

As a result of COVID-19, the Authority was required to fully utilise its cash reserves to meet operating costs before it could access the additional Crown funding.

9. Derivative financial instruments

Accounting policy

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.

Further information on derivative financial instruments

The Authority has taken forward exchange contracts to settle anticipated foreign currency liabilities in future periods. The contracts are to settle supplier annual licence payments due in the 2020/21 and 2021/22 financial years (GBP 661,000 (2019: 809,000)). Aviation liability insurance premiums covering the 2020/21 financial year have been settled in the current financial year (2019: USD 71,000). The notional principal amounts of these contracts in NZ\$ are \$1,294,000 (2019: \$1,688,000).

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

10. Services work in progress

Accounting policy

Services work in progress is measured at the lower of the costs incurred to date for work being undertaken and the 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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Services work in progress	35	148
Total services work in progress	35	148

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

11. Investment property

Accounting policy

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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Balance at 1 July	-	21
Writedown on disposal or valuation	-	(21)
Balance at 30 June	-	-

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.

12. Property, plant and equipment

Accounting policy

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

LEASEHOLD IMPROVEMENTS	REMAINING LIFE OF LEASE	
Furniture and fittings	10 years	10%
Plant and equipment	5 – 10 years	20% – 10%
Office equipment	5 years	20%
Motor vehicles	4 – 5 years	25% – 20%
Computer equipment	3 – 4 years	33% – 25%

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

Impairment of property, plant and equipment

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

Property, plant and equipment are reviewed for impairment 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 the present value of an asset's remaining service potential. It 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.

Critical accounting estimates and assumptions

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Authority, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Authority minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- analysis of previous asset sales.

The Authority has not made significant changes to past assumptions concerning useful lives and residual values.

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

	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
COST OR VALUATION								
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
Balance at 1 July 2019	2,075	7,857	741	27,947	565	2,963	1,701	43,849
Additions/(transfers)	2,773	89	63	4,960	3	290	131	8,309
Disposals	-	-	-	-	-	(227)	(3)	(230)
Balance at 30 June 2020	4,848	7,946	804	32,907	568	3,026	1,829	51,928
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
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)
Balance at 1 July 2019	-	(5,881)	(640)	(16,746)	(531)	(1,793)	(1,570)	(27,161)
Depreciation expense	-	(531)	(42)	(3,037)	(10)	(404)	(120)	(4,144)
Eliminate on disposal	-	-	-	-	-	228	3	231
Balance at 30 June 2020	-	(6,412)	(682)	(19,783)	(541)	(1,969)	(1,687)	(31,074)
CARRYING AMOUNTS								
At 1 July 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
At 30 June 2020	4,848	1,534	122	13,124	27	1,057	142	20,854

Restrictions

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.

Work in progress

	LEASEHOLD IMPROVEMENTS	FURNITURE & FITTINGS	PLANT & EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OR VALUATION							
Balance at 1 July 2018	13	-	21	-	182	-	216
Assets capitalised	(8)	-	(21)	-	(182)	-	(211)
Additions	65	21	1,935	-	40	9	2,070
Balance at 30 June 2019	70	21	1,935	-	40	9	2,075
Balance at 1 July 2019	70	21	1,935	-	40	9	2,075
Assets capitalised	(89)	(63)	(4,960)	(3)	(290)	(131)	(5,536)
Additions	721	54	6,884	11	517	122	8,309
Balance at 30 June 2020	702	12	3,859	8	267	-	4,848

The total amount of property, plant and equipment in the course of construction is \$4,848,000 (2019: \$2,075,000).

Capital commitments

The amount of contractual commitments for the acquisition of property, plant, and equipment at the reporting date is:

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Plant and equipment	4,902	9,588
Total capital commitments	4,902	9,588

The Authority has entered into agreements for the acquisition of screening equipment located at the main airports.

13. Intangible assets**Accounting policy****Software acquisition and development**

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Other software-related costs are recognised as follows:

- Staff training costs are recognised as an expense when incurred;
- Costs associated with maintaining computer software are expensed when incurred;
- Costs associated with development and maintenance of the Authority's website 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 when the asset is derecognised. The amortisation charge for each financial year is expensed 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 intangible assets

Refer to the policy for impairment of property, plant, and equipment in Note 12. The same approach applies to the impairment of intangible assets.

Critical accounting estimates and assumptions

Estimating useful lives of software assets

In assessing the useful lives of software assets, a number of factors are considered, including:

- the period of time the software is intended to be in use;
- the effect of technological change on systems and platforms; and
- the expected time frame for the development of replacement systems and platforms.

An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised in the surplus or deficit, and the carrying amount of the software assets in the statement of financial position.

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 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
Balance at 1 July 2019	4,682	577	2,116	-	7,375
Additions/(transfers)	1,582	(338)	-	-	1,244
Disposals	(472)	-	-	-	(472)
Balance at 30 June 2020	5,792	239	2,116	-	8,147
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
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)
Balance at 1 July 2019	(4,391)	-	(2,116)	-	(6,507)
Amortisation expense	(321)	-	-	-	(321)
Disposals	472	-	-	-	472
Balance at 30 June 2020	(4,240)	-	(2,116)	-	(6,356)
CARRYING AMOUNTS					
At 1 July 2018	369	134	1	-	504
At 30 June 2019	291	577	-	-	868
At 30 June 2020	1,552	239	-	-	1,791

Restrictions

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.

Work in progress

The total amount of intangibles in the course of construction is \$239,000 (2019: \$577,000).

14. Creditors and other payables**Accounting policy**

Short-term payables are recorded at the amount payable.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS		
Creditors	3,966	6,222
Other payables	282	636
Total creditors and payables under exchange transactions	4,248	6,858
CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (GST, PAYE)	3,362	2,113
Total creditors and payables under non-exchange transactions	3,362	2,113
Total creditors and other payables	7,610	8,971

15. Employee entitlements**Accounting policy****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 employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

Measuring retirement and long service leave obligations

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 2020 ranged from 0.25% pa to 4.30% pa (2019: ranged from 1.26% pa to 4.30% pa) and a salary inflation factor of 1.5% pa for the year ended 30 June 2020, with a long term salary inflation rate of 2.72% (2019: 3.0% pa and 2.92% pa respectively) were used.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$867,000 lower/\$1,010,000 higher respectively (2019: \$824,000 lower/\$970,000 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 \$850,000 higher/\$739,000 lower respectively (2019: \$747,000 higher/\$648,000 lower respectively).

Employee entitlements

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Accrued salaries and wages	2,818	1,906
Annual leave	11,095	9,158
Current portion of long-term employee entitlements		
Sick leave	197	175
Retiring and long service leave	1,272	1,028
Total current portion	15,382	12,267
NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Long-term employee entitlements		
Retiring and long service leave	9,364	8,663
Sick leave	315	287
Total non-current portion	9,679	8,950
Total employee entitlements	25,061	21,217

16. Provisions

Accounting policy

General

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. An increase in the provision due to the passage of time is recognised as a finance cost (refer Note 4).

