

Civil Aviation Authority of New Zealand



Statement of Intent 2013 – 2016

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Safe flight for social connections and economic benefits

WHY THE WORK OF THE NEW ZEALAND CIVIL AVIATION AUTHORITY IS IMPORTANT:

4,852
AIRCRAFT
were
registered to
operate in New
Zealand's
airspace as at
March 2013

We enabled **\$8.7** BILLION of exports to be flown efficiently from New Zealand airports in 2012 representing **15%** of our **TOTAL VALUE OF EXPORTED GOODS**

We contribute to the New Zealand Aviation Industry which is estimated to be valued at **\$15** BILLION by 2015¹

We screen **7.3** MILLION items of carry-on and hold **baggage** for dangerous or prohibited goods each year

Since 2009 we have conducted an average of **648** SAFETY AND REGULATORY INVESTIGATIONS each year to learn lessons that will help prevent further incidents

As at the end of February 2013 **99%** of INTERNATIONAL VISITORS arrive in New Zealand by air each year

We process approximately **10** MILLION PASSENGERS through our domestic and international security screening points each year

We carry out around **612** AUDITS AND INSPECTIONS each year to ensure safety and security standards are maintained

There were approximately **60,668** INTERNATIONAL FLIGHTS into or out of New Zealand in 2012, carrying **2.5** MILLION INTERNATIONAL VISITORS

137 SECONDS is the average passenger wait time at international departure screening points while the average passenger wait time at domestic departure screening points is only **57** SECONDS

On average **834** AVIATION ACCIDENTS OR INCIDENTS are reported to the Authority each year that we engage on

We ensure **10.1** MILLION PASSENGERS travelled safely on over **300,000** DOMESTIC FLIGHTS within New Zealand in 2012

We license approximately **10,330** PILOTS to operate in New Zealand's civil aviation system each year

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

CHAIRMAN'S FOREWORD



The Authority continues on its ambitious programme of change. Our aviation system is one of the safest in the world, and the sector continues to make a growing contribution to the economy in New Zealand. With this reputation, come new

challenges. Our approach to regulation, sector engagement and sustainable funding must evolve in order to maintain our low accident rates, deal with emerging technologies and become a more responsive and results-driven organisation.

Risk based safety management

In the coming months, the Authority will be working with operators to develop the way forward in improving aviation safety. Our recommendation is to move towards mandatory risk-based safety management. With this, the industry can expect improved safety and efficiency, and a more flexible approach to regulatory compliance. Internationally, a growing level of research and experience points to the effectiveness of this approach, and the trend is towards risk-based safety management. By keeping pace with this trend, New Zealand's aviation system maintains compatibility with others around the world. This provides continued opportunities to leverage our regulatory regime to deliver a competitive advantage to New Zealand companies.

Stakeholder engagement

Enhancing New Zealand's international reputation for safe and secure skies is vital to the economic development and growth of the sector. We need to build on past successes and continue to influence international policy developments in forums such as the International Civil Aviation Organisation (ICAO). Regulations, such as those for our adventure aviation industry are world-leading, and regulators in the US, UK and Australia looking to follow our example. We aim over the next three years to continue our proactive engagement with ICAO and other international counterparts.

A new and emerging focus for the organisation is the recognition of the importance of stakeholder engagement. Strengthening these relationships is a strategic priority. It is vitally important if the Authority is to become a more influential and effective regulator, and play a part in boosting the sector's economic importance. We need to be able to engage with the aviation sector

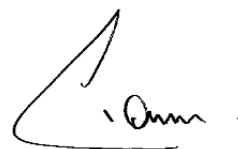
and other stakeholders, both in New Zealand and internationally to better understand the issues, proactively address risks and threats, and gather and use examples of best practice throughout the industry.

Sustainable funding

Maintaining a sustainable funding model for the Authority's operations is a key factor in making us an effective and influential regulator. Not only does this influence the New Zealand public's confidence in the safety and security of air transport, it also gives confidence to the domestic and international aviation communities that our aviation system is well managed and regulated. Work is underway to enhance the way we collect and use financial information to continue to improve our financial planning.

The Authority is now committed to a continual cycle of business reviews. A triennial business review of the Authority's core regulatory services is due to be completed in 2015. This aims to evaluate the efficacy and efficiency of these activities, and conduct a review of the associated fees, charges and levies. On the operational side, the Aviation Security Service is undergoing a comprehensive review of its business model, to ensure that the services provided are appropriately funded and delivered efficiently. This work will require input from the Ministry of Transport and other industry stakeholders, further highlighting the importance of stakeholder engagement.

A lot of work has been done over the last year driving through important improvements to our organisation; this will continue. The Minister of Transport expects an effective, efficient, safe, secure, accessible, and resilient transport system that supports the growth of New Zealand's economy to deliver greater prosperity, security, and opportunities for all New Zealanders. The coming months will see vital decisions being made that will impact the way that the Authority delivers our part of this equation. It is critical that we get it right, and I am confident that we can.



Nigel Gould
Chairman

PART A: STRATEGIC CONTEXT AND INTENT

SECTION 1: THE CIVIL AVIATION AUTHORITY AT A GLANCE

NATURE AND SCOPE OF THE AUTHORITY

The Civil Aviation Authority of New Zealand is a crown entity. We have safety, security and other functions in New Zealand's civil aviation sector. The way we carry out these functions contributes to an integrated, safe, responsive and sustainable transport system.

We have five core functions:

1. Policy and regulatory strategy

We are New Zealand's civil aviation regulator. We work with the Ministry of Transport to develop safety and security standards and Civil Aviation Rules for those operating within the New Zealand civil aviation system. We work with our international counterparts on technological developments and international standards.

2. Outreach

We support and promote safety in the civil aviation sector through educational publications, seminars and advice. We focus our efforts on the areas of greatest safety concern.

3. Certification and licensing

We control entry to and exit from the New Zealand civil aviation system. The process depends on whether applicants are organisations, individuals or products. Entry is only granted when applicants can demonstrate that they meet the standards for safety and security.

4. Surveillance and investigation

We monitor compliance with the standards for safety and security. We investigate and analyse accidents and incidents that occur, and we undertake corrective action and enforcement, if required. We also administer the Health and Safety in Employment Act for the aviation sector.

5. Security service delivery

We provide screening for prohibited items and dangerous goods. We screen all departing international passengers and departing domestic passengers on aircraft with 90+ seats. Working with the New Zealand Police, we provide security at designated airports and navigation facilities. We also provide a maritime security response for high-level threats affecting cruise ships or their passengers.

The Civil Aviation Authority is governed by a five member board. We comprise two divisions:

- the Civil Aviation Authority (the regulatory agency) under the Director of Civil Aviation
- the Aviation Security Service, under the General Manager of Aviation Security.

In this document, we have generally used 'the Authority' and 'we' to refer to the organisation as a whole. We specify when the work is specific to the regulatory or aviation security service.

OUR OPERATING ENVIRONMENT

Over the next 20 years, civil aviation is likely to change under the impact of many key developments. Global changes will flow through to New Zealand. We will work to be proactive in managing how New Zealand's aviation safety and security changes under developments such as:

- industry growth
- technological advances
- the regulatory environment
- environmental impacts
- the role of secondary aerodromes
- the changing nature of security threats and
- changing expectations of government.

SUSTAINABLE FUNDING FOR CIVIL AVIATION

Three primary sources of revenue fund our services and operations:

- passenger levies and charges
- aviation participant fees and charges
- funding from the Crown.

As required by the Civil Aviation Act, we provide separate financial reports for safety and regulatory operations and security operations.

A new funding framework for our safety and regulatory operations came into effect on 1 November 2012. It will be reviewed every three years.

Passenger security charges, which fund security operations, are currently under review. An interim increase to charges, to address a shortfall in operating costs, comes into effect from 1 June 2013.

OUR STRATEGIC DIRECTION

We have three key areas of focus:

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

These three key areas link our core functions and outputs to the government's overall goal and outcomes for the broader transport sector. They also summarise the priorities of the Authority for 2013–2016.

SECTION 2: NATURE AND SCOPE OF THE AUTHORITY

ORGANISATION STRUCTURE

The Civil Aviation Authority of New Zealand was established in 1992 as a crown entity under the Civil Aviation Act 1990. We are responsible to the Minister of Transport and are governed by 'the Authority' (a five member board appointed by the Minister) to represent the public interest in civil aviation (refer section 72A of the Act).

The Civil Aviation Authority employs approximately 237 full-time equivalent staff (FTEs). Most are technical experts responsible for certifying and monitoring aviation participants. Staff are mainly based in Wellington, with small teams also based in Auckland and Christchurch.

The Aviation Security Service employs approximately 734 full-time equivalent staff (FTEs). Most are front-line service delivery staff based in airports around the country, with a small management team based in Wellington.

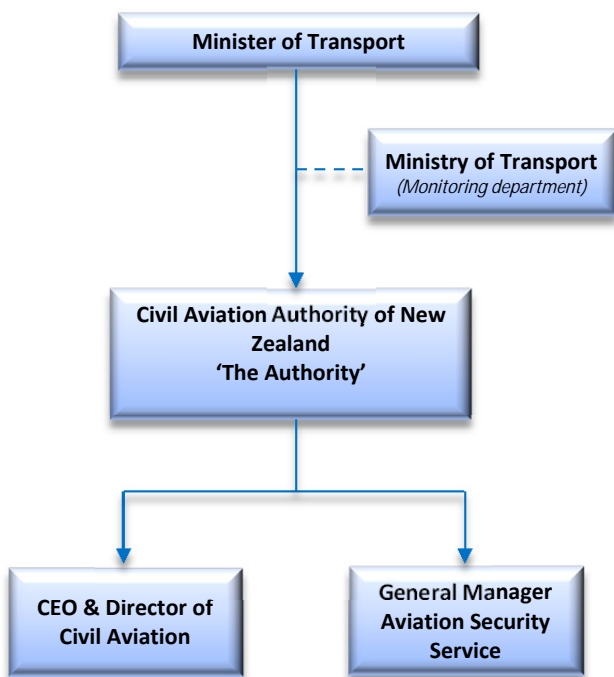


Fig 1 the Civil Aviation Authority of New Zealand Organisation Structure

OUR CORE FUNCTIONS

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

1. Policy and regulatory strategy
2. Outreach
3. Certification and licensing

4. Surveillance and investigation and
5. Security service delivery.

Policy and regulatory strategy

We work to ensure that New Zealand's civil aviation system:

- is robust and responsive to the continually changing aviation community
- is respected internationally
- provides an appropriate level of safety and security for the New Zealand public.

Civil aviation in New Zealand has minimum safety and security standards that must be met by participants². We develop these standards in consultation with the aviation community and the Ministry of Transport. The standards are detailed in the Civil Aviation Rules, which are made by the Minister of Transport.

As well as the Civil Aviation Rules, we use a number of other interventions. Our regulatory toolkit also includes: promoting education and safety; certifying aviation participants; monitoring and investigating; taking administrative action; and taking law enforcement action. We use these interventions in concert to achieve the desired safety and security outcomes.

Our active contact with international civil aviation regulators helps us to keep up to date with changes in aviation technology, and in the international standards needed for safe use.

Outreach

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

We also educate and inform the general public on safety and security issues, such as the 'Flysmart'³ public awareness campaign.

Certification and licensing

We use certification and licensing to control the entry to and exit from the New Zealand civil aviation system of organisations, individuals and products.

To operate within the civil aviation system, an individual or organisation must be granted an aviation document.

² A 'participant' is an individual or organisation that holds an aviation document.

³ 'Flysmart' aims to educate people travelling overseas about limits on the amount of liquids, aerosols and gels that can be carried in carry-on baggage on all outbound international flights

Such documents include a pilot licence, operating certificate, aircraft registration, engineer licence, air traffic control licence, or aerodrome certificate.

To be granted these documents, applicants must demonstrate that they meet the minimum standards set out in the Civil Aviation Rules.

When aviation participants operate outside the Rules or standards, we can choose from a range of interventions.

Surveillance and investigation

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

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

Our inspections and audits are supported by a risk-based approach. Our goal is to make sure that participants keep to an appropriate level of skill and knowledge to safely carry out their aviation activity.

Aircraft have regular airworthiness checks. Those used in commercial aviation have additional maintenance requirements tailored to the aircraft and the type of operation. Any aircraft that is new to New Zealand, or manufactured here, must have strict safety assessments before it may be flown.

We also administer the provisions of the Health and Safety in Employment Act 1992 in the aviation sector, for those who work on board aircraft while the aircraft is operating. We provide information and guidance, conduct workplace inspections, audit health and safety management systems and investigate workplace accidents and concerns.

Security service delivery

The Aviation Security Service is jointly responsible with the New Zealand Police⁴ for security at security-designated airports and air navigation facilities.

We screen for prohibited items and dangerous goods on all departing international passengers and their hold and carry-on baggage. We screen all departing domestic passengers and their carry-on bags on aircraft with 90+ seats.

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

We contribute to New Zealand's national approach to counter-terrorism capability by participating in cross-agency planning and evaluation activities.

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

We can provide other security services at the request of the New Zealand Police or as required by the Government.

WHY SAFE CIVIL AVIATION IS IMPORTANT FOR NEW ZEALAND

Aviation is strategically important in our transport sector. Strong safety and security performance provides many advantages for New Zealanders. The role played by the Authority is key to maintaining integrity and confidence in New Zealand's civil aviation system.

Safe flight

Safety is paramount. The social costs and reputational impacts of air accidents are significant, particularly for public air transport. As well as the intrinsic safety benefits for passengers and other users, safe flight leads to public confidence and a strong international reputation for New Zealand civil aviation.

Social connections

Safe and secure civil aviation enables New Zealanders to connect across the country and the world. Civil aviation provides increased mobility, better social and commercial linkages and broader work and leisure opportunities.

Economic benefits

New Zealand's air transport network is critical to business and the wider economy. Assurance of safe air transport underpins growth in passenger and cargo revenues and enables access to valuable international tourism and business markets.

For many high-value perishable goods, viability of export depends on an air freight regime that meets international commercial and security expectations.

'Air transport provides the international connectivity that any country needs to succeed in a competitive global economy.'

UK Department of Transport
March 2011

⁴ In accordance with responsibilities under the Aviation Crimes Act 1972
CIVIL AVIATION AUTHORITY OF NEW ZEALAND

The aviation industry – through operating New Zealand-based aircraft and related training and maintenance industries – makes a sizable contribution to New Zealand’s economy. Revenues approached \$10 billion in 2010, representing around 7% of New Zealand’s GDP.

OUR ROLE AS A RISK-BASED REGULATOR

The civil aviation ‘life-cycle’ approach

The Civil Aviation Act sets out a ‘life-cycle’ approach to regulating civil aviation within a closed system, the boundaries of which are determined by the Civil Aviation Act and Rules.

The life-cycle approach (see Figure 2 below) has three stages: entry, operation or participation, and exit. Under this approach, once participants have entered the regulated system, they must take responsibility for ensuring their operations meet these minimum standards.

The life-cycle approach is explained more fully in a publication available on our website: *Civil Aviation in New Zealand*.

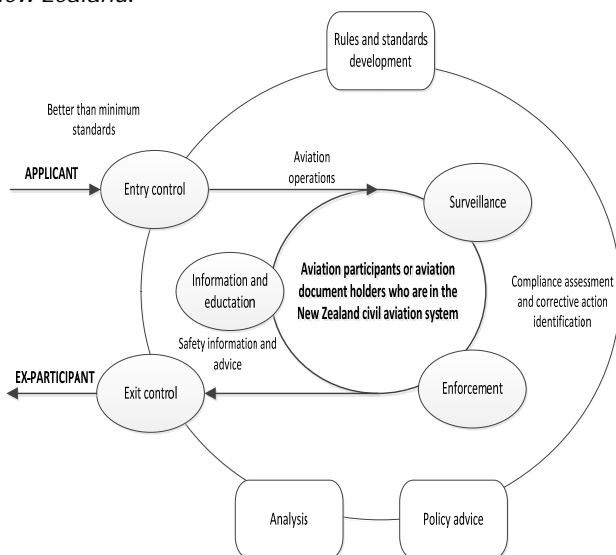
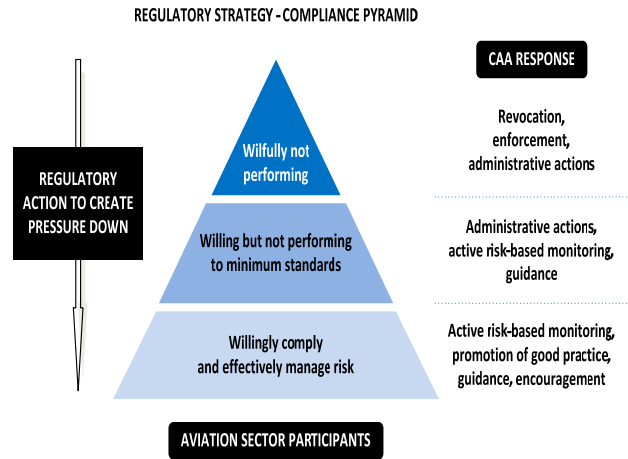


Fig 2 The New Zealand Aviation Life-cycle Approach

Regulatory strategy

Our approach to aviation regulation is based on the premise that the purpose of intervention is meeting the safety and security expectations of the public. We operate to a consistently applied Regulatory Operating Model, which is founded in the Civil Aviation Act. This model outlines the principles that underpin our regulatory approach. It applies to all activities in the civil aviation system, including: certification and licensing, surveillance, safety analysis, promotion, education, investigation and enforcement activity.



