



Annual Report 2014/2015



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New Zealand Government

Why the work of the Civil Aviation Authority of New Zealand is important

AS AT 30 JUNE 2015:

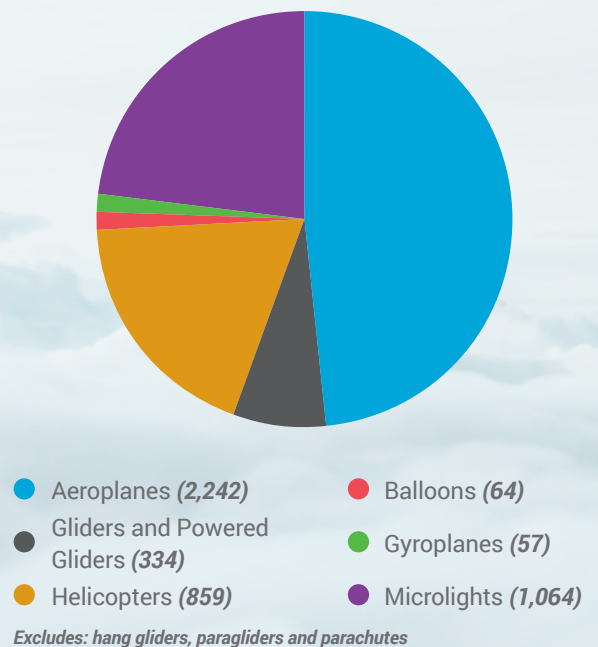
555 findings resulted in corrective actions from registered aviation participants following routine safety audits by the Regulatory Function of the Authority.

\$6.9 billion was the value of goods exported by air. This equates to **13.7%** of the total value of New Zealand exports for the year.

(source: Statistics New Zealand)

There are over **9,600** active pilots licenced in New Zealand.

Aircraft on New Zealand register at 30 June 2015:



KEEPING YOU SAFE

68,800

prohibited items and dangerous goods surrendered at screening points across security designated airports in New Zealand.

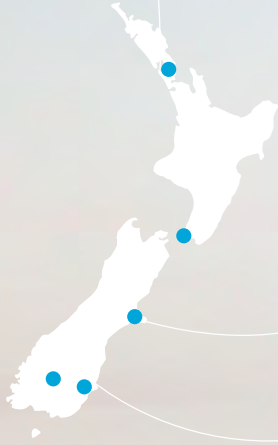
4,620

aircraft registered in New Zealand or operating under Civil Aviation Authority certification. The type of aircraft are identified in the pie chart above (excluding hang gliders, paragliders and parachutes).

99%

of international visitors arrived and departed New Zealand by air. That's approximately **10.8** million passengers transiting our international airports last year.

IN THE 12 MONTHS ENDING 30 JUNE 2015:



✈️ **2,335,276**

New Zealand residents departed for international destinations on:

✈️ **31,648**

international flights out of New Zealand, which equates to an average of:

✈️ **74**

New Zealand residents on board each international flight

34.112 Million
bags screened over 12 months



The Security Service has 25 explosive detector dog units operating across 5 airports.

Passengers vs Bag Screening (million):



- Total number of passengers screened (2014/2015)
- Total number of bags screened (2014/2015)

International passengers departing vs total domestic passengers screened:



- Total number of International passengers screened (2014/2015)
- Total number of domestic passengers screened (2014/2015)
- Total dual passengers screened (2014/15)

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This Annual Report has been prepared in accordance with:

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

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2014 to 30 June 2015.



Nigel Gould

Chairman of the Civil Aviation Authority of New Zealand
21 October 2015

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



Mark Wheeler

General Manager, Aviation Security Service
21 October 2015

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

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The year in review

Several years of hard work have brought tangible results for the Authority over the last 12 months during which we have made significant progress on our journey to become a world-class aviation regulator and security service provider.

In previous Annual Reports, we have written about our intention to transition towards risk-based regulation—moving from a model with prescribed minimum standards to one where operators proactively manage safety risks. For a regulator that has done things a certain way for decades, this represents a quantum leap that involves changing our approach to everything from policy development, to airspace design.

There have been significant challenges along the way, both in re-shaping the way we work and also in bringing aviation participants along with us in this new way of working. We are confident that the Authority's continued strides towards becoming a risk-based regulator will empower it to improve New Zealand's already high standards of aviation safety and security.