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 these leases, which affects the timing of expected cash outflows to make good the premises.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	120	779
Restructuring	528	500
Legal and employment proceedings	400	-
Total current portion	1,048	1,279
NON-CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	166	278
Lease make-good	194	190
Total non-current portion	360	468
Total provisions	1,408	1,747

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS	LEASE MAKEGOOD	RESTRUCTURING	LEGAL AND EMPLOYMENT PROCEEDINGS	TOTAL
	\$000	\$000	\$000	\$000	\$000
2020					
Balance at 1 July 2019	1,057	190	500	-	1,747
Additional provisions made/(reversed)	(771)	4	28	400	(339)
Balance at 30 June 2020	286	194	528	400	1,408
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

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 1.63% 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 had been recorded as a provision in 2019, but subsequent negotiations have released the Authority from this liability.

Restructuring provision

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

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 5.

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 11.

Legal and employment proceedings

In 2019 a number of bullying and harassment allegations and other issues within the Authority were made. A Queen's Counsel investigation was established and this investigation is on-going. This provision represents amounts the Authority expects it could incur with respect to the settlement of the outcomes of the investigation.

17. Contingencies

Contingent liabilities

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2019: \$nil) existing in relation to any legal matters currently in progress.

Personal grievance

The Authority has no contingent liabilities relating to personal grievances in the current year. However it has made provision for legal and employment costs expected to be incurred in relation to the on-going Queen's Counsel investigation into bullying and harassment issues disclosed in note 16. The Authority had a contingent liability in 2019 (\$27,000) that was successfully defended.

Contingent assets

The Authority has no contingent assets (2019: \$nil).

18. Equity

Accounting policy

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 levies, 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.

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
EQUITY		
General funds		
Opening balance at 1 July	26,331	24,987
(Deficit)/surplus for the year	(22,433)	(6,368)
Transfer (to)/from specific reserves	6,099	7,712
Capital contributions from the Crown	-	-
Closing balance at 30 June	9,997	26,331
RESERVES		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	-	746
Transfer (to)/from specific reserves on disposal	-	(746)
Closing balance at 30 June	-	-
Passenger security charges and levies reserve – international		
Opening balances at 1 July	5,161	12,236
(Deficit)/surplus for the year	(13,537)	(7,317)
Transfer (to)/from general funds	8,376	242
Closing balance at 30 June	-	5,161

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Passenger security charges and levies reserve – domestic		
Opening balances at 1 July	665	442
(Deficit)/surplus for the year	(665)	119
Transfer (to)/from general funds	-	104
Closing balance at 30 June	-	665
Passenger security charges reserve – other fees and charges		
Opening balances at 1 July	273	387
(Deficit)/surplus for the year	(167)	(114)
Transfer (to)/from general funds	(106)	-
Closing balance at 30 June	-	273
Passenger safety reserve – fixed fees		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(2,439)	(2,023)
Transfer (to)/from levies reserve	2,439	2,023
Closing balance at 30 June	-	-
Passenger safety reserve – hourly charges		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(6,386)	(5,474)
Transfer (to)/from levies reserve	6,386	5,474
Closing balance at 30 June	-	-
Passenger safety reserve – other		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(1,062)	(1,668)
Transfer (to)/from levies reserve	1,062	1,668
Closing balance at 30 June	-	-
Passenger safety reserve – levies		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	1,225	9,335
Transfer (to)/from specific reserves	(9,887)	(9,165)
Transfer (to)/from passenger safety reserve- other general reserves	8,662	(170)
Closing balance at 30 June	-	-
Passenger safety reserve – other general reserves		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	598	774
Transfer (to)/from specific reserves	(8,662)	170
Transfer (to)/from general funds	8,064	(944)
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.

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.

As a result of COVID-19, the Authority was required to fully utilise its cash and investments to meet operating costs before it could access additional Crown funding. The Authority's specific reserves were therefore exhausted as a consequence of this.

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 has complied with the financial management requirements of the *Crown Entities Act 2004* during the year. 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.

19. Related party transactions and key management personnel

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.

Key management personnel compensation

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Board Members	125	144
Authority Leadership Team and senior employees	4,335	4,066
Total key management personnel compensation	4,460	4,210

Key management personnel full-time equivalent

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
Board Members	1	1
Authority Leadership Team and senior employees	21	16
Total key management personnel full-time equivalent	22	17

Key management personnel include Board Members, the Director of Civil Aviation and the ten member Authority Leadership Team (see page 34) and also includes other senior employees with the ability to influence decisions.

During the year ended 30 June 2020, 2 (2019: 0) key management personnel received compensation and other benefits in relation to cessation totalling \$141,000 (2019: Nil).

The Authority normally 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.

20. Financial instruments

20a. Financial instrument categories

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

	ACTUAL 2020 \$000	ACTUAL 2019 \$000
MANDATORILY MEASURED AT FAIR VALUE THROUGH SURPLUS OR DEFICIT		
Derivative financial instrument assets	-	-
Derivative financial instrument liabilities	24	42
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	13,531	9,384
Receivables	6,371	14,299
Investments- term deposits	-	21,733
Total financial assets measured at amortised cost	19,902	45,416
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	7,610	8,971
Total financial liabilities measured at amortised cost	7,610	8,971

20b. Fair value hierarchy

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.

20c. 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 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 not materially affect the Authority's surplus and equity as the Authority no longer holds term deposits (2019: \$311,000).

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:

- \$67,000 (2019: 87,000) higher if the NZ dollar had weakened.
- \$60,000 (2019: 78,000) 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 73% (2019: 81%) 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 6), receivables (Note 7), and term deposit investments (Note 8) 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 2020 \$000	ACTUAL 2019 \$000
CASH AT BANK AND TERM DEPOSITS		
AA-	13,531	31,117
Total cash at bank and term deposits	13,531	31,117

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
2020					
Payables (excluding income in advance and taxes payable)	4,248	4,248	4,248	-	-
Total contractual undiscounted cash flows	4,248	4,248	4,248	-	-
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	-	-

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
2020						
Forward foreign exchange contracts	24	-				
• outflow			(1,294)	-	(644)	(650)
• inflow			1,270	-	634	636
2019						
Forward foreign exchange contracts	43	-				
• outflow			(1,688)	(1,041)	-	(647)
• inflow			1,645	1,017	-	628

21. Events after the balance date

There were no significant events after the balance sheet date.

