4 February 2011

Hon Steven Joyce
Minister of Transport
PO Box 18 041
Parliament Buildings
Wellington 6160

Dear Minister

Implementation of OAG’s Recommendations – Second Quarterly Report

In accordance with our agreement for the monitoring and reporting on progress implementing the recommendations resulting from the OAG’s 2009 audit of the CAA’s certification and surveillance functions I am pleased to provide you with the Authority’s report on the status of work done during the last quarter of 2010. I have also enclosed a copy of the Audit New Zealand report provided to the Authority’s Audit, Finance and Risk Committee.

In my letter dated 1 October 2010 accompanying the first of these reports I highlighted the work to be done in the next quarter to “more explicitly place the implementation of the OAG recommendations within the framework of broader organisational change”. I also noted the importance of the assessment of organisational performance and functions inherent in the CAA’s Value for Money (VfM) review as an input to the CAA’s change efforts. I see the VfM review as having a crucial role in ensuring that the CAA is focusing its efforts on the right things. The desire to gain the benefit of the outcomes from the VfM work and to consolidate all of the organisation’s change efforts within a comprehensive strategic plan has seen efforts in the last quarter concentrate on improvements to the surveillance and certification functions while developing the framework and methodology for a single overarching change process. To that end, the Authority has tasked the organisation with the development of a strategic plan which describes desired future outcomes, identifies gaps to the current state and provides a plan to close the gaps. That plan must be completed by the end of the current financial year.

You will note that Audit New Zealand has expressed some concern that the period of consolidation referred to above represents a loss of momentum in organisational change efforts. I acknowledge their concern but consider that in the long term the development of a comprehensive plan for organisational change informed by the results of the VfM review will produce better outcomes than ad-hoc and uncoordinated action. It is for this reason that the Authority has established the requirement for the strategic planning work referred to above. While that work is being done I can assure you that the Authority is being very active in demanding performance and accountability from the management of the CAA.
It is pleasing to note that the results of output quality measurement for the quarter show a significant and consistent improvement in the performance of the certification function. This is gratifying given that the related improvement project was only completed part way through the quarter. The results from the surveillance function are unsatisfactory and the General Manager concerned has been requested by the Authority to attend the next Authority meeting and explain. Particular emphasis is being placed on managers actively managing the performance of their staff and taking corrective action based on the results obtained from the quality measurements.

You will note that in its report Audit New Zealand refers to a difference between the CAA’s interpretation of recommendation 5 and what the OAG intended. The difference has only just been identified. The OAG has acknowledged that the wording of the recommendation could be clearer and the CAA has agreed to alter its plans to more completely address the OAG’s intent.

In its report Audit New Zealand also makes reference, under ‘Other Matters’, to a request it received for an inquiry into the CAA’s certification actions in relation to an airline. I understand that the certification actions to which they referred took place in 2009. As such they are outside the scope of the attached report and any developments on the matter will be reported separately by the OAG and/or the CAA.

I request you consider the content of the enclosed reports, provide any comment you consider necessary and advise whether provision of the next report in this series on 6 May 2011 is acceptable.

Yours sincerely

Rick Bettle
Chairman
Civil Aviation Authority