Assessing risk

By taking a risk-based approach to regulation, we can target our resources. Targeting allows us to better mitigate risks in the civil aviation system and to apply the most appropriate intervention.

A risk-based approach means that, when we assess risk, we consider factors such as attitudes and behaviours, skills, business systems and resources. We base our assessment on information we gather from audits, investigations and incidents reporting.

A key factor we consider when we allocate our regulatory resource is the consequence of a safety failure.

For example, a failure in passenger-carrying operations is unlikely compared to a failure in other aviation activities. However, the consequences of a failure are likely to be significant. We therefore place a high emphasis on regulatory activities for passenger-carrying operations.

We are implementing Safety Management Systems (SMS) requirements for certificated organisations in many parts of the civil aviation system. An SMS will require an organisation to develop and implement a more systematic approach to managing risks.

We are also developing risk profiles for the different aviation sectors, such agricultural aviation. The two initiatives – SMS and risk profiles – will enable us to better identify specific risk factors and apply more targeted and proactive responses.

Aviation security risk

As well as being essential to our strategic approach, identifying and managing risk is a key part of Aviation Security Services activity. The Aviation Security Service has developed and operates a risk management framework based on ISO principles. This framework takes into account changes in the external business environment that may impact on the Aviation Security Service.

WORKING WITH STAKEHOLDERS

Part of our role is to give the public and other transport users confidence that the minimum standards of civil aviation safety and security are being met. We work closely with a range of stakeholders, including:

- ➔ the Ministry of Transport, for policy development; the Ministry is responsible for leading development of strategic transport policy, and monitoring the performance of the sector's Crown Entities
- ➔ other transport agencies in the public sector, for delivery of shared services
- ➔ other government agencies, such as the New Zealand Police, the Transport Accident Investigation Commission (TAIC) and Maritime New Zealand, for delivery of safety and security functions
- ➔ the ICAO and other international regulatory and non-regulatory organisations

- ➔ aviation industry groups, with whom we regularly engage and consult on aviation issues and risks, and to share best practice
- ➔ approved service delivery providers who have been granted a Director's delegation to carry out our certification and licensing activities
- ➔ participants or aviation document holders who operate within the civil aviation system.

We have undertaken to develop and produce a stakeholder engagement strategy. This strategy will include the stakeholders listed above, and will describe how we wish to work with stakeholders and what aspects of the business we expect to progress through the contact. Stakeholder engagement is sufficiently important to our outcomes that we have made it a Strategic Priority. (See Section 6: Our Strategic Priorities under Focus Area Three.)

SECTION 3: OUR OPERATING ENVIRONMENT

Over the next 20 years, civil aviation is likely to change under the impact of many key developments. Global changes will flow through to New Zealand.

Industry growth

- Demand by commercial and private users for available airspace will grow. Growing demand will increase the complexity of the operating environment.
- Aviation activity in all sectors will increase and become more diverse. An example of our response to strong growth is our world-first approach to certification and operations in commercial adventure aviation. The Part 115 certification regulations were introduced in 2012.
- The Asia Pacific region will increase its percentage share of world traffic from 27% to 33%, overtaking Europe and North America whose share will diminish from 28% each to 25% and 20% respectively.
- Estimated demand for new aircraft will double every 15 years worldwide, and every six years in China and India. The number of business jets is set to double globally

Technological advances

- The sector will see innovative aviation technologies and new and growing types of operational activities. These include micro-lights and unmanned aircraft systems and new construction materials and methods.
- Air navigation systems will change as satellite based navigation takes over from ground based

equipment. We also expect changes in other related technologies, such as e-enablement.

- Real-time aircraft performance and meteorological data will be shared between aircraft and the ground.
- We will research and adopt the best solution for New Zealand in accommodating technological advances.

Regulatory environment

- Governments and industry participants are strongly committed to international regulatory harmonisation, particularly to keep standards aligned with technology.

Aviation security

- The aviation security environment is dynamic. We will need appropriate and timely responses to developing technologies and new security threats.

Environmental impacts

- The aviation industry will experience increasing pressure over greenhouse gas emissions, bio-fuel alternatives and noise control.

Other

- We expect changes in the role of secondary aerodromes.
- Aviation security services will need to find dynamic responses to the changing nature of security threats.
- Expectations of government may change over time.

SECTION 4: SUSTAINABLE BUSINESS AND FUNDING MODELS FOR CIVIL AVIATION

The Authority has three primary sources of revenue:

1. passenger levies and charges; for civil aviation services and security screening
2. fees and charges paid by aviation participants; for licensing, certification, surveillance and monitoring
3. revenue from the Crown; for policy advice, rules and standards development and the administration of the Health and Safety in Employment Act for aircraft in operation.

The Civil Aviation Act requires us to keep separate accounting records and financial reports for aviation safety and regulatory services and security services.

Funding: Civil Aviation Authority

In August 2012, Cabinet approved a new funding framework for the Civil Aviation Authority. This framework is designed to ensure we have sufficient revenue to sustainably fund our operations, and continue to improve our safety and regulatory services.

Changes to the rates for fees, charges and levies came into effect on 1 November 2012. The new rates follow cost recovery principles; that is, those that benefit from the Civil Aviation Authority's services should meet the related costs.

Previously, the Civil Aviation Authority's funding framework had not been substantively reviewed for over 15 years. The new framework provides for a **Prospective consolidated financial indicators** For the years ended 30 June

funding review every three years. The next review has already begun and will be completed in 2015 and will focus on:

- a value for money review of our activities
- existing fees, charges and levies.

Funding: Aviation Security Services

In setting passenger security charges, we seek full cost-recovery to fund the Aviation Security Service's normal operations. Our charges are currently undergoing a two-stage review.

Stage one of the review is complete. Cabinet has approved an interim charge to restore passenger security charges to a level that reflects the Aviation Security Service's normal operating costs over the shorter term. This interim charge will apply from 1 June 2013 to 31 March 2014, while a more detailed review is completed.

Stage two of the review seeks to provide a sustainable on-going funding base. This requires a fundamental review of the business and funding model for the Aviation Security Service.

The review will be subject to consultation and Cabinet approval. Once this is completed, we expect any further security charge adjustments to take effect from 1 April 2014.

KEY FINANCIAL INDICATORS	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Safety & Regulatory Services					
Revenue	34,616	33,368	36,856	38,701	39,487
Output Expenses	37,166	33,358	37,047	38,536	39,976
Net surplus / (deficit)	(2,550)	10	(191)	165	(489)
Bank and Investment balances	4,161	5,877	5,335	5,029	4,911
Net assets	7,156	9,685	9,494	9,659	9,170
Capital Expenditure	(1,335)	(604)	(1,265)	(2,809)	(2,615)
Aviation Security Services					
Revenue	56,363	57,696	78,092	80,353	82,616
Output Expenses	75,982	77,319	77,730	75,803	76,880
Net surplus / (deficit)	(19,619)	(19,623)	362	4,550	5,736
Bank and Investment balances	17,323	15,140	11,080	14,276	21,343
Net assets	17,543	17,199	17,561	22,111	27,847
Capital Expenditure	(3,932)	(3,103)	(8,278)	(5,063)	(2,288)
Consolidated ⁽¹⁾					
Revenue	90,964	91,049	114,933	119,039	122,088
Output Expenses	113,133	110,662	114,762	114,324	116,841
Net surplus / (deficit)	(22,169)	(19,613)	171	4,715	5,247
Bank and Investment balances	21,484	21,017	16,415	19,305	26,254
Net assets	24,699	26,884	27,055	31,770	37,017
Capital Expenditure	(5,267)	(3,707)	(9,543)	(7,872)	(4,903)

Note 1: Net of elimination related to CAA compliance audit of Avsec under part 140 and 141 of Civil Aviation Act 1990

SECTION 5: THE NEW ZEALAND TRANSPORT SECTOR

GOVERNMENT PRIORITIES

The government's overall goal is to 'grow the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders'.

Transport enables economic activity not only by moving people and goods around the country, but also by connecting us as a trading nation to our overseas markets. Our geographic isolation makes the need for an efficient transport system even greater.

New Zealand's air transport network is critical to business and the wider economy. Air connections between cities and markets boost productivity and provide a key infrastructure on which modern globalised businesses depend.

The government's objective for transport is to have an effective, efficient, safe, secure, accessible and resilient transport system.

Minister's expectations

The Minister of Transport's four key priorities are: better quality regulation, investment in infrastructure, a safer transport system, and opening markets.

The transport system also needs to continue to drive for better public services (including value for money and shared services) and to ensure sector resilience. These are further defined as:

- ➔ Better quality regulation – A high-performing transport system needs effective transport regulation.
- ➔ Investment in infrastructure – Efficient transport infrastructure is central to economic growth. Investments need to be carefully prioritised, as transport infrastructure is costly and is likely to be in place for many years.
- ➔ Safer transport system – New Zealanders travel significant distances by air, sea, rail, and road. Transport activity grows as the economy grows, and all sectors rely on transport to move products and provide services. As transport activity increases, so does the risk of accidents and incidents.
- ➔ Opening markets – Creating competitive and open markets for transport operators and users will drive down costs and create new opportunities for economic activity and social interaction.
- ➔ Better public services – The shared services programme is intended to ensure Crown entities

collectively deliver both value for money and the desired outcomes for the sector.

- ➔ Resilience – Several events over the last few years have demonstrated that unforeseen events affecting the transport sector can and do arise.

CONNECTING NEW ZEALAND

In August 2011 the government released *Connecting New Zealand*, a guiding document that summarises the government's broad policy direction for the transport sector over the next decade.

To achieve its objective for transport, the government is focusing on three key focus areas: economic growth and productivity, value for money and road safety.

Connecting New Zealand highlighted five key government actions for aviation over the next decade:

- ➔ Negotiate air services agreements to provide more access to key trade and tourist markets.
- ➔ Improve safety regulation in key areas, including adventure and agricultural aviation.
- ➔ Develop and promulgate a national airspace policy, and an airspace and air navigation plan.
- ➔ Drive greater performance and value for money from the Civil Aviation Authority and the Aviation Security Service.
- ➔ Review any market barriers to trade.

OTHER TRANSPORT SECTOR DIRECTIONS

- ➔ Second National Infrastructure Plan

This plan defines the many challenges to improving New Zealand's infrastructure over the next 20 years, and sets in place policies and actions to address these challenges. The intent of the plan is to improve investment certainty for business, by giving confidence over current and future infrastructure provision.

- ➔ New Zealand Energy Efficiency and Conservation Strategy

This strategy is focused on promoting energy efficiency, energy conservation and renewable energy. It sets out six objectives for six sectors, which will contribute to the overall New Zealand Energy Strategy 2011–2021 goal. The objective for the transport sector is "a more energy efficient transport system, with a greater diversity of fuels and alternative energy technologies".

SECTION 6: OUR STRATEGIC DIRECTION

OVERVIEW

Our core functions and outputs are linked to the government’s overall goal for transport and other broader transport sector outcomes through three key areas of focus:

1. improving the overall effectiveness of the aviation system
2. improving sector safety performance
3. becoming a more responsive and results-driven organisation.

These key areas of focus summarise our priorities for 2013–2016, as we work towards achieving our longer-term impacts and overall outcome.

How the Authority contributes to Government goals

The Government has a growing expectation under ‘Better Public Services’ that the transport sector is more

closely aligned to collectively meet Government goals and outcomes. The Ministry of Transport has responsibility for aligning the contribution of transport agencies to outcomes through the different strategic frameworks. We are committed to making our contribution, and have aligned our strategic framework with the Ministry of Transport long-term outcomes (refer figure 3 below), which include ‘efficient, effective, resilient and safe’. By discharging our statutory obligations, we contribute to the Ministry’s long-term outcome ‘Safe – Reduces the harms from Transport’. We also contribute to the other three Ministry outcomes, but at a lower level and with lower impact.

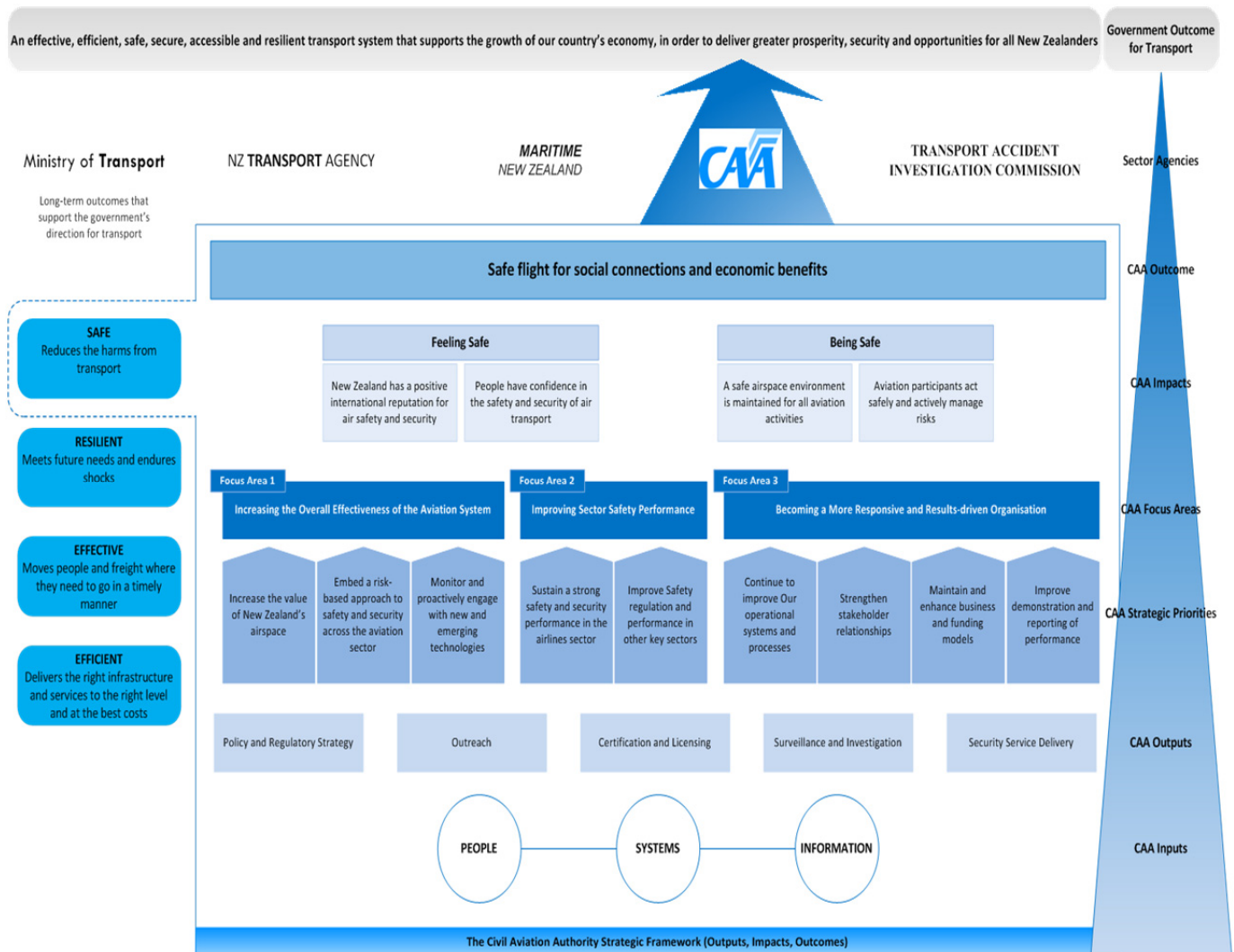


Fig 3 The Civil Aviation Authority contribution to the Transport sector outcome.