22. 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/LEVIES	DOMESTIC PASSENGER SECURITY CHARGES/LEVIES	OTHER FEES / CHARGES	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
2020						
Revenue	64,984	47,947	1,939	114,870	143,631	102,277
Expense	(78,521)	(48,612)	(2,107)	(129,240)	(136,450)	(109,589)
Net (deficit)/surplus	(13,537)	(665)	(168)	(14,370)	7,181	(7,312)
Opening balance at 1 July 2019	5,161	665	273	6,099	4,978	13,065
Transfer (to)/from General Reserves	8,376	-	(105)	8,271	(52)	346
Closing balance at 30 June 2020	-	-	-	-	12,107	6,099
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 (deficit)/surplus	(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

23. 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
2020							
Revenue	1,935	4,854	6,009	27,266	40,064	49,293	49,293
Expense	(4,374)	(11,240)	(7,071)	(25,442)	(48,127)	(49,854)	(48,349)
Net (deficit)/surplus	(2,439)	(6,386)	(1,062)	1,824	(8,063)	(561)	944
Opening balance at 1 July 2019	-	-	-	11,594	11,594	10,307	10,650
Transfer (to)/from General Reserves	2,439	6,386	1,062	(9,887)	-	-	-
Closing balance at 30 June 2020	-	-	-	3,531	3,531	9,746	11,594
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	-	-	-	10,650	10,650	11,255	11,190
Transfer (to)/from General Reserves	2,023	5,474	1,668	(9,165)	-	-	-
Closing balance at 30 June 2019	-	-	-	11,594	11,594	10,455	10,650

24. 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 2020 of \$155.1 million was severely impacted by COVID-19 restrictions on travel and was consequently significantly below budget of \$193.6 million by \$38.5 million (-19.9%). The significant variances are as follows:

Safety levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and operator safety levies of \$26.7 million was below budget of \$36.3 million by \$9.7 million (-26.6%). This was the result of both domestic passenger and international passenger volumes being below budget by 27.4% and 28.8% respectively.

Revenue from passenger security charges and levies

Revenue from passenger security charges and levies of \$99.8 million was below budget of \$141.0 million by \$41.1 million (-29.2%), with both domestic passenger and international passenger volumes being below budget by 27.9% and 29.8% respectively.

Revenue from other services

Revenue from other services of \$8.6 million was lower than the budget of \$9.5 million by \$0.9 million (-9.5%), largely due to reduced activity in the Security Function related to COVID-19.

Crown funding revenue

Crown funding revenue of \$17.6 million was \$13.8 million above budget of \$3.9 million largely due to the Government response to COVID-19 and the decision to provide an additional appropriation to protect transport sector agency core functions.

EXPENSE

Expenditure for the year ended 30 June 2020 of \$177.5 million was below budget of \$187.0 million by \$9.5 million (-5.1%). The significant variances are as follows:

Personnel costs

Personnel costs of \$141.9 million were lower than the budget of \$146.4 million by \$4.5 million (-3.0%). This variance was primarily due to lower personnel costs in the Security Function as planned growth in staff numbers was deferred in response to COVID-19 impacts.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$4.5 million was lower than the budget of \$6.4 million by \$1.9 million (-29.8%). This was due to delays in equipment upgrades, partly as a consequence of COVID-19 and also due to delays caused by capital programmes at airports that needed to be completed first.

Other expenses

Other expenses of \$31.0 million were lower than the budget of \$33.1 million by \$2.2 million (-6.5%) and this was primarily due to lower staff travel costs- again COVID-19 related.

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

25. Effects of COVID-19

On 11 March 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, the New Zealand Government imposed significant travel restrictions, impacting both international and domestic air travel. On 25 March 2020 the New Zealand Government moved to Alert Level 4 and implemented a full lockdown of non-essential services for an initial 4-week period, with step-changes in Alert Levels until Level 1 was reached on 9 June 2020.

Levies from departing passengers normally account for approximately 90% of the Authority's revenue. The imposition of these travel restrictions has therefore had a severe impact on the Authority's funding, and this is expected to continue into future financial years.

As a consequence, the Crown has already provided support to both the Regulatory Function and Security Service arms of the Authority to maintain appropriate capability for core functions. This was provided through a \$196.4m multi-year appropriation in Budget 2020 to purchase core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19.

In addition, the Crown has also provided a letter of comfort from the Ministers of Finance and Transport to the Authority's Chair. In this letter the Government commits to working with the Board over the medium-term to restore the Authority's financial viability, and acknowledges that the Crown may need to provide further equity support to the extent that the core statutory and regulatory functions of the Authority can continue to be met. This letter has provided the required basis for the Authority to prepare these financial statements on a going concern basis.

Additional financial information

Statement of comprehensive revenue and expense

For the Year Ended 30 June 2020

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	
		2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000
REVENUE									
134,493	Levies and passenger security charges	26,687	36,336	99,878	140,985	-	-	126,565	177,321
10,776	Revenue from other services	6,789	6,981	1,863	2,589	(12)	(20)	8,640	9,550
3,500	Crown funding revenue	4,480	3,706	13,145	145	-	-	17,625	3,851
2,422	Ministry contract revenue	1,529	1,600	-	-	-	-	1,529	1,600
985	Interest revenue	239	360	265	624	-	-	504	984
387	Other revenue	340	310	214	103	(339)	(107)	215	306
152,563	Total revenue	40,064	49,293	115,365	144,446	(351)	(127)	155,078	193,612
EXPENSE									
126,211	Personnel costs	40,829	40,633	101,099	105,751	-	-	141,928	146,384
3,957	Depreciation and amortisation expense	665	727	3,800	5,637	-	-	4,465	6,364
138	Finance costs	5	8	110	1,080	-	-	115	1,088
28,625	Other expenses	6,628	8,486	24,726	24,797	(351)	(127)	31,003	33,156
158,931	Total expenses	48,127	49,854	129,735	137,265	(351)	(127)	177,511	186,992
(6,368)	Net (deficit)/surplus	(8,063)	(561)	(14,370)	7,181	-	-	(22,433)	6,620
(6,368)	Total comprehensive revenue and expense	(8,063)	(561)	(14,370)	7,181	-	-	(22,433)	6,620