Nigel Gould

Graeme Harris

We are pleased to report that 2014/15 saw us deliver a strong result against our standards of delivery performance for each class of our outputs (as outlined in our statements of service performance in Part B of this report), and also progress key focus areas that drive our strategy. With aviation safety as our mandate, we are keeping our finger on the pulse of today's realities, whilst also preparing for the challenges and opportunities of tomorrow.

New challenges, new opportunities

One of the biggest challenges the Authority faces as it brings in a risk-based approach is rapid technological advancement in aviation, which is perhaps illustrated most clearly by the evolution and proliferation of unmanned aircraft, especially Remotely Piloted Aircraft Systems (RPAS).

The biggest challenge for regulators around the world is to maintain safety for other airspace users and people and property as these aircraft—which can fly faster, higher and further than traditional model aircraft—become popular with members of the public, many of whom are not familiar with their safety obligations under Civil Aviation Rules.

The increasing popularity of RPAS for everything from surveying, to inspecting power lines, film and television production, search and rescue, and recreation, mean they are now commonly referred to in the news.

Over the last few years the Authority has been carefully considering the safety issues that RPAS present and developing future-focused, flexible regulations that enable operations whilst maintaining safety.

This culminated in Cabinet's approval for the establishment of Rule Part 102, Unmanned Aircraft Operator Certification, exemplifying a flexible, risk-based approach to regulation. The rule enables operators who want to fly an unmanned aircraft outside the restrictions of the existing rules to do so if they can show they have identified the risks and have a plan to manage them.

There is much work ahead to fully integrate these challenging, unconventional aircraft into the aviation system but we have full confidence that the Authority is on the right path in this regard.

Another notable achievement in the move towards risk-based regulation was gaining Cabinet approval for changes to Rule Part 139, Aerodrome Certification, Operation and Use.

Over the next year we anticipate even greater progress towards risk-based regulation through the introduction of a new Rule Part requiring operators to establish a Safety Management System, which involves a systematic, risk-based approach to safety, tailored to operator requirements.

While it will affect all participants, from small operators to large airlines, many already have processes in place.

Securing the future

The Aviation Security Service (the Security Service) continues to go from strength to strength, increasing capacity and capability during a year of significant growth in passenger numbers tied to New Zealand's hosting of several high-profile international events. Enhancements to the workforce planning software platform have enabled more efficient and effective staff rostering. Efficiency gains from the Auckland station-based continuous improvement program have been significant and will progressively be rolled out across the country.

Several of the Security Service's outstanding achievements have been formally recognised, including a world-first for its Explosive Detector Dog Unit (EDDU) programme, which received official recognition from the United States Transportation Security Administration (TSA), making New Zealand the first country in the world to be acknowledged in this way.

This acknowledgement endorses the programme as an acceptable means of compliance with the TSA to screen for explosives, and has involved huge effort and perseverance from numerous Security Service staff over many years.

The customer service ethic of Auckland station's frontline staff was recognised on the global stage by United Kingdom-based (and internationally distributed) Monocle magazine, when it named them 'Sweetest Security Staff' in its annual travel awards.

The Authority continues to play a leading role in the Pacific region through its support of the Pacific Aviation Safety Office (PASO) and delivery of capacity-building initiatives funded by the Ministry of Foreign Affairs and Trade (MFAT). Both of these bodies of work equip our near neighbours to improve their aviation safety, security, and capability, and in doing so, ensure that 'last points of departure' to New Zealand do not pose any risk to our aviation system.

Particular achievements include the completion of capability development projects worth nearly \$800,000 across seven countries in the Pacific (Cook Islands, Solomon Islands, Samoa, Niue, Tonga, Vanuatu and Kiribati).

We are pleased to note that MFAT is continuing to fund this work until at least July 2018.

MFAT funding has enabled the Authority to provide security assistance (such as modern x-ray machines, walk-through metal detectors, closed circuit television (CCTV) and access control systems, computer-based training software, patrol vehicles and uniforms) to these island states, enabling greater compliance with local laws and international security conventions.

The successful introduction of lower charges for security services introduced in April 2014 continues to be monitored against growth in passenger volumes, particularly international passengers. An assessment is underway to determine whether there is an opportunity to further reduce the international passenger security charge in 2015/16. The Security Service operates an International Civil Aviation

Organization (ICAO) regional aviation security training centre out of its Aintree Avenue premises in Auckland. This is run in partnership with ICAO which recognises the expertise that exists within The Security Service. During the year, the Security Service coordinated and instructed five ICAO courses locally, and deployed instructors offshore to run ICAO courses in the Cook Islands, Tonga, Samoa, Vanuatu, Kiribati, Niue, Solomon Islands, Kuala Lumpur, Philippines, South Korea, and Bangkok. ICAO Security Service Supervisors courses were also managed and coordinated out of the Solomon Islands, Tonga, the Cook Islands and Samoa.