OUTCOME AND IMPACTS

Overall outcome

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

'Safe flight for social connections and economic benefits'

'Safe flight' is demonstrated through:

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

We use a range of measures to evaluate how well the civil aviation system is performing. Through these measures, we aim to show a diminishing incidence and consequence of safety failure through time.

Appendix 1 illustrates the current trends in New Zealand across many of these measures. Where failure rates are already nil or very close to nil, and where residual risk is at an acceptable level, safety performance is unlikely to improve any further. However, in these areas we put considerable effort into ensuring that safety performances remains at current levels, or improves further.

Impacts of our work

Our work has long-term impacts affecting the civil aviation system. These impacts contribute towards our overall outcome – 'safe flight'. Safe flight has two aspects: 'being safe', and 'feeling safe'.

'Being Safe' means that air passengers arrive at their destinations safely and securely. Our desired long-term impacts are that:

- ➔ aviation participants act safely and actively manage risks
- ➔ a safe airspace environment is maintained for all aviation activities;

However, the benefits for the country from a safe and secure civil aviation system will only be fully realised if aviation participants experience 'Feeling Safe'. Our desired long-term impacts are that:

- ➔ New Zealand has a positive international reputation for air safety and security
- ➔ people have confidence in the safety and security of air transport.

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

IMPACT AREA	LEAD INDICATOR	CURRENT ACHIEVEMENT (as at 31 March 2013)	TARGET 2013-2016	
			Direction of travel	Target - 2016
New Zealand has a positive international reputation for air safety and security	<p>New Zealand's ability to enter into and maintain bilateral agreements and service contracts for public transport and air freight.</p> <p>Assessments of national aviation safety and security performance by the International Civil Aviation Organization (ICAO).</p> <p>Intensive quality audit process to ensure security service operations meet the requirements of the Civil Aviation Act and rules.</p>	<ul style="list-style-type: none"> • Bilateral agreements: Australia and the United States of America. • Working arrangements: European Aviation Safety Agency, Transport Canada, Civil Aviation Administration of China. • We are actively working to extend the scope of the <i>Bilateral Aviation Safety Agreement</i> with the United States of America. • In the ICAO's 2005-2010 Safety Audit Cycle, New Zealand's overall safety rating was the same as Australia's and higher than the OECD average. Safety ratings for a number of the critical elements assessed were on a par with the Organisation for Economic Cooperation and Development (OECD) average, or higher. . New Zealand's (See Appendix 2 for detail) • New Zealand's has a current score of 16.18% non-compliance with the ICAO's recommendations. This score includes areas where New Zealand has chosen not to implement the recommendations because they are inappropriate to the New Zealand environment. The current assessment of non-compliance places New Zealand at the 17th percentile in the world and in the middle of OECD countries. () • The results of the ICAO's Universal Security Audit Programme (USAP) are used internally. They cannot be publicly disclosed due to international security and diplomatic considerations. • The aviation security service has consistently achieved a high standard of verification from security audits and meets any additional measures required by some airlines. 	<p>Maintain and extend bilateral agreements and service contracts.</p> <p>Maintain ICAO ratings at average of OECD countries or better.</p> <p>Continue to achieve high standards in Civil Aviation Authority security audits and additional airline requirements.</p>	<p>No deterioration of New Zealand's ratings.</p>

IMPACT	LEAD	CURRENT ACHIEVEMENT (as at 31 March 2013)						TARGET 2013-2016		
A safe airspace environment is sustained for all aviation activities.	'Near misses'/ loss of separation incidents.	CLOSE PROXIMITY EVENTS						Fewer 'near misses'/ loss of separation incidents through time.	5-10% improvement since 2007.	
		Year ending June	2007	2008	2009	2010	2011			31 Mar
		Count	98	84	101	76	93			78
	Count per 100,000 hours	10.7	8.8	10.6	8.0	9.8	9.7			
	Uncontrolled incursions (into controlled airspace).	UNAUTHORISED AIRSPACE INCURSIONS						Fewer uncontrolled incursions (into controlled airspace) through time.		
		Year ending June	2007	2008	2009	2010	2011			31 Mar
Count		205	283	259	291	255	293			
Count per 100,000 hours		22.4	29.5	27.1	30.7	27.0	36.6			
The year to 31 March 2013 has seen 78 near miss and air proximity incidents (a rate of 9.7/100,000 hours) and 293 unauthorised airspace incursions (a rate of 36.6/100,000 hours). A large proportion of the increase since 2010 is related to incidents involving training aircraft. The Authority, Airways and operators are to manage this issue.										
Aviation participants act safely and actively manage risks.	Sector risk profiles - average risk scores.	From 2007 to 31 March 2013, most sectors have experienced an average reduction in risk scores of 5.5%. Surveillance and safety promotion appear to be having a positive effect on an operator's management of risks as reflected in their risk profiles. Note: continuing development for some sectors.						Improved risk profiles - the average risk score by sector improves over time.	5-10% improvement over average risk scores from 2007.	
People have confidence in the safety and security of air transport.	Surveys of perceptions of air safety and security: - by the travelling public - by other stakeholders, including participants.	As at June 2011: <ul style="list-style-type: none"> 72% of resident travellers felt extremely or very safe and secure on their most recent domestic or international flight 86% of overseas travellers felt extremely or very safe and secure on domestic or international flights departing from New Zealand 44% of 27 key stakeholders were satisfied with the safety and security performance of the NZ civil aviation system. We are developing a repeat survey to measure confidence in the safety and security of air transport in 2014.						Improved user perceptions as shown by survey results for safe and secure air transport	Public surveyed better than 90%. Key stakeholder 100%.	

OUR FOCUS AREAS AND STRATEGIC PRIORITIES

Our work is focussed on sustaining strong performance in aviation safety and security, and supporting improvement in the incidence and/or severity of accidents in weaker subsectors.

As a risk-based regulator, we focus effort and resource on where we can make the most difference in achieving our safety goals. Key drivers are the nature of the aviation activity and the impact on third parties of safety failure.

We place high importance on regulating passenger-carrying operations. The public have a high expectation of assured safety. While the risk of failure is low compared to other aviation activities, the consequences of failure, in terms of the social cost and reputational impact, could be severe.

Private and recreational aviation activities also require continued oversight. . While the consequences of failure

and the likelihood of harm to third parties is likely to be of a much lesser scale, mixed use of New Zealand’s airspace means potential for conflict.

In setting our strategic priorities for 2013-2016, we are maintaining our focus on three key areas for improvement:

1. improving the overall effectiveness of the aviation system
2. improving sector safety performance
3. becoming a more responsive and results-driven organisation.

Figure 4 below, shows the links between our strategic priorities, our focus areas, our desired long-term impacts and our overall outcome.

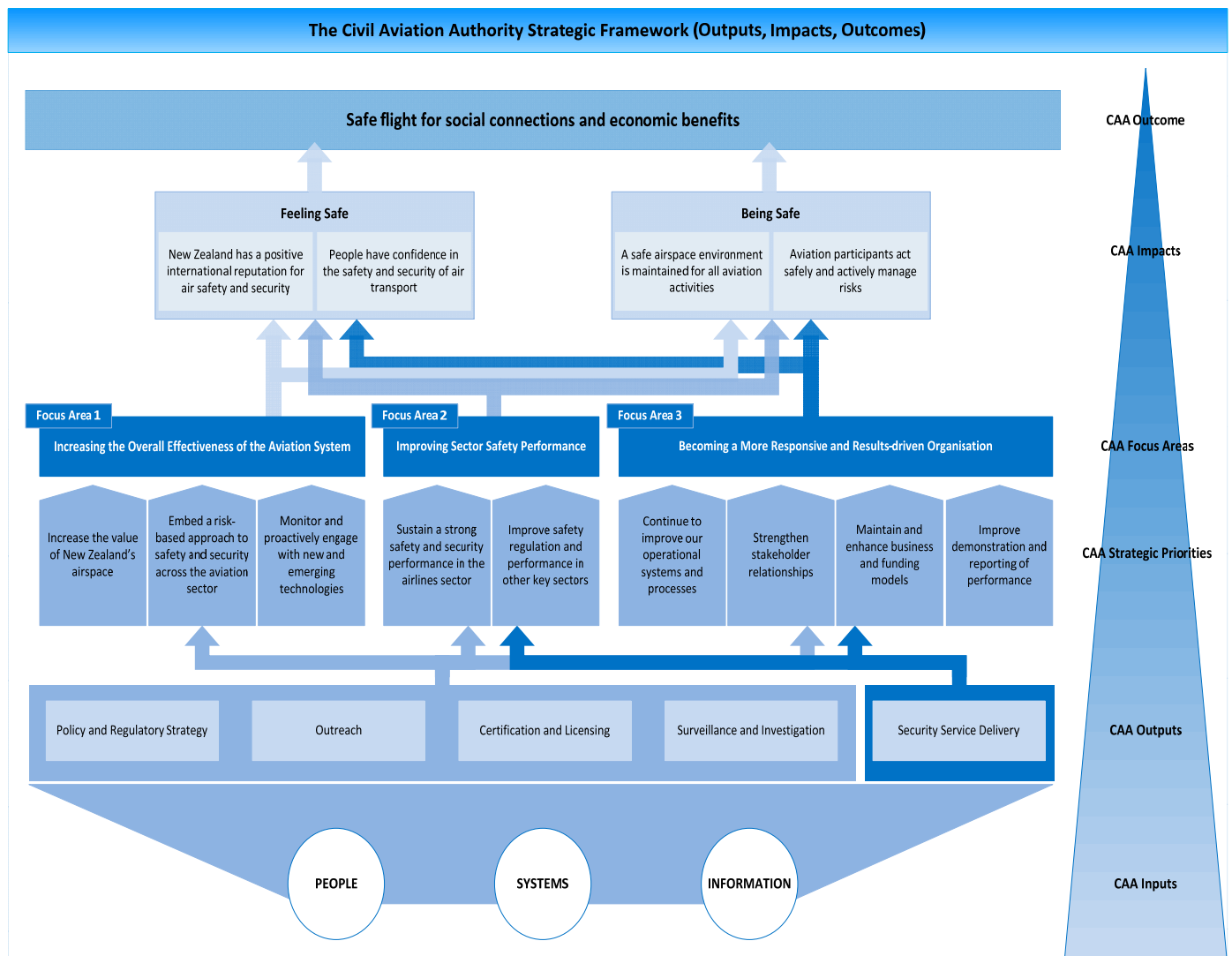


Fig 4 Civil Aviation Authority strategic framework

OUR STRATEGIC PRIORITIES

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

New Zealand's economic and social development depends on the integrity and connectivity of its aviation system.

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

We do this by:

- developing clear requirements for entering and operating within the New Zealand civil aviation system; these requirements are in line with international standards
- ensuring that safety is addressed system-wide— by coordinating the different elements, sharing information and best practice between participants and assessing risks at a macro level.

As a regulator, we need to keep up-to-date on technological developments in aviation and the international safe usage standards. We also need to keep abreast of new technologies for security services so that we can provide assurance for international security arrangements.

Our strategic priorities for improving the overall effectiveness of the aviation system over the next three years are to:

- increase the value of New Zealand's airspace
- embed a risk-based approach to safety and security across the aviation sector
- monitor and proactively engage with new and emerging technologies.

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

WHY THIS IS IMPORTANT	The airspace over New Zealand is a national asset and a finite resource. Its safe and efficient use is vital to the New Zealand economy. The rules and standards for the aviation system provide the framework for entering and operating within New Zealand's airspace. This framework needs to be flexible enough to innovate and respond to changes in technology and international standards for safety and security. The framework also needs to align with the internationally accepted risk-based approach to regulation in the aviation sector.
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	Increasing the value of New Zealand's airspace directly contributes to three of the Authority's desired long-term impacts: <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks → a safe airspace is maintained for all aviation activities → New Zealand has a positive international reputation for air safety and security.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation

KEY DELIVERABLES FOR 2013-2016

2013/2014	2014-2016
<ul style="list-style-type: none"> → Complete the development of airspace and navigation policy that supports any regulatory change. → Support the Ministry of Transport to develop airspace and navigation rules for 2014/15 following Cabinet approval. 	<ul style="list-style-type: none"> → Support the Ministry of Transport to develop airspace and navigation rules for 2015/16 following Cabinet approval.

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

WHY THIS IS IMPORTANT	Over the next few years, we will have a concerted focus on implementing a risk-based approach to our regulatory activities. This will include strengthening risk management capability (both in industry and within the Authority). A risk-based approach is consistent with international best practice and obligations mandated by the ICAO. The current form of risk management required by ICAO is known as a Safety Management System (SMS). An SMS is a specific form of risk-management methodology applicable to the aviation industry. We intend that industry-implemented SMS programmes contribute to improving safety and security across the entire New Zealand aviation system. In order to ensure this improvement, we will also need to incorporate the concept of risk management in our own policy development and operational systems. Our changes will include:
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	<p>developing a reporting culture; making greater use of risk analysis in prioritising regulatory interventions; providing more flexibility in the regulatory system to allow for case-by-case risk assessment; and using a risk assessment approach during surveillance and auditing.</p> <p>To date, adopting a Safety Management System has been voluntary for all New Zealand aviation sectors. Rule changes are required to embed this risk-based approach in the regulatory framework.</p> <p>Incorporation of SMS requirements in the Civil Aviation Rules will address a significant gap in New Zealand's State Safety Programme.</p>
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Embedding a risk-based approach to safety and security directly contributes to three of the Authority's desired long-term impacts:</p> <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks → New Zealand has a positive international reputation for air safety and security → people have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and Regulatory Strategy → Outreach → Certification and Licensing → Surveillance and Investigation

KEY DELIVERABLES FOR 2013-2016	
2013/2014	2014-2016
<ul style="list-style-type: none"> → Continue to promote voluntary uptake of Safety Management Systems through road shows and other outreach activities. → Complete consultation about a risk management approach to regulation and policy development supporting any regulatory change. → Support the Ministry of Transport to develop rule amendments that require implementation of Safety Management Systems across all aviation sectors. 	<ul style="list-style-type: none"> → Continue supporting the Ministry of Transport to develop rule amendments that require implementation of Safety Management Systems across all aviation sectors, thereby contributing to the completion of the New Zealand State Safety Programme.

STRATEGIC PRIORITY: Monitor and proactively engage with new and emerging technologies	
WHY THIS IS IMPORTANT	<p>The aviation system is becoming more complex. In all sectors of the system, aviation activity is increasing and becoming more diverse. An example is the growth in unmanned aircraft systems.</p> <p>We need to be proactive in responding to new technology, both from a safety risk perspective and to identify opportunities for innovation.</p> <p>Anticipating what will be required, such as rule changes, will help reduce any risks as well as remove any barriers to innovation. Keeping up-to-date and contributing to technological advances will also enhance New Zealand's standing and level of influence internationally.</p>
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Monitoring and proactively engaging with new technologies directly contributes to two of the Authority's desired long term impacts:</p> <ul style="list-style-type: none"> → a safe airspace environment is sustained for all aviation activities; New Zealand has a positive international reputation for air safety and security.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and Regulatory Strategy → Outreach → Certification and Licensing

KEY DELIVERABLES FOR 2013-2016	
2013/2014	2014-2016
<ul style="list-style-type: none"> → Scan for new and emerging technologies across general aviation and within specific sectors, to build an information database. → Proactively engage with industry, both domestically and internationally, through attendance at conferences, tradeshows and other industry liaison points. → Prepare for the safe and timely introduction of the Boeing B787-9 to the Air NZ fleet. Monitor international acceptance of the technologically advanced Boeing 787 Dreamliner, prior to introduction of the B787-9). 	<ul style="list-style-type: none"> → Maintain the information database through on-going scanning of new and emerging technologies. → Plan and prepare for identified new technologies entering the New Zealand aviation system. → Continue proactive engagement with industry.

Focus Area 2: Improving sector safety performance

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

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

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

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

Over the last year, we've increased three-fold the number of people on the ground carrying out checks on adventure aviation organisations. Certification created specifically for the adventure aviation sector is a world first, and is attracting significant international interest.

Our strategic priorities to improve sector safety performance over the next three years are to:

- sustain a strong safety and security performance in the airlines sector
- improve safety regulation and performance in other key sectors.