Statement of financial position

As at 30 June 2020

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000
	CURRENT ASSETS								
9,384	Cash and cash equivalents	5,967	263	7,564	3,501	-	-	13,531	3,764
14,299	Receivables	2,280	4,409	4,120	12,881	(29)	(1,087)	6,371	16,203
21,733	Investments- term deposits	-	5,400	-	18,500	-	-	-	23,900
148	Services work in progress	35	208	-	-	-	-	35	208
1,287	Prepayments	570	536	948	88	-	-	1,518	624
-	Investment property	-	-	-	-	-	-	-	-
46,851	Total current assets	8,852	10,816	12,632	34,970	(29)	(1,087)	21,455	44,699
	NON-CURRENT ASSETS								
16,688	Property, plant and equipment	1,148	1,971	19,706	35,446	-	-	20,854	37,417
868	Intangible assets	895	3,270	896	1,360	-	-	1,791	4,630
17,556	Total non-current assets	2,043	5,241	20,602	36,806	-	-	22,645	42,047
64,407	Total assets	10,895	16,057	33,234	71,776	(29)	(1,087)	44,100	86,746
	CURRENT LIABILITIES								
8,971	Creditors and other payables	3,446	3,195	4,193	4,934	(29)	(1,087)	7,610	7,042
24	Derivative financial instruments	-	-	10	-	-	-	10	-
12,267	Employee entitlements	2,918	2,640	12,464	11,295	-	-	15,382	13,935
1,279	Provisions	528	-	520	145	-	-	1,048	145
22,541	Total current liabilities	6,892	5,835	17,187	16,374	(29)	(1,087)	24,050	21,122
	NON-CURRENT LIABILITIES								
-	Borrowings	-	-	-	21,000	-	-	-	21,000
18	Derivative financial instruments	-	-	14	-	-	-	14	-
8,950	Employee entitlements	378	390	9,301	7,203	-	-	9,679	7,593
468	Provisions	94	86	266	304	-	-	360	390
9,436	Total non-current liabilities	472	476	9,581	28,507	-	-	10,053	28,983
31,977	Total liabilities	7,364	6,311	26,768	44,881	(29)	(1,087)	34,103	50,105
32,430	Net assets	3,531	9,746	6,466	26,895	-	-	9,997	36,641
	EQUITY								
26,331	General funds	3,531	9,746	6,466	14,788	-	-	9,997	24,534
6,099	Specific reserves	-	-	-	12,107	-	-	-	12,107
32,430	Total equity	3,531	9,746	6,466	26,895	-	-	9,997	36,641

Statement of changes in equity

For the year ended 30 June 2020

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000
EQUITY									
OPENING BALANCE OF EQUITY AT 1 JULY									
24,987	General funds	11,594	10,307	14,737	14,736	-	-	26,331	25,043
746	Property, plant and equipment revaluation reserve	-	-	-	-	-	-	-	-
13,065	Specific reserves	-	-	6,099	4,978	-	-	6,099	4,978
38,798	Total opening balance of equity at 1 July	11,594	10,307	20,836	19,714	-	-	32,430	30,021
(6,368)	Net (deficit)/surplus for the year	(8,063)	(561)	(14,370)	7,181	-	-	(22,433)	6,620
-	Capital contributions from the Crown	-	-	-	-	-	-	-	-
(6,368)	Total changes in equity during the year	(8,063)	(561)	(14,370)	7,181	-	-	(22,433)	6,620
CLOSING BALANCE OF EQUITY AT 30 JUNE									
26,331	General funds	3,531	9,746	6,466	14,788	-	-	9,997	24,534
6,099	Specific reserves	-	-	-	12,107	-	-	-	12,107
32,430	Total closing balance of equity at 30 June	3,531	9,746	6,466	26,895	-	-	9,997	36,641

Statement of cash flows

For the year ended 30 June 2020

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
		2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000	2020 ACTUAL \$000	2020 BUDGET \$000
CASH FLOWS FROM OPERATING ACTIVITIES									
35,520	Receipts from levies	27,680	35,718	103,506	129,976	-	-	131,186	165,694
108,913	Receipts from passenger security levies and charges, and other services	8,416	7,678	3,657	12,604	(12)	(20)	12,061	20,262
5,922	Receipts from Crown funding and Ministry contracts	6,009	5,306	13,145	145	-	-	19,154	5,451
2,131	Interest and other sundry revenue received	532	670	968	1,241	(404)	(107)	1,096	1,804
(119,193)	Payments to employees	(37,792)	(37,729)	(93,519)	(101,339)	-	-	(131,311)	(139,068)
(32,911)	Payments to suppliers	(9,892)	(11,384)	(32,005)	(29,669)	416	127	(41,481)	(40,926)
(300)	Goods and Services Tax (net)	(131)	(9)	1,310	217	-	-	1,179	208
82	Net cash flows from operating activities	(5,178)	250	(2,938)	13,175	-	-	(8,116)	13,425
CASH FLOWS FROM INVESTING ACTIVITIES									
52,870	Maturity of investments	31,604	5,300	47,629	13,000	-	-	79,233	18,300
168	Sale of property, plant and equipment	46	-	36	-	-	-	82	-
(44,604)	Placement of investments	(21,500)	(2,000)	(36,000)	(24,050)	-	-	(57,500)	(26,050)
(3,674)	Purchase of property, plant and equipment	(215)	(730)	(8,094)	(21,721)	-	-	(8,309)	(22,451)
(603)	Purchase of intangible assets	(397)	(2,745)	(846)	(814)	-	-	(1,243)	(3,559)
4,157	Net cash flows from investing activities	9,538	(175)	2,725	(33,585)	-	-	12,263	(33,760)
CASH FLOWS FROM FINANCING ACTIVITIES									
-	Capital contributions from the Crown	-	-	-	-	-	-	-	-
-	Proceeds from external borrowings	-	-	-	21,000	-	-	-	21,000
-	Net cash flows from financing activities	-	-	-	21,000	-	-	-	21,000
4,239	Net increase/(decrease) in cash and cash equivalents	4,360	75	(213)	590	-	-	4,147	665
5,145	Opening cash and cash equivalents at 1 July	1,607	188	7,777	2,911	-	-	9,384	3,099
9,384	Closing cash and cash equivalents at 30 June	5,967	263	7,564	3,501	-	-	13,531	3,764

Appendices





1. Safety and security focus areas work programme

The Authority has identified eight focus areas to improve the safety and security of the civil aviation system. As these focus areas cut across multiple operational areas, a unified work programme was commenced. For more information, see the Authority’s website www.aviation.govt.nz.

CRITICAL		ACTIVE MANAGEMENT		
HELICOPTER SAFETY		AIRBORNE CONFLICTS	INTERNATIONAL AIR CARGO SECURITY	SMART SECURITY
DESCRIPTION OF RISK	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.	There is a risk that any airborne conflict safety interventions 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 Authority 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 would 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.
	<p>■ The NZ Helicopter Association (a division of Aviation NZ) and the Authority have formed a Safety Working Group to engage and co-ordinate on initiatives to improve the safety performance in the sector. Aviation NZ chose not to progress a proposed MOU with the Authority.</p> <p>■ Development of guidance to conduct monitoring and inspections under a performance-based regulatory system. Due to COVID-19 this work is now planned for the first two quarters of 2020/21.</p> <p>All inspector vacancies are being recruited and training will be undertaken as part of normal Authority training to obtain a delegation.</p>	<p>■ Ongoing deliberate interventions to target the identified airborne conflicts risk.</p>	<p>■ There is a proposal to close this focus area and move it into long-term monitoring, with a continued emphasis on surveillance and certification activity in the international air cargo security sector.</p>	<p>■ Avsec triennial funding review (includes major initiatives comes into effect 1 July 2019).</p> <p>This work was interrupted by the COVID-19 pandemic. The Authority (including Avsec) is currently being funded directly by the Crown, through an appropriation.</p> <p>■ Screening Advancement and Modernisation (Smart lanes, Advanced IT, CCTV, Walk Through Metal Detector upgrades, common image processing).</p>
ACTIVITY FOR 2019/20				