The Security Service, in conjunction with ServiceIQ has developed a qualification framework for aviation security officers. Commencing in late September 2015, this provides all aviation security officers the opportunity to achieve the NZQA Level 4 certificate in aviation security.

The Security Service has developed a comprehensive suite of e-learning modules for screening procedures, to be used for refresher training. These modules will also form one of the strands required for a possible future Screener Certification Programme.

Navigating future challenges

As previously mentioned, technological advances are changing aviation and challenging regulators to keep pace. Our strategy is to change the way we do things so that we are better placed to meet these challenges in the short, medium and long term. Key to our approach is engagement with stakeholders, including Government, industry groups and participants, to better understand how we can most effectively improve safety.

An outstanding example of this approach is the work undertaken by the New Southern Sky team, which consults extensively with industry as it develops proposals to modernise the New Zealand aviation system.

Over the next few months the team will be making some key decisions regarding the aircraft navigation and surveillance work-streams and we look forward to reporting back on these in next year's Annual Report.

Our collaboration with Government has involved working with the Ministry of Transport to review the Civil Aviation Act 1990 so that it continues to provide a robust statutory framework for regulating civil aviation safety into the future, including enabling us to implement a risk-based, flexible approach.

Internally we continue to review and refine our systems, processes and ways of working. The Regulatory Craft Programme, which initially encompassed a review of business systems, is now exclusively focused on helping our people to take a best practice approach and equip themselves with the skills necessary for future challenges, through its 'Regulator as a Professional' initiative. The recently developed Integrated Performance Management and Measurement Framework (IPMMF) is a promising initiative that will enable the Authority to demonstrate its performance through a balanced scorecard. This will help the organisation to measure progress towards achieving its strategic goals, including its contribution to the transport sector.

The year ahead promises to be yet another challenging one, with our internal efforts to refocus the way we work gaining momentum. If the outstanding work across the organisation over the last 12 months is any indication, these challenges will be met with aplomb. We look forward to the journey.



Nigel Gould
Chairman



Graeme Harris
Chief Executive and Director of Civil Aviation

PART A

The Civil Aviation Authority

SECTION 1

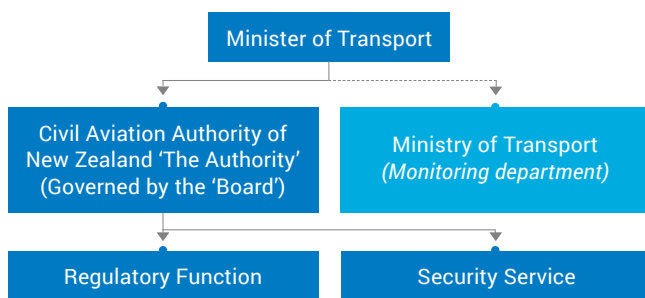
The Civil Aviation Authority at a glance

Who are we?

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

Our primary objective, mandated in the Act, is safety and security. We carry out ‘safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system’ (s72AA of the Act).

We do this within the two divisions of the Authority, the Regulatory Function and the Security Service Function. Through these two divisions we deliver five core outputs



Division: Regulatory Function

The aviation safety and regulatory function (the Regulatory Function), managed by the Chief Executive and Director of Civil Aviation (DCA/CE, delivers four core outputs:



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, respected internationally, and 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 civil aviation participants. Standards are developed 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.

Our regulatory toolkit for interventions is risk-based and includes promoting safety through the delivery of targeted education units, conducting certification of aviation participants, monitoring and investigating safety performance, taking administrative action, and taking law enforcement action. We use these interventions to achieve the desired safety and security outcomes.

Note: An organisation chart is attached at appendix 1



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 above safety minimums.



Certification and licencing

We use certification and licensing to control entry and exit to the New Zealand civil aviation system. To operate within the civil aviation system, an individual or organisation must be granted an aviation document. These include, but are not limited to, a pilot licence, operating certificate, aircraft registration, engineer licence, air traffic control licence, or aerodrome certificate.

New Zealand has a high rate of participation in aviation per capita relative to other countries. The numbers of active aviation document holders are reflected in appendix 2 'Operating Environment'.



Surveillance and investigation

We monitor compliance with safety and security standards, investigate and analyse accidents and incidents, and 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.