Strategic Priority: Sustain a strong safety and security performance in the airlines sector

WHY THIS IS IMPORTANT	Any accident in the airlines sector and public transport operations has potential for loss of life and a consequent reduction in confidence in New Zealand's aviation sector. The scale of such an impact is the reason why we make the safety and security performance of the airlines sector a key focus
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	Sustaining a strong safety and security performance in the airlines sector directly contributes to two of the Authority's desired long term impacts: <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks; → people have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation → Security service delivery

KEY DELIVERABLES FOR 2013-2016

2013/2014	2014-2016
→ Given the high risk associated with this sector, work closely with New Zealand airline operators to ensure their systems, training, technology, safety and security data and processes pinpoint and address all relevant safety risks	→ Given the high risk associated with this sector, work closely with New Zealand airline operators to ensure their systems, training, technology, safety and security data and processes pinpoint and address all relevant safety risks

Strategic Priority: Improve safety regulation and performance in other key sectors

WHY THIS IS IMPORTANT	<p>New Zealand has a large, diverse and growing general aviation sector. General aviation supports significant parts of the economy, including, for example, agri-business and adventure tourism.</p> <p>Overall, the numbers of fatalities and serious accidents across the general (commercial and recreational) aviation sectors are reducing. However, the accident rates in some sub-sectors are not trending down as rapidly as desired and the performance in other sub-sectors has stalled or is showing signs of reversal.</p> <p>It's important to arrest this decline in performance because of both the potential risk to public transport operations sharing the same airspace, and the human and financial benefits of fewer accidents. The reputational impact of accidents, particularly in the tourism sector, is also a factor.</p> <p>We are particularly focused on improving sector safety performance in the commercial adventure aviation sector. The new rule (Part 115) about certification of the adventure aviation sector is a world first, and is attracting significant international interest.</p>
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Improving safety regulation and performance in other aviation sectors directly contributes to three of the Authority's desired long term impacts:</p> <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks

	<ul style="list-style-type: none"> → a safe airspace environment is maintained for all aviation activities → people have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and Regulatory Strategy → Outreach → Certification and Licensing → Surveillance and Investigation → Security Service Delivery

KEY DELIVERABLES FOR 2013-2016

2013/2014	2014-2016
<ul style="list-style-type: none"> → Continue the roll out of the 'Adventure Aviation – Certifications and Operations' Rule (Part 115) across activities within the adventure aviation sector. → Develop the organisation's safety oversight capability for the Adventure Aviation Rule (Part 115). → Complete the sector risk profile for agricultural aviation and capture what we've learnt to apply to other risk profiling. → Begin the development of risk profiles for other targeted sectors. 	<ul style="list-style-type: none"> → Continue the roll out of the rule (Part 115) across activities within adventure aviation. → Continue sector risk profiling across other targeted sectors.

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

The government puts a high priority on improving performance and productivity across the public sector. To achieve this, we will focus on lifting our performance and ensuring our regulatory framework is fit-for-purpose (and supports delivery of the results we want).

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

By understanding these changes and other emerging issues, we can proactively respond to them with better decisions about how we allocate resources, identify and mitigate risks and advance performance.

By keeping up to date and proactively engaging in, and influencing, relevant domestic and international issues, we will be able to determine the most appropriate response for New Zealand’s aviation environment. Our strategic priorities to become a more responsive and results-driven organisation over the next three years are to:

- continue to improve our operational systems and processes
- strengthen our stakeholder relationships
- maintain a sustainable funding model for regulatory and security operations
- improve demonstration and reporting of performance.

Strategic Priority: Continue to improve our operational systems and processes

WHY THIS IS IMPORTANT	The rapid changes occurring in civil aviation activity, the technologies used and how risks and threats to security are managed mean we need to be a nimble, adaptive and resilient organisation. Our information systems are core to our operations as a regulator. Our current software is not future proof, and works in isolation, with limited ability to translate safety and risk data analysis into useful information. Work is currently underway to understand the functional requirements of a new fully integrated system.
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	Improving our operational systems and processes directly contributes to two of our desired long-term impacts: <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks → a safe airspace environment is maintained for all aviation activities.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation → Security service delivery

KEY DELIVERABLES FOR 2013-2016

2013/2014	2014-2016
<ul style="list-style-type: none"> → Appoint a vendor to replace the Aviation Safety Management System and the Electronic Document Records Management System, and develop a plan to implement the new software. → Continue to improve surveillance effectiveness, by developing our organisational capability in the field and educating the industry on how we do surveillance. → Research and monitor international developments around behavioural analysis (to detect concealed threats), as a preferred security screening process rather than whole-body imaging devices. → Complete the replacement/upgrade of the Aviation Security Service’s hold baggage screening system to meet international standards. 	<ul style="list-style-type: none"> → Develop and implement the new Aviation Safety Management System and the Electronic Document Records Management System software. → Replace/upgrade the cabin baggage screening machines with technology that will reduce the impact of issues surrounding seizure of liquids, aerosols and gels, thereby reducing the negative impact of seizures on passengers and Aviation Security staff.

Strategic Priority: Strengthen stakeholder relationships

WHY THIS IS IMPORTANT	To become a more influential regulator we need to have meaningful and effective engagement with stakeholders. Engagement allows us to build and sustain their confidence in the organisation’s capability. Through effective engagement, we will gain a better understanding of how users perceive the safety and security of the air transport system. This helps us to understand and assess where the issues, risks, threats and examples of best practice lie, and enables us to draw on the expertise within the industry to identify the most appropriate response.
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CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Strengthening our stakeholder relationships directly contributes to all four of our desired long-term impacts:</p> <ul style="list-style-type: none"> → aviation participants act safely and actively manage risks → a safe airspace environment is sustained for all aviation activities → New Zealand has a positive international reputation for air safety and security → people have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation → Security service delivery

KEY DELIVERABLES FOR 2013-2016	
2013/2014	2014-2016
<ul style="list-style-type: none"> → Proactively engage with ICAO and other international counterparts about technological advances and international standards. → Build effective working relationships with industry organisations and support appropriate industry safety initiatives. → Work closely with airlines and airports on airport developments and configuration of airport infrastructure to maintain and improve the efficiency of security service delivery. → Survey the travelling public and aviation participants about the safety and security of the civil aviation system. → Develop an organisation-wide stakeholder engagement strategy. 	<ul style="list-style-type: none"> → Implement the stakeholder engagement strategy and review and update as required.

Strategic Priority: Maintain and enhance business and funding models

WHY THIS IS IMPORTANT	<p>Funding for our operational services is based on cost-recovery principles, where those that benefit from our services should meet the related costs. This 'user pays' approach is demand driven, and dependent on the number of passengers and growth across the aviation sector (and associated regulatory services).</p> <p>Large variances between actual and forecast demand significantly affect revenue – positively or negatively – which in turn has the potential to put pressure on cash reserves.</p> <p>The Authority is participating in a programme of work being led by the Ministry of Transport to consider where common services can be delivered more efficiently and cost effectively by shared services across the Transport sector. This is reflected in the recent shared services arrangement with the Maritime New Zealand's information technology infrastructure being hosted by the Authority.</p>
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Maintaining a sustainable funding model for regulatory and security operations directly contributes to one of our desired long-term impacts:</p> <ul style="list-style-type: none"> → people have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation → Security service delivery

KEY DELIVERABLES FOR 2013-2016	
2013/2014	2014-2016
<ul style="list-style-type: none"> → Complete stage 2 of the security services business review and obtain Cabinet approval for any increases (to take effect from 1 April 2014). → Continue to progress the triennial review of the Civil Aviation Authority's funding framework. → Enhance the financial information management system to further improve medium-term financial planning. → Migrate Maritime New Zealand and the Rescue Coordination Centre to the Authority's email platform under the shared services arrangement. 	<ul style="list-style-type: none"> → Implement recommended actions, as appropriate, from the review of passenger security charges. → Complete the triennial review of the funding framework in 2015. → Look at opportunities to further contribute to shared services across the Transport sector.

Strategic Priority: Improve demonstration and reporting of performance

WHY THIS IS IMPORTANT	Demonstrating and reporting performance shows the impact of our work in regulation and in security and how we keep pace with change in our environment. This provides assurance to our stakeholders that our focus is relevant, achievable and sustainable.
CONTRIBUTION TO DESIRED LONG TERM IMPACTS	<p>Improving how we demonstrate and report on our performance directly contributes to two of our desired long-term impacts:</p> <ul style="list-style-type: none"> → New Zealand has a positive international reputation for air safety and security → People have confidence in the safety and security of air transport.
OUTPUTS THAT CONTRIBUTE TO THIS STRATEGIC PRIORITY	<ul style="list-style-type: none"> → Policy and regulatory strategy → Outreach → Certification and licensing → Surveillance and investigation → Security SERVICE DELIVERY

KEY DELIVERABLES FOR 2013-2016

2013/2014	2014-2016
<ul style="list-style-type: none"> → Complete a reporting and communications stocktake to identify the reach of our reporting and opportunities to align activities. → Identify and use opportunities for systems and processes that enable greater visibility of our work and its impacts. → Continue the improvement of our accountability documents. 	<ul style="list-style-type: none"> → Demonstrate a clearer performance story for all stakeholders.

SECTION 7: ORGANISATIONAL HEALTH AND CAPABILITY

People capability

The global demand for highly specialised technical aviation staff is increasing. Regulators across the world are reporting higher demand for these experts. Regulators report unplanned staff losses to the private sector, who in many circumstances can offer more attractive terms and conditions. We are experiencing this pressure and responding by:

- developing a resourcing model to understand and provide a resilient and sustainable approach to maintaining the required skill sets
- implementing an employee value proposition to better align expectations at organisation entry and through a career path
- building in role flexibility to ensure a well-balanced work approach
- facilitating learning with the introduction of a Learning Management Framework.

We have a similar age demographic across the safety and regulatory services and security operations, with many specialist staff in their late 50s and 60s. We need to provide for transfer of their knowledge base through sound succession planning, as well as investment in a flexible workforce, so that we are able to keep delivering our statutory functions.

We have a twofold rationale for enhancing our capability and capacity in succession planning and workforce flexibility. First, the organisation needs to be more intelligence-led and proactive. Second, we need to implement the safety management system model and the risk-based approach to regulatory intervention, because these will lead to more targeted and proactive interventions. Improving our capability and capacity will enhance our risk identification and management systems.

In the security service, employment costs are approximately 80 per cent of total expenditure. Staffing numbers and costs are closely controlled against budgeted levels to ensure cost-efficient operations. We have implemented a new electronic rostering system to ensure optimal allocation of staff to day-to-day security functions.

Organisational health and capability measures

We monitor

- indicators of our human resources capability and staff engagement
- measures of our financial position

- the quality and efficiency of our core regulatory and security processes.

A scorecard of key indicators is provided to the Authority on a regular basis.

We monitor general staff turnover and vacancy rates. We also use a qualitative indicator of resourcing risk for key skills groups, looking at current capacity and future readiness.

As part of the organisational change programme, we surveyed staff about engagement. This survey covered all regulatory employees as well as management and administrative staff in the security service. The survey has set a baseline for measuring the behavioural and cultural dimensions that underpin the organisation's development. In response to initial survey results, management teams have established action areas and regularly report progress.

Support for managers

In 2012, we developed a process to improve the support that managers receive through the annual performance cycle. The objective is to provide managers with the knowledge and skills to conduct a meaningful performance review and plan. We have developed workshops that cover performance planning, reviews, application of the templates developed by People and Capability, and consistent application of the performance category ratings. We have also established support through People and Capability Advisors.

Organisation capability improvement

We have committed to a series of workshops to help us build capability and future-proof our organisation by aligning our energy and activities. These workshops follow the lead of the Ministry of Transport, and will progress our culture building. Workshops are planned throughout 2013-14.

Leadership forums

We have established a manager's leadership forum to encourage managers to take responsibility for contributing to the direction of the organisation and culture improvement. We expect the forums to discuss and have input into solutions so that a broader cross-section of the organisation informs decision-making.

Health and safety

A health and safety specialist is working with the organisation's health and safety committees to identify and improve health and safety culture and practices across the organisation. We have established baselines for measurement. The Authority is fully committed to working with the business to meet all responsibilities for the health, wellbeing and safety of staff.

Equal employment opportunities

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

We advertise vacancies internally and externally to give people an equal chance to be considered in the selection process. Appointments are based on merit and all staff will be valued, treated equitably and with respect, whatever their gender, ethnicity, social background, sexual orientation or disability.

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

Physical assets

Most of the core information technology systems used for our regulatory processes rely upon a legacy environment. We intend to develop a modern information technology architecture over time, based on business needs. To develop such systems will require a significant investment during the period of this Statement of Intent and beyond.

The proposed capital expenditure for the Authority's regulatory functions for 2013/16 includes provision for updating core aviation safety information systems, the electronic document and record management system, and online medical certification systems.

The priority is to replace the core safety information system (and associated legacy systems) that are the business tools that enable the delivery of safety and regulatory services. This has commenced with the

selection of a solution planned for 2013/14 and implementation extending into 2014/15.

Our security service is commencing the replacement of its hold baggage screening (HBS) equipment in December 2013, at a forecast cost of \$6.7 million over 4 years.

We also expect to replace cabin, portable x-ray and cargo screening equipment over the Statement of Intent period. The new generation equipment will meet international standards and be procurable when required.

The Authority will continue to engage with individual airport companies that are planning or implementing infrastructural changes, including reconfiguring security screening positions and their location in relation to customs services. Potential redesigns could result in capital expenditure requirements for buildings and facilities.

The proposed capital expenditure for both the aviation safety and regulatory service and the security service also includes normal cyclical replacement of existing assets, in line with its capital asset replacement programme.

We will continue to examine the infrastructure of our regulatory and security operations for commonalities that could have potential to reduce costs and to explore opportunities across the wider transport sector. In 2012/13 we started providing infrastructure services to Maritime New Zealand on a cost recovery basis that provides efficiencies to both parties from proved economies of scale.

CAPITAL EXPENDITURE INTENTIONS

The table below identifies planned capital expenditure for the 2013-2016 period.

PROPOSED CAPITAL EXPENDITURE 2013-16	AVIATION SAFETY & REGULATORY SERVICES \$000				AVIATION SECURITY SERVICE \$000			
	Forecast 2013	Budget 2014	Forecast 2015	Forecast 2016	Forecast 2013	Budget 2014	Forecast 2015	Forecast 2016
Computer hardware	395	160	389	195	30	33	-	80
Computer software	125	1,015	2,330	2,330	306	120	120	240
Plant & equipment	-	10	10	10	1,867	7,164	4,453	1,300
Furniture & fittings	-	-	-	-	-	-	-	-
Motor vehicles	72	80	80	80	800	558	490	668
Leasehold Improvements	12	-	-	-	100	403	-	-
Leased assets	-	-	-	-	-	-	-	-
Total	604	1,265	2,809	2,615	3,103	8,278	5,063	2,288

Note that separate prospective financial statements are shown for the Civil Aviation Authority and the Aviation Security Service in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002. These require the Civil Aviation Authority and the Aviation Security Service to maintain separate accounts, records and reports.

Consultation and reporting to the Minister

As a Crown Agency, our agenda and direction is set by the Government. Therefore we consult, brief, and report to the Minister regularly. Our communications with the Minister must be relevant, timely, and produce collaborative and innovative solutions.

The Board Chair and the Director of Civil Aviation provide the Minister with regular reports covering:

- ➔ progress against the Statement of Intent
- ➔ risks and issues that may affect performance and organisational capability (including relationship management)
- ➔ financial management
- ➔ other matters as agreed with the Minister.

Every year, the Authority reports to the Minister, other stakeholders and the New Zealand public on full-year progress against the Statement of Intent. This includes reference to progress against key actions and priorities.

Benefits realisation

The Authority has undergone a period of transition from late 2011. A change programme was delivered over three phases ending in late 2012. See figure 5 below for the outcomes, interventions and benefits of the change programme. The focus is now on bedding in the change and realising its benefits. We are undertaking a significant amount of work (summarised in Appendix 2) to realise these benefits.

Over the next year, our quarterly reports to the Minister will include Benefits realisation reporting. This will provide high level information about the proposed types of benefits for the key outcomes and, where possible, will also include measures and metrics: targets, baselines and timelines for the benefits to be measured.

The effectiveness of the change and the outcomes achieved as a result will ultimately be built into business as usual. It is important to note that, as the programme progresses, results and impacts may lead to changes to the benefits.