STATUS

■ On target or above year-to-date target
 ■ Some slippage
 ■ Not achieved
 ■ Completed

MONITORING/MAINTAINED			
SECURITY THREAT LEVELS AND RESPONSES	LOSS OF CONTROL IN FLIGHT	RUNWAY EXCURSIONS	QUEENSTOWN OPERATIONS
<p>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.</p>	<p>There are multiple reasons for loss of control in flight and often accidents in this area are complex and a result of multiple factors. These can be categorised under three main causal categories, technical; non-technical (human factors) and environmental.</p>	<p>Many factors contribute to runway excursions including weather, aerodrome/ runway design, runway condition, aircraft technical, aircraft performance, operator procedures, instrument procedures, crew handling or errors etc. Given the wide range of factors, this focus area requires a multidisciplinary approach.</p>	<p>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.</p>
<p>■ Active incorporation into Authority processes and approaches of any learnings arising from both Authority specific and wider the All of Government responses to the events of 15 March 2019 in Christchurch.</p>	<p>■ Authority promotion of the Sector Risk Profile (SRP) and associated resources, to encourage participant adoption of relevant risks and risk controls including Loss of Control in Flight (LOC-I) as part of their SMS.</p>	<p>■ Authority promotion of the Sector Risk Profile (SRP) and associated resources, to encourage participant adoption of relevant risks and risk controls including runway excursions as part of their SMS.</p>	<p>■ Monitor operations at Queenstown through surveillance and certification activity used to assess operator effectiveness in managing risk.</p>
<p>■ Continued active Authority involvement in All of Government security coordination processes including any national exercises.</p>	<p>■ Authority surveillance and certification activity includes assessment of operator management of LOC-I risk.</p>	<p>■ Authority surveillance and certification activity includes assessment of participant (operator, aerodrome operator, ATC) management of RE risk.</p>	<p>■ Monitor operations at Queenstown through analysis of safety data to ensure no new risks emerge.</p>
<p>■ There is a proposal to close this focus area and move it into an All-of-Government forum. This would include contributing to the National Security System administered by the Department of the Prime Minister and Cabinet</p>	<p>■ Enable the implementation of operator safety initiatives such as Threat and Error Management, Upset Prevention and Recovery Training, and Evidence Based Training to prevent or mitigate LOC-I.</p>	<p>■ Continued promotion of Runway Safety Teams.</p> <p>■ Contribution to the National Runway Safety Group (the Authority, Airports Association, Airways, New Zealand Air Line Pilots' Association, Wellington Airport).</p>	<p>■ Regular reviews of risks and safety data conducted through the Regulatory SMS, with appropriate regulatory action taken as necessary.</p>

CRITICAL	ACTIVE MANAGEMENT		
HELICOPTER SAFETY	AIRBORNE CONFLICTS	INTERNATIONAL AIR CARGO SECURITY	SMART SECURITY
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ACTIVITY FOR 2019/20</p> <ul style="list-style-type: none"> ■ Continue to certify operators under Civil Aviation Rule Part 100 Safety Management (requiring a Safety Management System to be present and suitable) in accordance with approved implementation dates. ■ Commence routine surveillance under a performance-based environment (that the operator’s Safety Management System is operating and effective). At present our focus is on managing higher priority safety occurrences, rather than routine surveillance. ■ Focus health and safety assessments on helicopter operations to ascertain compliance with the Health and Safety at Work Act (HSWA) and the Hazardous Substances and New Organisms Act (HSNO). ■ Continue implementation of Part 135 Sector Risk Profile controls allocated to the Authority. This work was delayed by COVID-19 restrictions but is now progressing. 			<ul style="list-style-type: none"> ■ New workforce operating model implemented. <p>This has been impacted by COVID-19, as the Avsec workforce is currently split between ‘on-airport’ and ‘off-airport’ roles. Off-airport roles are those providing direct support to the Government’s COVID-19 response.</p> <hr/> <ul style="list-style-type: none"> ■ Definition of risk based/ differentiated screening in New Zealand context developed. <p>Resource towards this work was re-prioritised to the development of Horizon 2030, Avsec’s new strategic plan.</p> <hr/> <ul style="list-style-type: none"> ■ Progressive implementation of digital mobility / Digitisation and the Paperless Frontline. The impact that COVID-19 has had on the Authority’s funding has interrupted this work. <hr/> <ul style="list-style-type: none"> ■ Staff growth to match requirements- 235 FTE. The impact that COVID-19 has had on the Authority’s funding has interrupted this work. <hr/> <ul style="list-style-type: none"> ■ Non passenger screening implementation aligned to exposition changes. <ul style="list-style-type: none"> • Border sector transit passenger initiatives developed including better information sharing. <hr/> <ul style="list-style-type: none"> ■ Active participation and leadership of the international Smart Security Management Group.

STATUS

■ On target or above year-to-date target ■ Some slippage ■ Not achieved ■ Completed

MONITORING/MAINTAINED			
SECURITY THREAT LEVELS AND RESPONSES	LOSS OF CONTROL IN FLIGHT	RUNWAY EXCURSIONS	QUEENSTOWN OPERATIONS
	<ul style="list-style-type: none"> ■ Provision of guidance material/resources and safety promotion on topics related to LOC-I risk management. ■ Liaison and participation with Civil Aviation Safety Authority (CASA) on UPRT training for industry and development of their Flight Standards Guidance. ■ Provision of onsite LOC-I prevention advice during industry flight testing. ■ On-going analysis of safety occurrences and other safety data to identify emerging LOC-I risk factors (reported events that contain precursors to LOC-I are prioritised for response). ■ On-going safety investigation (including oversight of operator safety investigations) regarding LOC-I occurrences or precursor events. ■ Close cooperation with Meteorological Service Providers to enable the safe introduction of new weather forecasting products (e.g. turbulence, icing, volcanic ash, and lightning). 	<ul style="list-style-type: none"> ■ Enable the implementation of operator safety initiatives such as Take-off and Landing Performance Assessment, Threat and Error Management, and Evidence Based Training to prevent or mitigate runway excursions. ■ On-going policy development regarding 'real time runway condition reporting' and promoting adoption by participants. ■ Enabling the safe expansion of Performance Based Navigation (PBN), including instrument flight procedures with vertical guidance. ■ Provision of guidance material/resources and safety promotion on topics related to runway excursions management (e.g. Flight Safety Foundation; Go Around Decision making; International Air Transport Association Runway Excursions Risk Reduction Toolkit, etc.). ■ On-going analysis of safety occurrences and other safety data to identify emerging RE risk factors (reported events that contain precursors to RE are prioritised for response). ■ On-going safety investigation (including oversight of operator safety investigations) regarding RE occurrences or precursor events. ■ Close cooperation with Meteorological Service Providers to enable the safe introduction of new weather products (e.g. wind shear, automated aerodrome weather forecasts). 	