We also administer the provisions of the *Health and Safety in Employment Act 1992* for aircraft in operation. We provide information and guidance, conduct workplace inspections, audit health and safety management systems, and investigate workplace accidents and concerns.

At 30 June 2015, the Regulatory Function employed 238 full-time equivalent staff (FTEs). Most are technical experts responsible for certifying and monitoring aviation participants. Staff are based in Wellington, Auckland, and Christchurch.

We apply a Regulatory Operating Model that incorporates principles embodied in the Act and allows our staff to operate with a consistent regulatory approach.

Division: Security Service

The Security Service, under the General Manager Aviation Security Service (GM Avsec) delivers the following core output:



Security service delivery

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

All departing international passengers are screened for prohibited items and dangerous goods. All departing domestic passengers on aircraft with 90+ seats are also screened.

We screen a proportion of airport workers within security enhanced areas, support aerodromes who have access controls to restricted areas, and undertake aerodrome perimeter patrols at security-designated aerodromes to intercept any persons that are unlawfully in security areas.

This includes protecting places and equipment used to aid air navigation.

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

We also provide a leadership role in the Pacific in conjunction with the Ministry of Foreign Affairs and Trade to improve aviation security services.

The Security Service also runs an International Civil Aviation Organization (ICAO) training centre out of its premises in Aintree Avenue Auckland delivering training to Asia Pacific member states on aviation security related topics including risk management and audit processes.

At 30 June 2015, the Security Service employed 733 FTEs. Of these, 95 percent are front line service delivery staff based at seven airports around the country, with a small management team based in Wellington.

The Security Service was re-certified in 2013/14 under Civil Aviation Rule Parts 140 (Aviation Security Service Organisations – Certification) and 141 (Aviation Training Organisations – Certification) to provide aviation security services in New Zealand over the next five years.

Our operating environment

Economic factors

The aviation industry is highly dynamic. Air passenger traffic always reflects economic cycles, environmental incidents, one-off activities such as sporting events, and geopolitical events (for example, terrorism). Traffic growth is aligned to a country's economic growth. Travellers from Asia are largely responsible for the current growth in passenger numbers in New Zealand.

The number of passengers travelling by air over the past five years is reflected in the table below, this includes all international and domestic aircraft with 90+ seats screened by the Security Service.

No. of passengers travelling by air (000)	For years ended 30 June					% Change (2015 v. 2014)
	2011	2012	2013	2014	2015	
Total international passenger departures	4,582	4,775	4,760	5,018	5,328	6.2%
Total domestic passengers recorded by						
Regulatory Function (all domestic operators)	9,823	9,954	10,384	10,500	10,873	3.6%
Avsec (limited to aircraft with seating capacity of 90 seats or more)	5,497	5,641	6,006	5,965	6,374	6.9%

Transport services make a significant contribution to the New Zealand economy (with the New Southern Sky programme forecast to contribute approximately \$2 billion¹ to New Zealand over the next two decades). Within our safety mandate, we have worked with stakeholders and targeted organisational resource to ensure any regulatory impost is minimised as much as possible. With the Ministry of Transport, we seek to create an environment where innovation can occur for New Zealand aviation businesses.

Global connections

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

New Zealand has many direct connections to the rest of the world. In 2014/15 there were 52 overseas cities in 25 countries with flights from New Zealand, branching out through multiple onward routes. In particular, there is expansion of routes between New Zealand and North Asia, with growth of 18% (78,000 passengers) compared to 2013/14. Increases of over 4% were also experienced on services to Australia (182,000 passengers) and the Pacific (29,000 passengers).

New technology horizons

Advances in aircraft technology are changing the priorities of aviation regulators. Because of rapid technological advances in aviation, we have had to enhance our existing skill-set, and build relationships with participants in emerging technology. Regulatory Function staff are trained, in New Zealand and overseas, to maintain and enhance their skills to international levels. The new and emergent use of unmanned aircraft is an example of technology changes that are immediately impacting the civil aviation environment and will continue to do so. Our response to unmanned aircraft is highlighted on page 12 "New Technology – Unmanned Aircraft".

New technologies in the security area are adapting constantly to meet the high level of emerging threats to aviation. The Security Service monitors and investigates advances in x-ray technologies and other detection technologies to ensure that New Zealand has a high level of detection capability.

Dynamic security environment

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

Sustaining industry growth

Aviation fuel efficiency continues to improve as advances in aircraft manufacture, technology, operations, and infrastructure are applied.