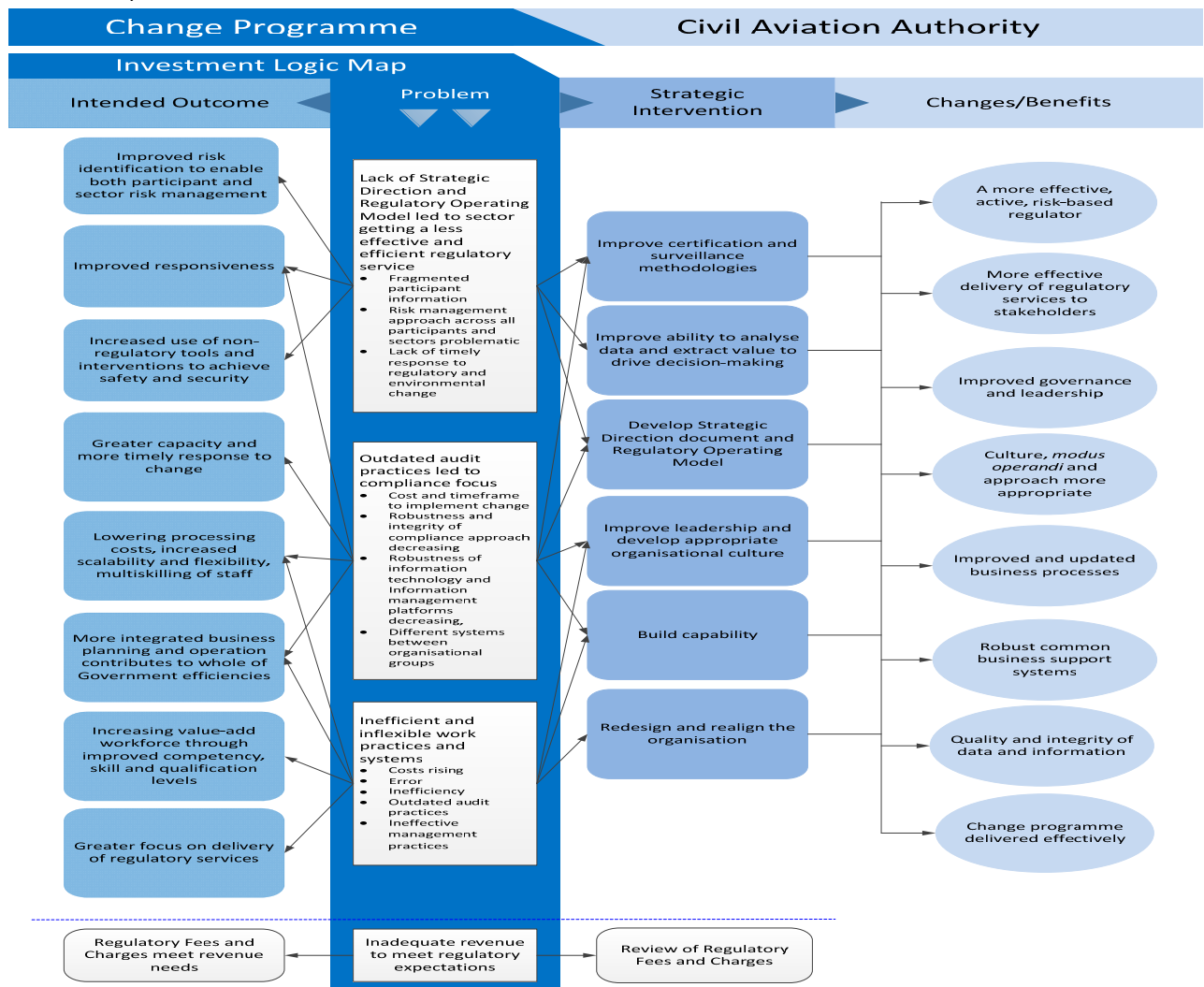


Fig 5 Change programme intervention logic map

ASSURANCE, QUALITY AND RISK MANAGEMENT

The Authority has implemented a combined Assurance, Quality and Risk framework which provide us with the tools to obtain a forward-looking perspective on our risk landscape. The framework (refer figure 6 below) also gives us a view on the design and effectiveness of our internal control and quality management system. We use the framework to ensure that risk management, quality systems and assurance drives efficiencies and resource allocation.



Fig 6 Assurance, quality and risk framework

Assurance management

Our assurance activities are based on the integrated Assurance, Quality and Risk framework. The annual assurance plans are divided into four areas:

- compliance and audit provide a retrospective assurance view
- quality, operations and change provide assurance around contemporary issues and major projects
- strategic and corporate risks providing a forward looking assurance view, as do
- emerging issues.

Quality management

We have a quality management framework based on the ISO 9001:2008 standard at the corporate level. This provides context and linkage with the risk and assurance management policies, processes, structures, reporting and data capture systems. We are following a three-year plan to progressively enhance the capability and maturity of the quality management system.

Risk management

Our risk management programme is based on AS/NZS ISO 31000:2009 Risk Management Standard. As part of the risk management programme, we regularly assess strategic and corporate risks using the categories “Financial”, “Political”, “Stakeholder Engagement”, and “Operational”.

We assess the likelihood and consequence of strategic and operational risks, and reviews mitigations and level of residual risk.

We mitigate risks to ensure that residual risks will be “As low as reasonably practicable” (ALARP principle) and mitigating controls will be able to be assessed as “Satisfactory” or “Strong”.

For a risk to be “ALARP” it must be possible to demonstrate that the cost involved in further reducing the risk would be disproportionate to the benefit gained. This recognises the fact that attempting to reduce a risk to zero could take infinite resources.

Management of risk

The most significant areas of risk are regularly considered by the Senior Leadership Team and the Authority and reported quarterly to the Minister of Transport. The high-level risks are included below in an abbreviated framework with controls.

Emerging issues assurance

The aviation environment is dynamic. Regulators world-wide must respond in a timely manner to emerging issues, technology and pressures, to ensure safety standards are maintained. Emerging issues we have identified as potential risks include:

- remotely piloted aircraft
- maintenance certification structure for new technology aircraft
- navigation infrastructure.

HIGH LEVEL RISKS	CONSEQUENCE AND LIKELIHOOD	MANAGED BY
<p>REGULATORY FAILURE</p> <p>An accident involving high-capacity New Zealand registered air transport aircraft causes death, injury and property losses, and results in major disruption to aviation and public loss of confidence of the safety and security in NZ.</p>	<p>Low likelihood with catastrophic impact</p>	<ul style="list-style-type: none"> ➔ Established quality, assurance and risk processes to ensure the effectiveness of the Authority's regulatory operating model.
<p>CHANGES IN SECURITY THREATS</p> <p>Act of terrorism or unlawful interference leads to an incident with high impact/profile.</p>	<p>Low likelihood with catastrophic impact</p>	<ul style="list-style-type: none"> ➔ Rigorous quality standards in aviation security operations (including Regulated Air Cargo Agents (RACAs)). ➔ Intelligence gathering, monitoring and planning in collaboration with other security agencies and aviation organisations. ➔ Contingency plans for various scenarios.
<p>REVENUE AND EXPENDITURE PRESSURES</p> <p>Financial constraints limit the organisation's ability to function (contributed to by change in Government policy, large airline failure, global unrest, natural disaster).</p>	<p>Low likelihood with minor impact</p>	<ul style="list-style-type: none"> ➔ Monitoring and responding to short term revenue fluctuations. ➔ Maintaining financial reserves. ➔ Forecasting passenger volumes. ➔ Regular Authority and Risk Audit and Finance Committee oversight, and monitoring of all expenditure and budget planning by the organisation. ➔ Regular funding reviews.
<p>REDUCED CAPABILITY AND CAPACITY</p> <p>Required technical and professional expertise is not available to the Authority, leading to safety risks and regulatory failure.</p>	<p>Low likelihood with moderate impact</p>	<ul style="list-style-type: none"> ➔ Annual reviews of remuneration and rewards. ➔ Workloads and demand prioritised. ➔ Provision of appropriate training. ➔ Resourcing strategies developed. ➔ Enhanced leadership programme.
<p>REDUCED ECONOMIC DEVELOPMENT</p> <p>The Authority regulatory system is perceived as a barrier to the government's economic development.</p>	<p>High likelihood with moderate impact</p>	<ul style="list-style-type: none"> ➔ Regular engagement with Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise to reduce regulatory barriers, advise on the Regulatory system. ➔ Regulatory decisions are to a standard that develops confidence in New Zealand by overseas regulators.
<p>SPEED AND EXTENT OF TECHNOLOGY CHANGE</p> <p>Insufficient capability, systems, processes to operate at the required level leads to unsafe practices, impact on participants, stakeholder confidence loss.</p>	<p>Low likelihood with minor impact</p>	<ul style="list-style-type: none"> ➔ Collaboration with industry to stay aware of and plan for aviation developments. ➔ Regular interaction with ICAO and overseas regulators. ➔ Appropriate organisation training.
<p>MAJOR CIVIL DEFENCE EVENT IN WELLINGTON</p> <p>An inability to access Authority systems, offices, and records leads to an inability to respond to issues, loss of stakeholder confidence, budget pressures.</p>	<p>Low likelihood with minor impact</p>	<ul style="list-style-type: none"> ➔ Business continuity and IT disaster recovery plans are developed, in place, and regularly reviewed. ➔ Financial reserves are maintained. ➔ Civil defence and emergency management systems are in place.

PART B: FORECAST SERVICE PERFORMANCE AND FINANCIAL STATEMENTS

Statement of Responsibility

The following Statement of Forecast Service Performance and the Prospective Financial Statements form part of the Authority's Statement of Intent for year ending 30 June 2014.

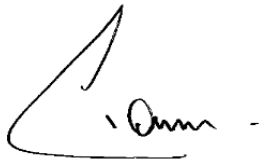
Pursuant to the Crown Entities Act 2004, the Authority accepts responsibility for the preparation of the prospective financial statements and the judgments made in the process of producing these statements; and establishment and maintenance of a system of internal controls designed to provide reasonable assurance to the integrity and

reliability of financial and non-financial reporting.

The forecast service performance and prospective financial statements to be achieved by the Authority for the year ending 30 June 2014, specified in this Statement of Intent, is agreed with the Members of the Authority (Board), the Director of Civil Aviation, and the General Manager of Aviation Security Service.

The Authority certifies that the information contained in this Statement of Intent reflect the operations and financial position of the Civil Aviation Authority.

Signed on: 30 May 2013



Nigel Gould
Chairman of the Authority



Peter Griffiths
Deputy Chairman



Graeme Harris
Director of Civil Aviation



Mark Everitt
General Manager, Aviation Security Service

SECTION 8: STATEMENT OF FORECAST SERVICE PERFORMANCE

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

1. Policy and regulatory strategy;
2. Outreach;
3. Certification and licensing;
4. Surveillance and investigation; and
5. Security service delivery.

OUTPUT CLASS 1:	Policy & Regulatory Strategy
WHAT DO WE DO?	<p>Under this output class the Authority:</p> <ul style="list-style-type: none"> → Develops options and solutions for specific issues with the aviation regulatory system; → Proactively identifies emerging issues for aviation; → Delivers major policy and regulatory projects; → Strategically coordinates Authority engagement in the international aviation system, → Delivers Ministerial services – e.g. PQs, briefings, responses to agencies Ministerials → Develops and maintains linkages internally, across government, internationally and within industry
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Policy and regulatory strategy contributes to three desired long term impacts, as described in the diagram on page 15

1.1 International Relations and International Civil Aviation Organization Obligations

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.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Percentage of international engagement undertaken that meets the objectives of the Authority's International Engagement Strategy	New	95%	95%	95%
Processing of incoming International Civil Aviation Organization State Letters within three weeks of receipt.	86%	100%	100%	100%

1.2 Ministerial Servicing – Civil Aviation

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Percentage of reports, correspondence and Parliamentary questions acceptable to the Minister (assess by annual survey)	100%	95%	95%	95%
Percentage of reports and responses that are delivered to agreed standards and timeframes	100%	100%	100%	100%

1.3 Policy Advice – Civil Aviation

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Percentage of policy papers that meet the standards set out in the Authority's policy development procedures (assess by annual independent audit)	New	95%	95%	95%
Authority contribution to the Civil Aviation Act review conducted by the Ministry of Transport complete.	Not applicable	By 30 June 2014	Not applicable	Not applicable

Airspace and Navigation policy development supporting any regulatory change complete.	Not applicable	By 30 June 2014	Not applicable	Not applicable
Remotely Piloted Aircraft (RPAs) policy development and review of authorisation process complete.	Not applicable	Stage one: Development and implementation of interim policy by 30 June 2014	Stage two: detailed long term policy by 30 June 2015	Not applicable
Consultation on a risk management approach to regulation and policy development supporting any regulatory change complete.	Not applicable	By 30 June 2014	Not applicable	Not applicable

1.4 System Level Design and Intervention

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross government.	New	Six monthly reports provided to Authority	Six monthly reports provided to Authority	Six monthly reports provided to Authority
Clear backlog of issue assessments from 2012/13	New	By 30 June 2014	Not applicable	Not applicable
All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.	New	100%	100%	100%

1.5 Rules and Standards Development

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Number of rules under development agreed between the Authority and the Ministry of Transport	6-10	6-10	As per the agreement	As per the agreement
Number of Rules completed agreed between the Authority and the Ministry of Transport	3-5	3-5	As per the agreement	As per the agreement
Percentage of rules documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality requirements	100%	100%	100%	100%

1.6 Pacific Support

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Action plan for each state developed and delivered according to the agreed timetable.	New	Delivered according to timetable	Delivered according to timetable	Delivered according to timetable
Improvement in aviation safety and security outcomes in the Pacific as evidenced by an increased level of compliance with the ICAO eight critical elements of oversight system for safety and security (particularly resolution of safety concerns).	New	Not applicable	Improved level of compliance with ICAO eight critical elements	Not applicable
New systems and processes established and used as a result of training.	New	Ongoing	Ongoing	Ongoing
Increased industry satisfaction and willingness to engage in the Pacific.	New	Survey developed to assess industry satisfaction	Conduct survey	Implement action plan to increase industry satisfaction
Output Class Financials:	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Crown Funding (Vote Transport: Policy Advice)	1,779	1,780	1,780	1,779
Ministry of Transport Contract Revenue (rules development)	1,200	1,200	1,200	1,200

Levies	470	565	658	778
Other Income	34	-	-	-
Total Revenue	3,483	3,545	3,638	3,757
Total Expenditure	(3,483)	(3,545)	(3,638)	(3,757)
Net surplus/(deficit)	0	0	0	0

OUTPUT CLASS 2:	Outreach			
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> → Fosters and promotes safety and security across the civil aviation sector; → Fosters and promotes health and safety in employment within the bounds of the Authority delegation; → Raises public awareness on transport of dangerous goods by air. 			
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Outreach contributes to all four desired long term impacts, as described in the diagram on page 15			
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Number of safety summary reports and aviation safety reports and other publications released	Reports: 4 safety summary 2 aviation safety 12-18 other publications	Reports: 4 safety summary 2 aviation safety 12-18 other publications	Reports: 4 safety summary 2 aviation safety 12-18 other publications	Reports: 4 safety summary 2 aviation safety 12-18 other publications
Percentage of reports and publications that are delivered to agreed standards and timelines: <ul style="list-style-type: none"> → Safety summary reports within 40 days of quarter end; → Aviation safety reports within 6 months of period end. 	50%	100%	100%	100%
Number of educational units (seminars, workshops and courses) delivered	20-30	20-30	20-30	20-30
Percentage of educational units that are delivered to agreed standards and timelines	100%	100%	100%	100%
Output Class Financials:	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Levies	3,952	4,239	4,577	4,624
Fees and Charges	-	-	-	-
Other Income	43	83	85	84
Revenue	3,995	4,322	4,662	4,708
Expenditure	(3,991)	(4,344)	(4,634)	(4,765)
Net surplus/(deficit)	4	(22)	28	(57)

OUTPUT CLASS 3:	Certification & Licensing			
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> → Exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; → Exercises control over the exit from New Zealand's civil aviation system through the amendment of aviation documents, including the suspension, revocation or imposition of conditions on documents, where such action is necessary in the interests of safety and security. 			
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Certification and licensing contributes to all four desired long term impacts, as described in the diagram on page 15			
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Number of certifications carried out (estimated volumes):				
→ Organisation	→ 1,200 -1,500	→ 1,200 -1,500	→ 1,200 -1,500	→ 1,200 -1,500
→ Aircraft	→ 930 - 1,130	→ 930 - 1,130	→ 930 - 1,130	→ 930 - 1,130
→ Service providers	→ 35-45	→ 35-45	→ 35-45	→ 35-45
Number of licensing procedures carried out	5,000-7,000	5,000-7,000	5,000-7,000	5,000-7,000
Percentage of certifications and licensing procedures that follow Authority procedural requirements. (assessed by sample as per the Authority's review procedure)	100%	100%	100%	100%
Output Class Financials:	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Levies	11,598	11,518	11,744	12,216
Fees and Charges	4,698	6,711	7,366	7,366
Other Income	175	357	355	357
Revenue	16,471	18,586	19,465	19,939
Expenditure	(16,455)	(18,677)	(19,349)	(20,178)
Net surplus/(deficit)	16	(91)	116	(239)