2. 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.

RULE NO.	PROJECT TITLE	LATEST MILESTONE ACHIEVEMENT	PROGRESS STATUS AND COMMENT	NEXT MILESTONE/ EXPECTED DELIVERY DATE
Part 66	Aircraft Maintenance Engineers – Licences and Ratings	The Associate Minister of Transport signed the rules on 13 July 2020.	■ Rules become effective on 1 September 2020.	n/a
Part 108 & 109	Domestic Cargo Security Review	Targeted engagement closed on 11 September 2020. It has been confirmed that a rule change is no longer needed. Submissions from the targeted engagement will be considered when updating the Advisory Circular.	■ This has been removed from the Rules Development Programme.	n/a
Various	Omnibus 2017/18	The Associate Minister of Transport signed the rules on 24 August 2020.	■ Rules become effective on 1 December 2020.	n/a
Part 61	Private pilot licence (PPL) medical requirements	Consultation closed on 3 February 2020. A large number of submissions were received, resulting in a review of the restrictions and privileges associated with the new medical certificate. Approval was received from the Issue Assessment Panel to proceed with revisions to the restrictions and privileges.	■ Draft final rules are in draft. The summary of submissions will be published with the draft final rules.	Publish Summary of Submissions and draft Final Rules: December 2020
Various	Omnibus 2019/20	This rule project was accepted onto the Transport Rules Programme.	■ This project is on hold as resource was re-directed to the New Southern Sky programme (the implementation of ADS-B) and progressing rule Part 66.	Publish Notice of Proposed Rulemaking: April 2021
Part 91	Mandate Automatic Dependent Surveillance Broadcast below FL245 (ADS-B)	Drafting of summary of submissions and draft final rules. The associated Notice was published for consultation on 8 June and closed on 3 August 2020.	■ The draft final rules have been sent to the Ministry of Transport for review. The Ministry will be required to seek approval from Cabinet to extend the mandate to 2022 (as proposed).	Publish Summary of Submissions and draft Final Rules: Pending Cabinet approval Publish Summary of Submissions for Notice: November 2020
Part 91	Performance Based Navigation	This rule project was accepted onto the Transport Rules Programme.	■ The Notice of Proposed Rulemaking is currently being drafted.	Publish Notice of Proposed Rulemaking: December 2020
Part 139	Runway Condition Reporting	This rule project was accepted onto the Transport Rules Programme.	■ This project is on hold due to funding constraints. It will commence in the second half of 2020/21.	Publish Notice of Proposed Rulemaking: April 2021

STATUS

- Steady and positive progress – on track
 ■ Minor delay/issues identified – should be delivered by agreement period
■ Major impediments – delivery unlikely within agreement period
 ■ Complete

3. Measuring outcome: Safe and secure skies

3a. 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.

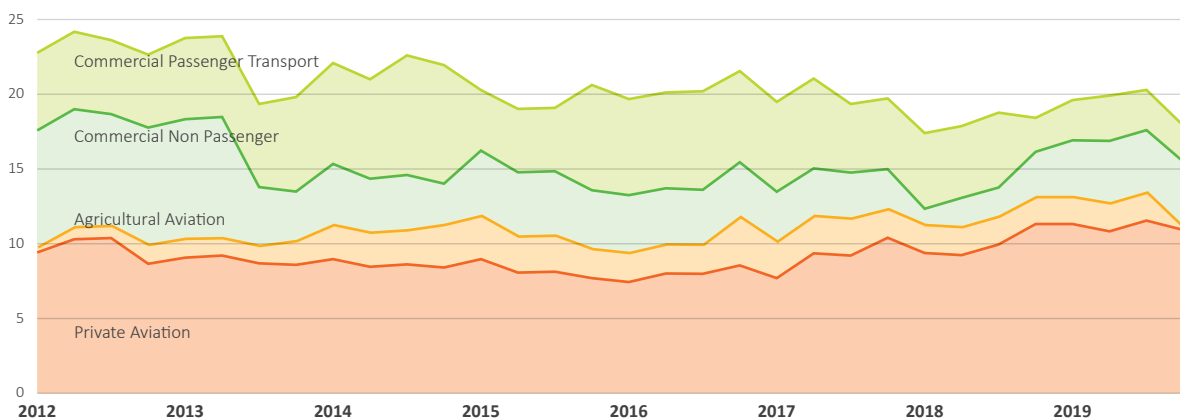
For a graph of aviation accidents and fatalities between 1999 and 2019, see page 12.

3b. Reduced social cost of accidents

Achieved – while social cost is a measure very sensitive to the nature and character of occurrences in the aviation system, the social cost of accidents in the civil aviation system has decreased over time.

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 \$4.53 million per fatality, at June 2019 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 average²²



²² There is a wide range of aircraft in use in every sector of the civil aviation system. For example, aircraft can vary between large aeroplanes used by airlines like Air New Zealand, to helicopters, gyroplanes, amateur-made helicopters and planes, hang gliders, para gliders and parachutes. This means that aviation accidents, like those captured by this report, can be relatively minor (resulting in no injury or minor injuries) or very serious. As you would expect, the accident rate in private aviation is much higher than in all sectors of commercial aviation.

3c. No security incidents compromising safety

For the years ended 30 June

Achieved – nil incidents.

	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	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	nil
Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service. ²³	nil	nil	nil	nil	nil	nil	nil	nil	nil

²³ 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.

3d. Low and 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 2012, and how the risk profiles are trending. The majority of sectors' average distribution of risk profiles have decreased since 2012.

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

ACTIVITY TYPE	RISK SCORES								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement	6.9	5.1	5.4	8.2	7.1	6.8	6.8	6.6	6.09
Part 108 Security Programme	9.6	10.4	8.7	10.4	9.8	9.8	9.4	9.3	9.73
Part 109 Regulated Air Cargo Agent	11	10.1	10.8	10.4	10.2	10.1	10.3	14	10.60
Part 115 Adventure Aviation Operator	39.8	20.7	12.5	10.7	12.9	11.4	10.6	13.2	12.07
Part 121 Air Operator Large Aeroplanes ²⁴	8.7	8.4	8.5	7.1	9.6	7.7	9.2	10	10.31
Part 125 Air Operator Medium Aeroplanes ²⁵	14.5	13.5	13	15.8	13.3	13	13.3	12	18.03
Part 129 Foreign Air Transport Operator	8.4	8.5	5.6	6.3	10.1	12.3	5.6	9.2	8.95
Part 135 Air Operator Helicopters and Small Aeroplanes	16.1	14.4	13.1	13.3	13	12.8	14.5	13.6	13.49
Part 137 Agricultural Aircraft Operator	15.9	14.3	13.3	14.5	13.1	12.3	13.8	13.6	14.18
Part 139 Aerodrome Operator	5.7	5.5	5	6.5	7.6	6.1	6.7	8	6.86
Part 140 Aviation Security Service Organisation	5	4.9	6.6	5.6	16	9	22.2	21.7	9.87
Part 141 Aviation Training Organisation	10.2	7.7	7.4	7	7.4	6.3	6.8	7.9	7.48
Part 145 Maintenance Organisation	11	8.3	8.6	9.9	8.5	8.1	9	8.4	10.97
Part 146 Aircraft Design Organisation	9.9	8.6	7.9	8.2	7.4	9.9	9.1	9.6	10.49
Part 147 Maintenance Training Organisation ²⁵	n/a	n/a	n/a	n/a	n/a	n/a	8	8.2	27.80
Part 148 Aircraft Manufacturing Organisation	9.7	8.1	12.2	10.1	8.8	11.8	8	9.9	11.36
Part 149 Aviation Recreation Organisation	10.8	8	11.5	14.5	11.9	10.4	10	10.2	10.19
Part 171 Telecom Service Organisation	15.3	6.4	4.8	4.4	4.3	9.1	9.6	6.1	5.56
Part 172 Air Traffic Service Organisation	24	15	12.7	12.6	12.6	12.6	10.1	13	13.73
Part 173 Instrument Flight Procedure	14.2	9.8	4.4	6.5	5.1	4.1	22.6	4.2	4.33
Part 174 Meteorological Service Organisation	11.2	7.6	4.4	5.2	5.3	5.3	5	10.1	6.64
Part 175 Aeronautical Info Service Organisation	17.5	11.2	11.1	41.5	4.73	3.6	13.7	16.3	6.01
Part 19F Supply Organisation	9.2	7.8	8.7	8.9	8.13	10.4	6.2	8.5	8.26
Part 92 Dangerous Goods Pack Approval Holder	9	6.1	7	6.9	10.4	6.7	5.9	9.2	9.30

²⁴ A change in the risk profile of a large existing operator impacted the average distribution of risk profiles among Part 121 Air Operator Large Aeroplanes document holders.

²⁵ The issuance of new operator certificates led to an increase in average distribution of risk profiles among Part 125 Air Operator Medium Aeroplanes document holders and Part 147 Maintenance Training Organisation document holders. New operator certificates have higher risk profiles.

4. Measuring impacts

Like when we measure our outcome, there is no single measure that shows if we are achieving our impacts. We measure different elements of our activities to determine the success of our work.

MEASURE	TARGET	RESULT	COMMENT
Maintaining our domestic and international reputation	Maintenance of our international accreditation through the ICAO safety audit	Achieved	New Zealand maintained its Effective Implementation score in 2019/20. Refer to page 125 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 14 for details.
Safe flight is demonstrated	Low and decreasing number of accidents and incidents	Achieved	As demonstrated in the Safety Performance Report (page 12) accidents in the whole of the aviation sector are low and decreasing. 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	The Authority has worked closely with the Ministry of Transport to identify baseline capacity, capability and costs to ensure that no undue costs are imposed on the aviation sector at this time. This work continues into 2020/21.
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. 9 out of 12 measures achieved.

5. 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 Programme (USOAP) data.

For USOAP purposes, states are audited periodically by ICAO to assess their effective implementation (EI) of 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 USOAP audit areas in 2006 and was to have been audited in five in 2016. The November 2016 Kaikoura earthquake reduced the scope to the Accident and Incident Investigation (AIG) audit

area only, as the Authority's main 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 USOAP audits. No validation action for New Zealand is currently scheduled in 2020/21.

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 ²⁶	CE-1	CE-2	CE-3	CE-4	CE-5	CE-6	CE-7	CE-8	OVERALL EI
	Primary aviation legislation	Specific operating regulations	State civil aviation system and safety oversight function	Technical personnel qualification and training	Technical guidance, tools and provision of safety-critical information	Licensing, certification, authorisation and approval obligations	Surveillance obligations	Resolution of safety concerns	
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	77.42	75.42	71.28	60.51	69.72	71.13	60.15	54.36	68.78

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	80.36	82.07	85.63
AUSTRALIA	80.95	100	97.5	88.89	93.16	97.0	99.4	96.32	95.02
GLOBAL AVERAGE	75.44	71.26	73.71	71.16	81.11	56.39	67.49	62.95	68.78

²⁶ (CEs 2–8 are principally attributable to the work of the Civil Aviation Authority).

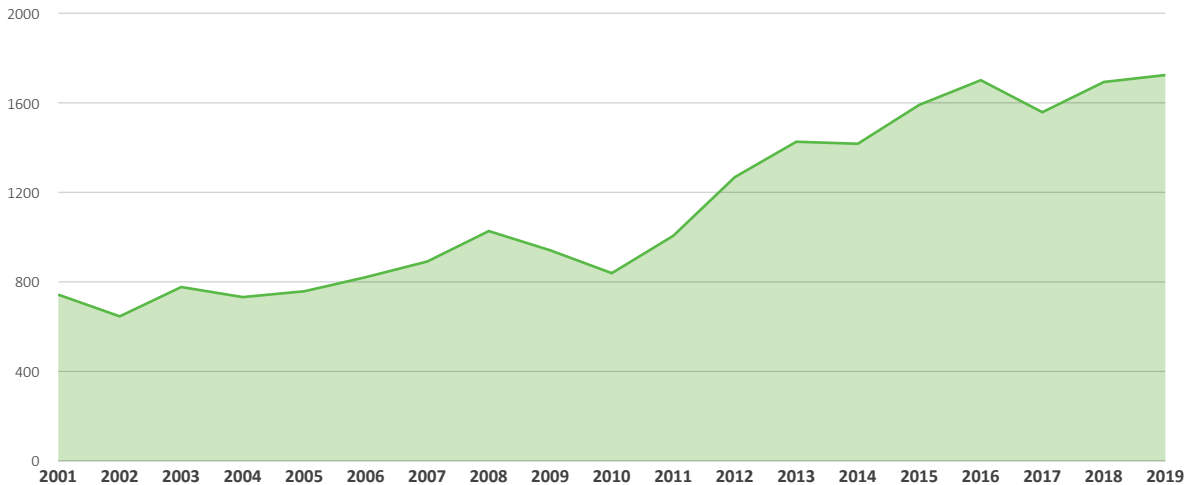
6. Airspace reports and actions

6a. 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.