OUTPUT CLASS 4:	Surveillance & Investigation			
WHAT DO WE DO?	Under this output class the Authority: <ul style="list-style-type: none"> → Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits and inspections; → Manages inspections and audits under the Health and Safety in Employment Act 1992; → Identifies specific types of systemic safety and security failures in the Aviation sector; → takes appropriate enforcement action under the Civil Aviation Act 1990 to hold participants to account where necessary; 			
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	Surveillance and investigation contributes to all four desired long term impacts, as described in the diagram on page 15			
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Number of audits and inspections	630-750	630-750	630-750	630-750
Number of health and safety in employment investigations, audits and inspections	35-55	35-55	35-55	35-55
Number of safety and regulatory investigations	650-800	650-800	650-800	650-800
Percentage of health and safety in employment investigations, audits and inspections that follow policy and procedural requirements (assessed by sample as per the Authority's review procedure)	100%	100%	100%	100%
Percentage of health and safety in employment	100%	100%	100%	100%

investigation and audit reports issued within agreed timeframes (assessed by sample as per the Authority's review procedure)				
Percentage of investigations that are delivered to agreed standards and timelines (assessed by sample as per the Authority's review procedure)	100%	100%	100%	100%

Output Class Financials:	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Crown Funding (Vote Transport: Health and safety in employment)	440	440	440	440
Levies	1,282	1,745	2,056	2,056
Fees and Charges	7,596	8,018	8,239	8,387
Other Income	101	200	200	199
Revenue	9,419	10,403	10,935	11,082
Expenditure	(9,429)	(10,481)	(10,914)	(11,275)
Net surplus/(deficit)	(10)	(78)	21	(193)

OUTPUT CLASS 5:	Security Service Delivery
WHAT DO WE DO?	<p>Under this output class the Authority:</p> <ul style="list-style-type: none"> → Screens all passengers and their carry-on baggage at security designated airports⁵ → Screens all hold baggage on departing international flights → Screens airport workers with access to enhanced security areas at international airports → Manages the issue of airport identity cards → Conducts perimeter patrols at security designated aerodromes and navigation facilities → Preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers
HOW DOES THIS CONTRIBUTE TO OUR DESIRED LONG TERM IMPACTS?	<p>Effective screening and security processes reduce the risk of aviation security incidents and ensures that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.</p> <p>Delays are minimised consistent with good screening and those subject to screening can have confidence in the intent and effectiveness of the security services.</p>

5.1 Screening Activity				
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Number of flight delays attributable to screening activities (due to security system failure)	Nil	Nil	Nil	Nil
Average passenger wait times at international departure screening points ⁶	< 1 min 33sec	≤ 3 mins	≤ 3 mins	≤ 3 mins
Average passenger wait times at domestic departure screening points ⁶	< 1 min	≤ 3 mins	≤ 3 mins	≤ 3 mins
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure) ⁷	0.086 items per million screened	< 3.4 items per million screened	< 3.4 items per million screened	< 3.4 items per million screened
Number of verified dangerous goods discovered post screening points (due to security system failure) ⁶	?? unclear	< 3.4 items per million screened	< 3.4 items per million screened	< 3.4 items per million screened

⁵ All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

⁶Waiting time subject to review as part of screening point efficiency review.

⁷ Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

Number of substantiated complaints against security officers involved in the screening function	1 complaint per 721,393 passengers screened	No more than 1 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:				
→ Metro-domestic airports	New	>67.5%	>67.5%	>67.5%
→ Metro international airports	New	>64.0%	>64.0%	>64.0%
→ Regional domestic airports	New	>57.5%	>57.5%	>57.5%
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus) ⁸	New	<12% rostering surplus	<12% rostering surplus	<12% rostering surplus

5.2 Audit Performance; Access Control; Maritime Security Services

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2013 Forecast	2014 Budget	2015 Forecast	2016 Forecast
Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	100%	100%	100%	100%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by external auditors during any programmed audit	Nil	Nil	Nil	Nil
Access Control: Number of corrective action requests pertaining to access control issued by external auditors	Nil	Nil	Nil	Nil
Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support	Nil	Nil	Nil	Nil

Output Class Financials:	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Contracted Services	2,673	2,464	2,464	2,464
Passenger Security Charges	53,721	74,583	77,065	79,415
Crown funding – Maritime Security Services	145	145	145	145
Other Income	1,157	900	679	592
Revenue	57,696	78,092	80,353	82,616
Expenditure	(77,319)	(77,730)	(75,803)	(76,880)
Net surplus/(deficit)	(19,623)	362	4,550	5,736

⁸ Rostering surplus is the percentage of time that operational staff are deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.

SECTION 9: STATEMENT OF FORECAST FINANCIAL PERFORMANCE

PROSPECTIVE FINANCIAL STATEMENTS

Prospective statement of comprehensive income

For the year ending 30 June

	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Income					
Levies revenue	23,590	23,616	24,340	25,219	26,005
Passenger security charges	51,907	53,721	74,853	77,065	79,415
Revenue from other services	9,993	8,681	10,905	11,871	11,871
Crown funding revenue	2,365	2,363	2,365	2,365	2,365
Ministry contract revenue	1,337	1,432	1,807	1,807	1,807
Interest and other income	1,292	1,075	470	470	470
Gain/(loss) on assets	480	161	193	242	155
Total income	90,964	91,049	114,933	119,039	122,088
Expense					
Personnel costs	81,038	83,565	86,003	88,106	89,514
Other costs of services	24,815	20,274	21,343	20,055	20,815
Audit fees for financial statements audit	100	126	130	133	135
Finance costs	107	360	1,552	376	547
Depreciation and amortisation expense	6,925	6,189	5,586	5,506	5,682
Capital charge	-	-	-	-	-
Authority member costs	148	148	148	148	148
Total expenses	113,133	110,662	114,762	114,324	116,841
NET SURPLUS / (DEFICIT)	(22,169)	(19,613)	171	4,715	5,247
Total other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(22,169)	(19,613)	171	4,715	5,247

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of changes in equity

For the years ending 30 June

	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Equity					
<i>Opening balance of equity at 1 July</i>					
General funds	23,806	23,575	23,585	23,394	23,559
Property, plant and equipment revaluation reserve	746	746	746	746	746
	22,316	22,176	2,553	2,915	7,465
Total opening balance of equity at 1 July	46,868	46,497	26,884	27,055	31,770
Total comprehensive income for the year	(22,169)	(19,613)	171	4,715	5,247
Total changes in equity during the year	(22,169)	(19,613)	171	4,715	5,247
<i>Closing balance of equity at 30 June</i>					
General funds	21,256	23,585	23,394	23,559	23,070
Property, plant and equipment revaluation reserve	746	746	746	746	746
Passenger security charges and other fees and charges reserves	2,697	2,553	2,915	7,465	13,201
Total closing balance of equity at 30 June	24,699	26,884	27,055	31,770	37,017

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of financial position

As at 30 June

	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
CURRENT ASSETS					
Cash and cash equivalents	8,161	1,277	675	1,065	1,014
Debtors and other receivables	8,292	15,876	16,151	16,486	16,843
Services work in progress	394	445	445	445	445
Inventories including services work in progress	105	31	31	31	31
Investments - term deposits	13,323	19,740	15,740	18,240	25,240
TOTAL CURRENT ASSETS	30,275	37,369	33,042	36,267	43,573
NON-CURRENT ASSETS					
Property, plant and equipment	16,428	14,167	16,576	17,713	15,696
Intangible assets	3,975	2,262	2,560	3,825	5,086
Investment Property	310	330	330	330	330
TOTAL NON-CURRENT ASSETS	20,713	16,759	19,466	21,868	21,112
TOTAL ASSETS	50,988	54,128	52,508	58,135	64,685
CURRENT LIABILITIES					
Creditors and other payables	5,096	7,959	7,185	7,115	7,234
Employee entitlements	11,626	9,569	9,569	9,569	9,569
Provisions	71	71	71	71	71
Borrowings	1,087	400	400	-	-
TOTAL CURRENT LIABILITIES	17,880	17,999	17,225	16,755	16,874
NON-CURRENT LIABILITIES					
Employee entitlements	4,578	5,455	5,455	5,455	5,455
Provisions	233	233	233	233	233
Borrowings	3,598	3,557	2,540	3,922	5,106
TOTAL NON-CURRENT LIABILITIES	8,409	9,245	8,228	9,610	10,794
TOTAL LIABILITIES	26,289	27,244	25,453	26,365	27,668
NET ASSETS	24,699	26,884	27,055	31,770	37,017
EQUITY					
General funds	21,256	23,585	23,394	23,559	23,070
Property, plant and equipment revaluation reserve	746	746	746	746	746
Passenger security charges and other fees and charges reserves	2,697	2,553	2,915	7,465	13,201
TOTAL EQUITY	24,699	26,884	27,055	31,770	37,017

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of cash flows

For the years ending 30 June

	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from levies	27,094	24,569	28,573	28,904	29,818
Receipts from Passenger security charges and other services	62,462	68,232	97,713	102,042	104,735
Receipts from Crown funding and Ministry contracts	4,417	4,651	4,797	4,797	4,797
Interest and other income	1,125	1,222	1,714	471	471
Total	95,098	98,674	132,797	136,214	139,821
Cash was applied to:					
Payments to employees	(78,014)	(80,424)	(82,075)	(83,429)	(84,178)
Payments to suppliers	(29,248)	(26,009)	(31,609)	(28,927)	(30,386)
Interest paid	(353)	(318)	(308)	(390)	(572)
Payments of capital charge to the Crown	-	-	-	-	-
Goods and Services Tax (net)	(3,040)	(9,568)	(13,045)	(13,894)	(14,149)
Total	(110,655)	(116,319)	(127,037)	(126,640)	(129,285)
Net Cash Flows from Operating Activities	(15,557)	(17,645)	5,760	9,574	10,536
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Maturity of investments	19,677	19,500	4,000	500	-
Sale of property, plant and equipment	480	24	198	207	132
Total	20,157	19,524	4,198	707	132
Cash was applied to:					
Placement of investments		(1,000)		(3,000)	(7,000)
Purchase of property, plant and equipment	(5,595)	(3,400)	(8,408)	(5,422)	(2,333)
Purchase of intangible assets	(180)	(306)	(1,135)	(2,450)	(2,570)
Total	(5,775)	(4,706)	(9,543)	(10,872)	(11,903)
Net Cash Flows from Investing Activities	14,382	14,818	(5,345)	(10,165)	(11,771)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from external borrowings	-	-	-	1,980	1,980
Total	-	-	-	1,980	1,980
Cash was applied to:					
Repayment of external borrowings	(2,890)	(2,089)	(1,017)	(999)	(796)
Total	(2,890)	(2,089)	(1,017)	(999)	(796)
Net Cash Flows from Financing Activities	(2,890)	(2,089)	(1,017)	981	1,184
Net increase/(decrease) in cash and cash equivalents	(4,065)	(4,916)	(602)	390	(51)
Opening cash and cash equivalents at 1 July	12,226	6,193	1,277	675	1,065
Closing cash and cash equivalents at 30 June	8,161	1,277	675	1,065	1,014

The accompanying statement of accounting policies forms part of these prospective financial statements.

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

Statement of significant underlying assumptions

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. They comprise:

- The consolidated prospective financial statements for both safety and regulatory services and the security service of the Authority
- Separate prospective financial statements for each of the safety and regulatory services and the security service of the Authority.

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the Authority to maintain separate accounting records for each of the safety and regulatory services and the security service of the Authority.

Consistent with this legislative framework, the following significant assumptions have been applied in preparing the financial statements for the Authority.

Passenger volumes

Forecasting revenue from safety levies and security charges based on domestic and international passenger volumes remains problematic. This is due to the competitiveness and confidentiality surrounding airlines planned activity and projected passenger numbers, and the impacts of external factors such as economic events and natural disasters in terms of market response by operators and consumer behaviour.

Passenger Numbers*	Projected (000's)				
	12/13 Budget	12/13 Forecast	13/14 Budget	14/15 Forecast	15/16 Forecast
Safety levies: Domestic	10,122	10,249	10,424	10,857	11,213
Security charges: Domestic	5,821	5,993	6,096	6,349	6,557
Safety levy and Security charges: International	4,765	4,727	4,843	4,958	5,104

[* upon which Safety Levies and Passenger Security Charges are based]

Figure 7 Projected Passenger Numbers

Aviation Security Service Charges are based upon jet aircraft with more than 90 passengers, whereas the Civil Aviation Authority Safety levy is based upon each passenger carried on each domestic sector.

Revenues have been estimated based on the following projections of passenger volumes:

- Volumes of passengers departing on international flights are predicted to increase by 2.5% over the 2012/13 forecast to 4.8 million in 2013/14, reflecting continued growth in Queenstown and some recovery in Christchurch.
- Screened domestic passenger volumes are forecast to increase 1.7% over the 2012/13 forecast to 6.1 million in 2013/14. It is expected that this will be driven through increased jet service capacity and increased load factors.
- The total number of passengers departing on domestic flights is forecast to increase by an average of 3% per annum over the 2013/16 period.

Other assumptions for the Statement of Intent period are:

- No new large airline will enter or exit the New Zealand market
- There will be no additional airports requiring the introduction of passenger screening services. There are currently passenger security screening operations at Auckland, Rotorua, Wellington, Christchurch, Dunedin and Queenstown.

Safety and regulatory services

Levy revenue

Revenues from safety levies are collected on the total number of passengers departing on domestic and international flights, and have been estimated based on the projections in figure 7.

The 2013/14 budget and out-year budgets have been set using the regulated international and domestic passenger safety levy charges of \$1.30 and \$1.71 respectively (GST exclusive) which were reset from 1 November 2012 and will be reviewed within the SOI period.

Fees and charges revenue

The revenue for fees and charges reflects the outcome of the new funding arrangements, effective from 1 November 2012. This pricing structure reflects the size of the industry and the income recoverable from regulatory interventions.

From 2012/13 to 2014/15, the hourly charge rate increases by an average of 18% per annum. The standard hourly rates applying from 1 November

2012 is \$181, in 2013/14 \$212 and in 2014/15 \$247 (all GST exclusive).

Personnel costs

The 2013/14 budget and out years have been prepared on a safety and regulatory services staff establishment of approximately 237 full-time equivalent positions. This increase from the 2012/13 Statement of Intent is the result of the transfer of additional shared services staff positions from the Aviation Security Service, as a result of the implementation of Phase three of the 2011/12 organisational design review.

The personnel costs have risen over the 2012/13 forecast primarily due to an assumption that all positions approved by the Board, as part of the Organisational Design Review in 2012, will be appointed and fully funded for the full year, unless specific circumstances are known. The budgeted personnel costs include provision for performance related increases and to assist with attracting and retaining key staff.

Operating surpluses/deficits

It is intended that the projected deficits shown in the Prospective Statement of Comprehensive Income on page 50 in 2013/14 and 2015/16 will be funded from accumulated reserves. The funding of the projected deficit in 2015/16 will be subject to review as part of the triennial funding review with decisions planned for 1 July 2015 outlined in Section Four.

Balance sheet

The redesign and rebuild of the core business Aviation Safety Management System is budgeted from 2013/14 based on an estimated capital cost of \$4 million. Provision has been made for the repayment of principal and interest, assuming the capital cost is funded primarily from external sources.

It is assumed that the \$2.54 million residual balance of the Crown loan for the fit-out of 55 Featherston Street, due to be paid on 30 June 2015, will be rolled over and/or a new loan executed, to match the life of the underlying lease period.

Aviation Security Services

Passenger security charges

Passenger security charges have been estimated based on the projections of screened domestic and international passenger volumes in figure 7.

The 2013/14 budget and out-year budgets have been set using the current regulated passenger

security charges - \$10.42 (GST exclusive) for international and \$4.00 (GST exclusive) per sector travelled for domestic passengers. These were reset from 1 June 2013 as part of stage one of a review of passenger charges outlined in Section Four. These charges were increased from \$6.96 (GST exclusive) for international and \$3.22 (GST exclusive) per sector travelled for domestic passengers.

This new level of passenger security charges is set at a level that reflects the Aviation Security Services normal operating costs over the shorter term and will be reviewed within the Statement of Intent period as part of stage two of the Aviation Security Services review of passenger charges outlined in Section Four.