In general, airspace occurrences are reported to the Authority by participants in the aviation sector. While we aim to reduce the number of airspace occurrences, the increase since 2001 is expected due to the ongoing growth in flight activity and the number of participants in the civil aviation system, as well as the Authority’s increased emphasis on encouraging participants to report these types occurrences.

Airspace occurrences



Airspace occurrence data for 2019/20

		2013	2014	2015	2016	2017	2018	2019	2020	TARGET
CLOSE PROXIMITY EVENTS										
'Near misses' and loss of separation incidents	COUNT	163	107	121	102	89	121	97	99	Fewer 'near misses' and loss of separation incidents through time.
	PER 100,000 HOURS	15.6	10.3	14.11	11.12	9.16	13.01	10.93	14.19	
UNAUTHORISED AIRSPACE INCURSIONS										
Uncontrolled incursions (into controlled airspace)	COUNT	355	300	340	389	341	394	367	351	Fewer uncontrolled incursions into controlled airspace through time.
	PER 100,000 HOURS	34	28.8	39.66	42.4	35.08	42.38	41.35	50.30	

5 to 10% improvement since 2007 – not achieved.

6b. Enforcement actions and 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
2020	8	16	22

7. Sector profile

New Zealand's active aviation document holders (at 30 June 2020)

ORGANISATIONS	2020	2019	INDIVIDUALS	2020	2019
Australian AOC Operating with ANZA Privileges	4	5	Part 66 Aircraft Maintenance Engineer	3,008	2,952
Part 102 Unmanned Aircraft Operator Certificate	128	n/a	Part 66 Certificate of Inspection Authorisation	197	204
Part 109 Regulated Air Cargo Agent	70	68	Part 66 Certificate of Maintenance Approval	352	316
Part 115 Adventure Aviation Operator	25	27	Pilot licences	28,619 ²⁷	27,991
Part 119 Air Operator	160	167	Air Traffic and Flight Service licences	1,202 ²⁸	1,144
Part 129 Foreign Air Operator	57	54	Total	33,378	32,607
Part 137 Agricultural Aircraft Operator	105	105			
Part 139 Aerodrome Certification	29	27			
Part 140 Aviation Security Organisation	1	1			
Part 141 Training Organisation	44	47			
Part 145 Maintenance Organisation	52	52			
Part 146 Design Organisation	12	13			
Part 147 Maintenance Training Organisation	4	n/a			
Part 148 Manufacturing Organisation	13	13			
Part 149 Recreation Organisation	8	8			
Part 171 Telecommunication Service Organisation	1	1			
Part 172 Air Traffic Service Organisation	1	1			
Part 173 Instrument Flight Procedure	2	2			
Part 174 Meteorological Service Organisation	3	3			
Part 175 Information Service Organisation	2	2			
Part 19F Supply Organisation	23	28			
Part 92 Dangerous Goods Packaging	51	53			
Synthetic Training Device (Airlines)	8	8			
Synthetic Training Device (General Aviation)	40	39			
Total	843	724			



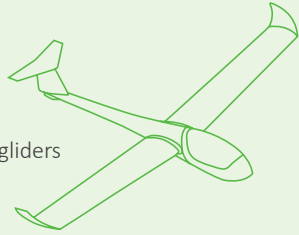
²⁷ This includes 3,707 with active class 1 medical certificates and 4,985 with active class 2 medical certificates, including 4,309 ATPL Aeroplane licence holders, 1,078 holding active class 1 medical certificates and 1,092 holding active class 2 medical certificates.

²⁸ This includes 648 holding active class 3 medical licences.

Aircraft

3

amateur built gliders
2019 – 3

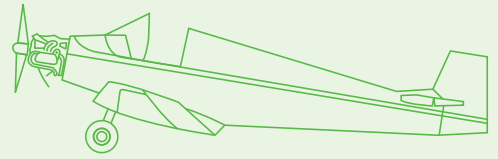


290

gliders
2019 – 290

307

amateur built aeroplanes
2019 – 297

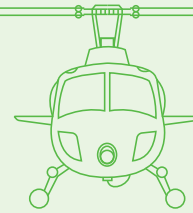


2,054

aeroplanes
2019 – 2,017

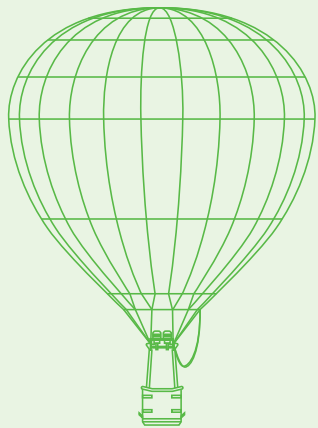
26

amateur built
helicopters
2019 – 24



888

helicopters
2019 – 895



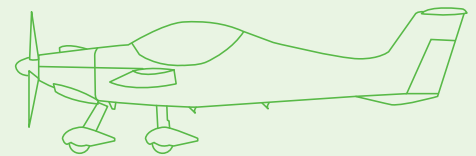
59

balloons
2019 – 58



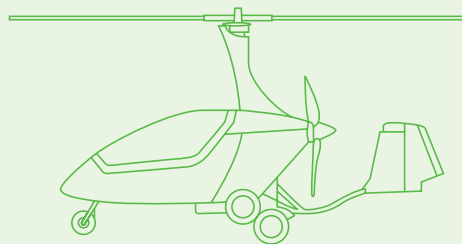
215

microlight class 1
2019 – 212



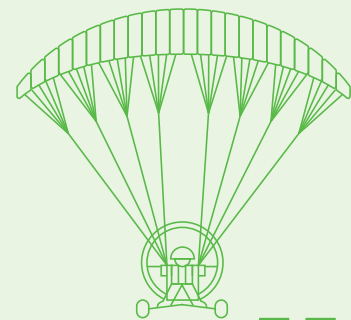
946

microlight class 2
2019 – 912



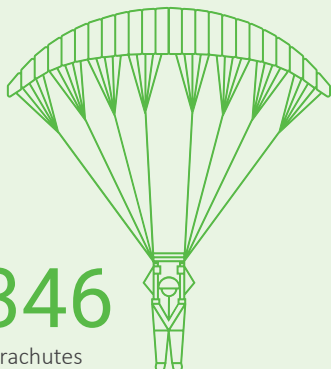
76

gyroplanes
2019 – 77



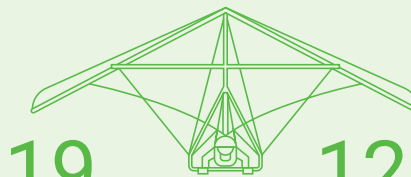
55

power gliders
2019 – 53



346

parachutes
2019 – 342



19

hang gliders
2019 – 18

122

para gliders
2019 – 109

Total

5,406



Aviation Security Service

Kaiwhakamaru Rererangi

Civil Aviation Authority of New Zealand
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