Contracted services revenue

Aviation Security receives revenue from security services work provided to third parties. The decrease in revenue stated from 2013/14 reflects a contraction in contracted services provided to airlines and third parties. Current contracted recovery rates have been utilised in the setting of revenue and will be reviewed within the Statement of Intent period as part of stage two of the Aviation Security Services review of passenger charges outlined in Section Four.

Personnel costs

The 2013/14 budget and out years have been prepared on a Security Service establishment of 744 full-time equivalent positions. This decrease from the 2012/13 Statement of Intent is the result of the transfer of additional shared services staff positions to the aviation safety and regulatory services, as a result of the implementation of Phase three of the 2011/12 organisational design review and withdrawal of operations from Palmerston North airport and a reduced presence at Hamilton airport.

Personnel Costs are expected to increase by 0.7% above the 2012/13 forecast level. Staff turnover is expected to increase as economic conditions improve.

Operating surpluses/deficits

It is intended that the projected deficit for 2012/13 will be funded from accumulated reserves. The projected operating surpluses from 2013/14 and out years will contribute to accumulated reserves being above targeted levels in 2015/16. However, charges will be reviewed within the Statement of Intent period as part of stage two of the Aviation Security Services review of passenger charges outlined in Section Four.

Equity

The Aviation Security Service established a \$7.5 million contingency reserve (International \$4.5 million and Domestic \$3.0 million), agreed with industry in 2007. This reserve was designed to provide financial surety to Aviation Security Service enabling it to respond immediately to any security threat, situation or adverse event, for an initial 6 to 8 week period, while a more considered medium to long term assessment could be conducted.

A decision has been made by the Board and Government as part of stage one of the passenger charges review outlined in Section Four to utilise part of this reserve to meet operational funding in the short term and replenish the reserve over the Statement of Intent period. The purpose and level of this reserve will be reviewed within the Statement of Intent period.

Statement of accounting policies

Reporting entity

The Civil Aviation Authority is government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown entity on 10 August 1992. 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 to the development and delivery of achieving an integrated, safe, responsive, and sustainable transport system.

To fulfil these statutory responsibilities, the Authority comprises the aviation safety and regulatory services of the Authority and the separate aviation security service.

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

Basis of preparation

The prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, the Civil Aviation Act 1990, FRS-42 and NZ GAAP as it relates to prospective financial statements.

The prospective financial statements will not be further updated subsequent to publication.

The prospective financial statements contain information that may not be appropriate for purposes other than those described in the Statement of Responsibility.

Measurement basis

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

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies.

Significant accounting policies

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

Revenue

The Authority earns revenue from:

- ➔ Regulated levies and charges on airlines based on outgoing international passenger numbers and domestic sectors travelled by passengers;
- ➔ Regulated charges on domestic aerodromes;
- ➔ Fees and charges for regulatory and aviation safety services and security activities;
- ➔ Interest income;
- ➔ Crown funding through Vote Transport; and
- ➔ Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity).

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

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

Provision of fee-based services

Revenue derived from the Authority's provision of regulatory, and aviation safety, services is recognised in the Prospective Statement of Comprehensive Income in the period that the services have been rendered, in proportion to the

stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

Interest

Interest income is recognised using the effective interest method.

Crown funding and Ministry contracts

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

Goods and services tax

All items in the prospective financial statements are presented exclusive of Goods and Services Tax (GST), except 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.

Net GST receivable or payable at balance date is included in receivables or payables in the Prospective 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 Prospective Statement of Cash Flows.

Income tax

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

Payment of any surplus to the Crown

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

Derivative financial instruments and foreign currency transactions

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

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

Forward exchange contract derivatives are recognised in the Prospective Statement of Financial Position at their fair value. Realised and un-realised gains and losses arising from changes in fair value or upon settlement are recognised in the Prospective Statement of Comprehensive Income in the period in which they arise.

Foreign currency transactions

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

Other financial assets

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

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

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

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

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

Impairment of financial assets

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

Leases

Finance leases

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

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

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

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

Operating leases

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

Cash and cash equivalents

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

Inventories

Service's work in progress

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

Inventories held for use in the provision of services

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

Inventory write-downs

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Accounting for revaluations

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Prospective Statement of Comprehensive Income. When re-valued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

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

Intangible assets with an indefinite useful life are not amortised and are instead subject to an annual impairment test.

Impairment of property, plant and equipment and intangibles

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

Indefinite life intangible assets are tested for impairment annually.

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

If an asset is impaired its carrying amount is written down to the recoverable amount. For assets carried at historical cost the total impairment loss

and any subsequent reversals of impairment are recognised in the Prospective Statement of Comprehensive Income.

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

Investment property

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

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

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

Borrowings

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

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

Employee entitlements

Short-term employee entitlements

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

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

Long-term employee entitlements

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

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

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

Post-employment entitlements

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

Provisions

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

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

Equity

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

- ➔ General Funds
- ➔ Property plant and equipment revaluation reserve
- ➔ Passenger security charges and other fees and charges reserves.

Property revaluation reserve

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

Passenger security reserve

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

Output costing

Criteria for direct and indirect costs

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

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

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

Criteria for apportioning Shared Services costs

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

Critical accounting estimates, assumptions and judgments

In preparing the prospective 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, rather than actually occurring events or transactions, which are believed to be reasonable under the circumstances.

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

Internally developed computer software intangible assets availability for use

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

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

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

Lease classification

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

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

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

ADDITIONAL PROSPECTIVE FINANCIAL INFORMATION

Prospective statement of comprehensive income

For the years ending 30 June

	Aviation Safety & Regulatory Services					Aviation Security Service					Combined				
	2013	2013	2014	2015	2016	2013	2013	2014	2015	2016	2013	2013	2014	2015	2016
	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income															
Levies revenue	23,590	23,616	24,340	25,219	26,005	-	-	-	-	-	23,590	23,616	24,340	25,219	26,005
Passenger security charges	-	-	-	-	-	51,907	53,721	74,853	77,065	79,415	51,907	53,721	74,853	77,065	79,415
Revenue from other services	7,168	6,023	8,456	9,422	9,422	2,840	2,673	2,464	2,464	2,464	9,993	8,681	10,905	11,871	11,871
Crown funding revenue	2,220	2,219	2,220	2,220	2,220	145	144	145	145	145	2,365	2,363	2,365	2,365	2,365
Ministry contract revenue	1,200	1,295	1,662	1,662	1,662	137	137	145	145	145	1,337	1,432	1,807	1,807	1,807
Interest and other income	438	202	178	178	178	854	873	292	292	292	1,292	1,075	470	470	470
Gain/(loss) on assets	-	13	-	-	-	480	148	193	242	155	480	161	193	242	155
Total income	34,616	33,368	36,856	38,701	39,487	56,363	57,696	78,092	80,353	82,616	90,964	91,049	114,933	119,039	122,088
Expense															
Personnel costs	22,375	24,647	26,692	28,153	28,584	58,663	58,918	59,311	59,953	60,930	81,038	83,565	86,003	88,106	89,514
Other costs of services	13,095	6,938	8,612	8,264	8,734	11,735	13,351	12,746	11,806	12,096	24,815	20,274	21,343	20,055	20,815
Audit fees for financial statements audit	100	126	130	133	135	-	-	-	-	-	100	126	130	133	135
Finance costs	-	254	252	376	547	107	106	1,300	-	-	107	360	1,552	376	547
Depreciation and amortisation expense	1,448	1,245	1,213	1,462	1,828	5,477	4,944	4,373	4,044	3,854	6,925	6,189	5,586	5,506	5,682
Capital charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Authority member costs	148	148	148	148	148	-	-	-	-	-	148	148	148	148	148
Total expenses	37,166	33,358	37,047	38,536	39,976	75,982	77,319	77,730	75,803	76,880	113,133	110,662	114,762	114,324	116,841
NET SURPLUS / (DEFICIT)	(2,550)	10	(191)	165	(489)	(19,619)	(19,623)	362	4,550	5,736	(22,169)	(19,613)	171	4,715	5,247
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,550)	10	(191)	165	(489)	(19,619)	(19,623)	362	4,550	5,736	(22,169)	(19,613)	171	4,715	5,247

Note 1: The projected operating deficits shown for aviation security service delivery in 2013 is a direct result of government's decisions to reduce accumulated surpluses by 2012/13 by reducing the Passenger Security Charges. The Charge was reset from 1 June 2013 at a level that fully funds the cost of operations.
 Note 2: The consolidation is net of the elimination of the cost of CAA compliance audit of Avsec under part 140 and 141 of the Civil Aviation Act 1990.
 The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of changes in equity

For the years ending 30 June

	Aviation Safety & Regulatory Services					Aviation Security Service					Combined				
	2013	2013	2014	2015	2016	2013	2013	2014	2015	2016	2013	2013	2014	2015	2016
	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast	Budget	Forecast	Budget	Forecast	Forecast
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EQUITY															
<i>Opening balance of equity at 1 July</i>															
General funds	9,706	9,675	9,685	9,494	9,659	14,100	13,900	13,900	13,900	13,900	23,806	23,575	23,585	23,394	23,559
Property, plant and equipment revaluation reserve	-	-	-	-	-	746	746	746	746	746	746	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	-	-	22,316	22,176	2,553	2,915	7,465	22,316	22,176	2,553	2,915	7,465
Total opening balance of equity at 1 July	9,706	9,675	9,685	9,494	9,659	37,162	36,822	17,199	17,561	22,111	46,868	46,497	26,884	27,055	31,770
Total comprehensive income for the year	(2,550)	10	(191)	165	(489)	(19,619)	(19,623)	362	4,550	5,736	(22,169)	(19,613)	171	4,715	5,247
Total changes in equity during the year	(2,550)	10	(191)	165	(489)	(19,619)	(19,623)	362	4,550	5,736	(22,169)	(19,613)	171	4,715	5,247
<i>Closing balance of taxpayers' equity at 30 June</i>															
General funds	7,156	9,685	9,494	9,659	9,170	14,100	13,900	13,900	13,900	13,900	21,256	23,585	23,394	23,559	23,070
Property, plant and equipment revaluation reserve	-	-	-	-	-	746	746	746	746	746	746	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	-	-	2,697	2,553	2,915	7,465	13,201	2,697	2,553	2,915	7,465	13,201
Total closing balance of taxpayers' equity at 30 June	7,156	9,685	9,494	9,659	9,170	17,543	17,199	17,561	22,111	27,847	24,699	26,884	27,055	31,770	37,017

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of financial position

As at 30 June

	Aviation Safety & Regulatory Services					Aviation Security Service					Combined				
	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
CURRENT ASSETS															
Cash and cash equivalents	4,161	862	320	514	396	4,000	415	355	551	618	8,161	1,277	675	1,065	1,014
Debtors and other receivables	2,861	6,600	5,755	5,854	5,948	5,431	9,276	10,396	10,632	10,895	8,292	15,876	16,151	16,486	16,843
Services work in progress	394	445	445	445	445	-	-	-	-	-	394	445	445	445	445
Inventories	-	-	-	-	-	105	31	31	31	31	105	31	31	31	31
Investments - term deposits	-	5,015	5,015	4,515	4,515	13,323	14,725	10,725	13,725	20,725	13,323	19,740	15,740	18,240	25,240
TOTAL CURRENT ASSETS	7,416	12,922	11,535	11,328	11,304	22,859	24,447	21,507	24,939	32,269	30,275	37,369	33,042	36,267	43,573
NON-CURRENT ASSETS															
Property, plant and equipment	4,960	4,877	4,170	3,805	3,216	11,468	9,290	12,406	13,908	12,480	16,428	14,167	16,576	17,713	15,696
Intangible assets	2,738	697	1,450	3,162	4,538	1,237	1,565	1,110	663	548	3,975	2,262	2,560	3,825	5,086
Investment Property	-	-	-	-	-	310	330	330	330	330	310	330	330	330	330
TOTAL NON-CURRENT ASSETS	7,698	5,574	5,620	6,967	7,754	13,015	11,185	13,846	14,901	13,358	20,713	16,759	19,466	21,868	21,112
TOTAL ASSETS	15,114	18,496	17,155	18,295	19,058	35,874	35,632	35,353	39,840	45,627	50,988	54,128	52,508	58,135	64,685
CURRENT LIABILITIES															
Creditors and other payables	2,068	2,970	2,220	2,213	2,281	3,028	4,989	4,965	4,902	4,953	5,096	7,959	7,185	7,115	7,234
Employee entitlements	1,966	2,047	2,047	2,047	2,047	9,660	7,522	7,522	7,522	7,522	11,626	9,569	9,569	9,569	9,569
Provisions	71	71	71	71	71	-	-	-	-	-	71	71	71	71	71
Borrowings	400	400	400	-	-	687	-	-	-	-	1,087	400	400	-	-
TOTAL CURRENT LIABILITIES	4,505	5,488	4,738	4,331	4,399	13,375	12,511	12,487	12,424	12,475	17,880	17,999	17,225	16,755	16,874
NON-CURRENT LIABILITIES															
Employee entitlements	513	383	383	383	383	4,065	5,072	5,072	5,072	5,072	4,578	5,455	5,455	5,455	5,455
Provisions	-	-	-	-	-	233	233	233	233	233	233	233	233	233	233
Borrowings	2,940	2,940	2,540	3,922	5,106	658	617	-	-	-	3,598	3,557	2,540	3,922	5,106
TOTAL NON-CURRENT LIABILITIES	3,453	3,323	2,923	4,305	5,489	4,956	5,922	5,305	5,305	5,305	8,409	9,245	8,228	9,610	10,794
TOTAL LIABILITIES	7,958	8,811	7,661	8,636	9,888	18,331	18,433	17,792	17,729	17,780	26,289	27,244	25,453	26,365	27,668
NET ASSETS	7,156	9,685	9,494	9,659	9,170	17,543	17,199	17,561	22,111	27,847	24,699	26,884	27,055	31,770	37,017
EQUITY															
General funds	7,156	9,685	9,494	9,659	9,170	14,100	13,900	13,900	13,900	13,900	21,256	23,585	23,394	23,559	23,070
Property, plant and equipment revaluation reserve	-	-	-	-	-	746	746	746	746	746	746	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	-	-	-	2,697	2,553	2,915	7,465	13,201	2,697	2,553	2,915	7,465	13,201
TOTAL EQUITY	7,156	9,685	9,494	9,659	9,170	17,543	17,199	17,561	22,111	27,847	24,699	26,884	27,055	31,770	37,017

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective statement of cash flows

For the years ending 30 June

	Aviation Safety & Regulatory Services					Aviation Security Service					Combined				
	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
CASH FLOWS FROM OPERATING ACTIVITIES															
Cash was provided from:															
Receipts from levies	27,094	24,569	28,573	28,904	29,818	-	-	-	-	-	27,094	24,569	28,573	28,904	29,818
Receipts from Passenger security charges and other services	8,143	6,241	9,906	10,829	10,835	54,319	61,991	87,807	91,213	93,900	62,462	68,232	97,713	102,042	104,735
Receipts from Crown funding and Ministry contracts	4,135	4,318	4,464	4,464	4,464	282	333	333	333	333	4,417	4,651	4,797	4,797	4,797
Interest and other income	224	202	179	179	179	901	1,020	1,535	292	292	1,125	1,222	1,714	471	471
Total	39,596	35,330	43,122	44,376	45,296	55,502	63,344	89,675	91,838	94,525	95,098	98,674	132,797	136,214	139,821
Cash was applied to:															
Payments to employees	(22,010)	(22,702)	(24,878)	(26,225)	(26,651)	(56,004)	(57,722)	(57,197)	(57,204)	(57,527)	(78,014)	(80,424)	(82,075)	(83,429)	(84,178)
Payments to suppliers	(15,603)	(9,579)	(13,020)	(12,101)	(12,589)	(13,645)	(16,430)	(18,589)	(16,826)	(17,797)	(29,248)	(26,009)	(31,609)	(28,927)	(30,386)
Interest paid	(246)	(254)	(252)	(390)	(572)	(107)	(64)	(56)	-	-	(353)	(318)	(308)	(390)	(572)
Payments of capital charge to the Crown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goods and Services Tax (net) ¹	(3,073)	(3,588)	(3,854)	(4,138)	(4,171)	33	(5,980)	(9,191)	(9,756)	(9,978)	(3,040)	(9,568)	(13,045)	(13,894)	(14,149)
Total	(40,932)	(36,123)	(42,004)	(42,854)	(43,983)	(69,723)	(80,196)	(85,033)	(83,786)	(85,302)	(110,655)	(116,319)	(127,037)	(126,640)	(129,285)
Net Cash Flows from Operating Activities	(1,336)	(793)	1,118	1,522	1,313	(14,221)	(16,852)	4,642	8,052	9,223	(15,557)	(17,645)	5,760	9,574	10,536
CASH FLOWS FROM INVESTING ACTIVITIES															
Cash was provided from:															
Maturity of investments	-	-	-	500	-	19,677	19,500	4,000	-	-	19,677	19,500	4,000	500	-
Sale of property, plant and equipment	-	24	5	-	-	480	-	193	207	132	480	24	198	207	132
Total	-	24	5	500	-	20,157	19,500	4,193	207	132	20,157	19,524	4,198	707	132
Cash was applied to:															
Placement of investments	-	(1,000)	-	-	-	-	-	-	(3,000)	(7,000)	-	(1,000)	-	(3,000)	(7,000)
Purchase of property, plant and equipment	(1,840)	(603)	(250)	(479)	(285)	(3,755)	(2,797)	(8,158)	(4,943)	(2,048)	(5,595)	(3,400)	(8,408)	(5,422)	(2,333)
Purchase of intangible assets	-	-	(1,015)	(2,330)	(2,330)	(180)	(306)	(120)	(120)	(240)	(180)	(306)	(1,135)	(2,450)	(2,570)
Total	(1,840)	(1,603)	(1,265)	(2,809)	(2,615)	(3,935)	(3,103)	(8,278)	(8,063)	(9,288)	(5,775)	(4,706)	(9,543)	(10,872)	(11,903)
Net Cash Flows from Investing Activities	(1,840)	(1,579)	(1,260)	(2,309)	(2,615)	16,222	16,397	(4,085)	(7,856)	(9,156)	14,382	14,818	(5,345)	(10,165)	(11,771)
CASH FLOWS FROM FINANCING ACTIVITIES															
Cash was provided from:															
Proceeds from external borrowings	-	-	-	1,980	1,980	-	-	-	-	-	-	-	-	1,980	1,980
Total	-	-	-	1,980	1,980	-	-	-	-	-	-	-	-	1,980	1,980
Cash was applied to:															
Repayment of external borrowings	(400)	(400)	(400)	(999)	(796)	(2,490)	(1,689)	(617)	-	-	(2,890)	(2,089)	(1,017)	(999)	(796)
Total	(400)	(400)	(400)	(999)	(796)	(2,490)	(1,689)	(617)	-	-	(2,890)	(2,089)	(1,017)	(999)	(796)
Net Cash Flows from Financing Activities	(400)	(400)	(400)	981	1,184	(2,490)	(1,689)	(617)	-	-	(2,890)	(2,089)	(1,017)	981	1,184
Net increase/(decrease) in cash and cash equivalents	(3,576)	(2,772)	(542)	194	(118)	(489)	(2,144)	(60)	196	67	(4,065)	(4,916)	(602)	390	(51)
Opening cash and cash equivalents at 1 July	7,737	3,634	862	320	514	4,489	2,559	415	355	551	12,226	6,193	1,277	675	1,065
Closing cash and cash equivalents at 30 June	4,161	862	320	514	396	4,000	415	355	551	618	8,161	1,277	675	1,065	1,014

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective Reconciliation of Equity: Aviation Safety & Regulatory Services

For the years ending 30 June

Fixed Fee Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Safety & Regulatory:					
Revenue	2,893	2,113	3,031	3,031	3,031
Expenditure	(3,874)	(3,621)	(3,970)	(4,074)	(4,188)
Net surplus / (deficit)	(981)	(1,508)	(939)	(1,043)	(1,157)
Opening balance at 1 July	-	-	-	-	-
Cross subsidy from other reserves	981	1,508	939	1,043	1,157
Closing balance at 30 June	-	-	-	-	-

Hourly Charges Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Safety & Regulatory:					
Revenue	4,277	3,901	5,425	6,391	6,391
Expenditure	(10,468)	(9,495)	(10,860)	(11,334)	(11,779)
Net surplus / (deficit)	(6,191)	(5,594)	(5,435)	(4,943)	(5,388)
Opening balance at 1 July	-	-	-	-	-
Cross subsidy from other reserves	6,191	5,594	5,435	4,943	5,388
Closing balance at 30 June	-	-	-	-	-

Other (Vote Transport & MOT Contract) Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Safety & Regulatory:					
Revenue	3,420	3,419	3,420	3,419	3,419
Expenditure	(4,694)	(3,881)	(3,956)	(4,066)	(4,197)
Net surplus / (deficit)	(1,274)	(462)	(536)	(647)	(778)
Opening balance at 1 July	-	-	-	-	-
Cross subsidy from other reserves	1,274	462	536	647	778
Closing balance at 30 June	-	-	-	-	-

General Funds	2011/12 Budget \$000	2011/12 Forecast \$000	2012/13 Budget \$000	2013/14 Forecast \$000	2014/15 Forecast \$000
Aviation Safety & Regulatory:					
Revenue	24,029	23,935	24,981	25,860	26,646
Expenditure	(18,133)	(16,361)	(18,262)	(19,062)	(19,812)
Net surplus / (deficit)	5,896	7,574	6,719	6,798	6,834
Opening balance at 1 July	9,706	9,675	9,685	9,494	9,659
Cross subsidy from / (to) other reserves	(8,446)	(7,564)	(6,910)	(6,633)	(7,323)
Closing balance at 30 June	7,156	9,685	9,494	9,659	9,170

The accompanying statement of accounting policies forms part of these prospective financial statements.

Prospective Reconciliation of Equity: Aviation Security Service

For the years ending 30 June

International Passenger Security Charge Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	33,162	34,090	50,469	51,667	53,186
Expenditure	(48,754)	(50,060)	(50,125)	(48,817)	(49,585)
Net surplus / (deficit)	(15,592)	(15,970)	344	2,850	3,601
Opening balance at 1 July	18,591	17,442	1,472	1,816	4,666
Closing balance at 30 June	2,999	1,472	1,816	4,666	8,267

Domestic Passenger Security Charge Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	18,744	19,632	24,383	25,397	26,228
Expenditure	(22,723)	(23,538)	(24,033)	(23,383)	(23,751)
Net surplus / (deficit)	(3,979)	(3,906)	350	2,014	2,477
Opening balance at 1 July	4,516	5,682	1,776	2,126	4,140
Closing balance at 30 June	537	1,776	2,126	4,140	6,617

Other Fees and Charges Reserve GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	3,084	2,952	2,754	2,754	2,754
Expenditure	(3,132)	(2,699)	(3,086)	(3,068)	(3,096)
Net surplus / (deficit)	(48)	253	(332)	(314)	(342)
Opening balance at 1 July	(791)	(948)	(695)	(1,027)	(1,341)
Closing balance at 30 June	(839)	(695)	(1,027)	(1,341)	(1,683)

Total Passenger Security charges and other fees and charges reserves GST Exclusive	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	54,990	56,674	77,606	79,818	82,168
Expenditure	(74,609)	(76,297)	(77,244)	(75,268)	(76,432)
Net surplus / (deficit)	(19,619)	(19,623)	362	4,550	5,736
Opening balance at 1 July	22,316	22,176	2,553	2,915	7,465
Closing balance at 30 June	2,697	2,553	2,915	7,465	13,201

Property, plant and equipment revaluation reserve	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	-	-	-	-	-
Expenditure	-	-	-	-	-
Net surplus / (deficit)	-	-	-	-	-
Opening balance at 1 July	746	746	746	746	746
Closing balance at 30 June	746	746	746	746	746

General Funds	2013 Budget \$000	2013 Forecast \$000	2014 Budget \$000	2015 Forecast \$000	2016 Forecast \$000
Aviation Security:					
Revenue	-	-	-	-	-
Expenditure	-	-	-	-	-
Net surplus / (deficit)	-	-	-	-	-
Opening balance at 1 July	14,100	13,900	13,900	13,900	13,900
Closing balance at 30 June	14,100	13,900	13,900	13,900	13,900

The accompanying statement of accounting policies forms part of these prospective financial statements.

PART C: APPENDICES

APPENDIX 1

GOAL = LOW AND REDUCING NUMBERS AND COSTS OF AIR ACCIDENTS								
Measures	Rate of aircraft accidents per 100,000 flight hours				Social cost per seat hour (\$)			
	3 year Trend line	For the 3 years ended 30 Jun 2012	Interim 2013/16 Targets	For the 3 years ended 31 Mar 2013	3 year Trend line	For the 3 years ended 30 Jun 2012	Interim 2013/16 Targets	For the 3 years ended 31 Mar 2013
Aviation Safety Target Groups								
Public air transport								
1. Airline operations - large aeroplanes		0.51	0.32	0.30	↓	0.00	0.00	0.00
2. Airline operations - medium aeroplanes	↑	2.25	1.11	1.06	↓	0.02	0.02	0.00
3. Airline operations - small aeroplanes	↓	3.61	5.18	2.65	↓	2.29	2.34	0.49
4. Airline operations - helicopters	↓	3.94	5.16	4.02	↓	5.29	6.50	10.55
5. Sport aviation transport operations	Data under development				Data under development			
Other Commercial operations								
6. Other Commercial operations - aeroplanes	↓	3.74	4.72	3.63	↓	60.00	6.50	53.39
7. Other commercial operations - helicopters	↑	10.54	7.16	10.03	↑	107.42	6.50	102.13
8. Agricultural operations - aeroplanes	↓	11.65	19.28	15.86	↓	12.70	14.00	44.42
9. Agricultural operations - helicopters	↓	8.91	10.32	6.7	↑	22.43	8.56	22.61
10. Agricultural operations - sport aircraft	Data under development				Data under development			
Non-commercial operations								
11. Private operations - aeroplanes	↓	21.92	26.05	27.08	↑	101.18	10.00	54.24
12. Private operations - helicopters	↓	37.49	33.02	32.16	↑	78.01	10.00	75.72
13. Private operations - sport aircraft	↓	73.64	Data not available	81.02	↓	108.83	20.00	92.73

GOAL = NO SECURITY INCIDENTS THAT COMPROMISE SAFETY				
	2006 – 2011 Total	2011/12 Actuals	Targets 2013-2016	Actuals at 31 March 2013
In-flight security incidents involving offences against the <i>Aviation Crimes Act 1972</i> for aircraft which have been screened by the Aviation Security Service.	Nil	Nil	Nil	Nil
Airside security incidents involving offences against the <i>Aviation Crimes Act 1972</i> at security designated aerodromes where the Aviation Security Service operates.	Nil	Nil	Nil	Nil
Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service.	Nil	3	Nil	Nil

USER CONFIDENCE (survey results as at June 2011 and 2012 – next survey June 2014)			
		Result as at June 2011	Result as at July 2012
Resident Travellers	Respondents felt extremely or very safe and secure on their most recent domestic or international flight.	72%	75%
Overseas Travellers	Respondents feel extremely or very safe and secure on domestic or international flights departing from New Zealand.	86%	90%
Participants	Key stakeholders are satisfied with the safety and security performance of the civil aviation system in New Zealand.	44% of 27 respondents	61% of 33 respondents

Notes

- *Flight hours and seat hours data for quarter 4, 2012 and quarter 1, 2013 are estimates. The figures are derived from previous operating statistics in each safety target group category. Figures are subject to change as operator activity statistics are returned.
- *Accident and Social Cost rates for the sport transport operations category are not currently available owing to the very recent reorganisation of this category in the form of the new Part 115 rules. Information about hours being flown in this sector is currently too scarce for reasonable estimates to be made.
- *During this reporting period there was a serious accident off the coast of Kawhia involving two fatalities. In accordance with ICAO guidelines this accident has not been included in the New Zealand accident figures, due to the aircraft involved being registered in the United States.

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

INTERNATIONAL CREDIBILITY

International Civil Aviation Organization - Universal Safety Organisation Audit Programme (Safety audit cycle 2005 to 2010 - NZ rating 2006)

Critical Elements <i>(Elements 2-8 are principally attributable to the work of the Civil Aviation Authority)</i>	1 Primary aviation legislation	2 Specific operating regulations	3 State civil aviation system & safety oversight function	4 Technical personnel qualification and training	5 Technical guidance, tools and provision of safety-critical information	6 Licensing, certification, authorization & approval obligations	7 Surveillance obligations	8 Resolution of safety concerns	Overall Rating
NZ rating (2006)	8	8	8	8	8	9	9	9	8.38
Australia rating	10	7	9	5	9	9	9	9	8.38
OECD average (Feb. 2012)	9	8	7	6	8	9	8	8	7.88
Global average (Feb.2012)	7	6	6	4	6	7	6	5	5.88

Note: Results of the International Civil Aviation Organization Security Audit Programme cannot be publicly disclosed for international security and diplomatic reasons.

APPENDIX 2

Change programme benefits realisation outcomes

The Authority has undergone a period of transition from late 2011. A change programme was delivered over three phases ending in late 2012. There is now a focus on bedding in the change and realising the benefits from that change.

The table below identifies the change benefit sought and the highlighted sections reflect the work already complete.

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

CHANGE/ BENEFIT SOUGHT	CHANGE OUTCOMES SUPPORTED	DESCRIPTION
	<ul style="list-style-type: none"> ➔ Increasing value-add workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory services 	<ul style="list-style-type: none"> ➔ Improved responsiveness to participant needs
Improved and updated business processes	<ul style="list-style-type: none"> ➔ Increased use of non-regulatory tools and interventions to achieve safety and security ➔ Lowering processing costs, increased scalability and flexibility, multiskilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory services 	<ul style="list-style-type: none"> ➔ Improved clarity for participants and organisations about how the Authority needs to manage its internal business processes ➔ Clear roles and lines of responsibility ➔ Clear lines of communication ➔ Delegations clearly expressed and accountabilities established ➔ More consistent application of the new procedures across the Authority ➔ Improved the ability to assess participant risk and enabling engagement with participants by risk factor ➔ Improved ability to apply non-regulatory interventions to improve participant performance ➔ Able to implement safety management systems
Robust common business support systems	<ul style="list-style-type: none"> ➔ Improved responsiveness ➔ Greater capacity and more timely response to change ➔ Lowering processing costs, increased scalability and flexibility, multi-skilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add workforce through improved competency skill and qualification levels ➔ Greater focus on delivery of regulatory services 	<ul style="list-style-type: none"> ➔ Establishment of a shared corporate support group ➔ Implementation of Finance One as the core accounting system, and of Payglobal as the common core human resources management information and payroll system ➔ Improved access to consistent management information to improve management decision making ➔ Implementation of a common information technology and systems infrastructure ➔ Enhance and test disaster recovery ➔ Enable the Authority to support other transport agencies information technology infrastructure needs if required
A system with quality and integrity of data and information	<ul style="list-style-type: none"> ➔ Improved risk identification to enable both participant and sector risk management ➔ Increased use of non-regulatory tools and interventions to achieve safety and security ➔ Lowering processing costs, increased scalability and flexibility, multiskilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add workforce through improved competency skill and qualification levels 	<ul style="list-style-type: none"> ➔ Increased capability in data analysis ➔ Growing ability to assess/quantify sector risk ➔ Implement an upgraded/ replacement Aviation Safety Management System ➔ Refresh information management policy and processes ➔ Establish joint records and document management systems across the whole organisation
Change program delivered effectively	<ul style="list-style-type: none"> ➔ Improved responsiveness ➔ Greater capacity and more timely response to change ➔ Lowering processing costs, increased scalability and flexibility, multi-skilling of staff ➔ More integrated business planning and operation contributes to whole of government efficiencies ➔ Increasing value-add workforce through improved competency skill and qualification levels 	<ul style="list-style-type: none"> ➔ Clear mandate for change from the Board of the Authority ➔ Adoption of an effective project management approach (including the establishment of the Authority Level Change Steering Committee) ➔ Utilise a high degree of engagement/ consultation with management and staff during planning and design phases ➔ Carry out a fundamental review of the policy and regulatory responsibilities and activities of the Authority

CHANGE/ BENEFIT SOUGHT	CHANGE OUTCOMES SUPPORTED	DESCRIPTION
Financial Benefits	<ul style="list-style-type: none"> <li data-bbox="400 226 898 286">→ Savings have been estimated and are included in the 'baseline' numbers of both the Civil Aviation Authority and Aviation Security Service for the Statement of Intent 2013-16. <li data-bbox="400 297 898 394">→ Value-for-Money estimated savings of \$2.85 million and \$2.25 million have been budgeted over three years from 2011/12 to 2014/15 for the Civil Aviation Authority and Aviation Security Service respectively and are anticipated to be achieved subject to material changes to assumptions e.g. potential delays to achieve the property savings. 	