ICAO sets international aviation goals, works on market-based measures and promotes sustainable biofuels in aviation.

The Authority takes part in ICAO forums working on these and other issues.

Our strategic framework

Government goal

The Government's overall objective for transport is expressed as 'an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our country's economy, to deliver greater prosperity, security and opportunities for all New Zealanders.' This is stated in the policy direction document for transport, *Connecting New Zealand*.

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

¹ Refer to the 2013/14 Annual Report of the Civil Aviation Authority, pages 10-11 'The Sky is the limit'.

The Authority has three key focus areas:



Improving the overall effectiveness of the aviation system;



Improving sector safety performance;



Becoming a more responsive and results-driven organisation.

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

Our goal

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)

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

We measure how well the civil aviation system is performing, aiming for less severe consequences and fewer incidents of safety and security failure.

Appendix 3 illustrates the current trends in safety in New Zealand. Where sub-sector (activity) failure rates are already nil or very close to nil, and where averaged participant risk is at an acceptable level, we continue to work to ensure that safety performance remains at or below current levels. However, using our risk-based approach, greater focus is placed on participants who pose a higher safety risk.

The Authority is looking for opportunities to index our performance against other countries to provide comparative safety information

Impacts of our work

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

'Being safe' means that air passengers arrive at their destinations safely and securely. Our aim is that aviation participants act safely and actively manage risks, and that a safe airspace environment is maintained for all aviation activities.

However, the benefits of a safe and secure civil aviation system will only be fully realised if aviation participants experience 'feeling safe'.

Airports, airlines, government agencies and other commercial operators who work or interact with aviation are all included in the security community and contribute to security outcomes.

Rule monitoring, oversight and audits are all part of the overall security picture in New Zealand.

Our aim is that New Zealand has a positive international reputation for air safety and security, and that people have confidence in the safety and security of air transport. Our latest Colmar Brunton confidence survey results reflect this on page 26.

Governance and accountability

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

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

The Civil Aviation Authority Board ("the Board"), the Director of Civil Aviation (who is also the Chief Executive i.e. DCA/CE), and the General Manager of the Aviation Security Service (GM Avsec) have statutory functions in the civil aviation system. The Director and GM Avsec are accountable in the exercise of their functions to the extent permissible under the *Civil Aviation Act 1990* and the *Crown Entities Act 2004*. The Authority is accountable to the Minister of Transport for the efficient and effective performance of its functions.

The Board demonstrates its role by ensuring that the delegation of responsibility and authority to the DCA/CE and GM Avsec (Rule Part 140, Aviation Security Service Organisations – Certification) is concise and complete.

In addition, under the *Civil Aviation Act 1990*, the Director of Civil Aviation is required to exercise independent judgement in relation to:

- granting, suspending or revoking aviation documents and medical certificates;
- granting exemptions; and
- enforcing the Act, and associated rules and regulations.

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

- to promote civil aviation safety and security in New Zealand;
- to promote civil aviation safety and security beyond New Zealand in accordance with New Zealand's international obligations;
- to establish and continue a service to be called the Aviation Security Service;
- to investigate and review civil aviation accidents and incidents in its capacity as the responsible safety and security authority, subject to the limitations set out in the *Transport Accident Investigation Commission Act 1990*;

- to notify the Transport Accident Investigation Commission of accidents and incidents notified to the Authority;
- to maintain and preserve records and documents relating to activities within the civil aviation system, and in particular to maintain the New Zealand Register of Aircraft and the Civil Aviation Registry;
- to ensure the collection, publication, and provision of charts and aeronautical information, and to enter into arrangements with any other person or organisation to collect, publish, and distribute such charts and information;
- to provide to the Minister of Transport (the Minister) such information and advice as the Minister may from time to time require;
- to co-operate with, or to provide advice and assistance to, any government agency or local government agency when requested to do so by the Minister, but only if the Minister and the Board are satisfied that the performance of the functions and duties of the Board will not be compromised;
- to provide information and advice with respect to civil aviation, and to foster appropriate education programmes with respect to civil aviation, that promote its objectives; and
- to enter into technical and/or operational arrangements with civil aviation authorities of other countries.

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

- approving annual budgets;
- making significant funding decisions and awarding contract;
- authorising changes to the organisational structure; and
- reviewing the performance and remuneration of the DCA/CE and GM Avsec.

The Board defines the individual and collective responsibilities of the Board committees, operating structure and lines of responsibility and authority.

Operational responsibility is delegated to the DCA/CE and GM Avsec by way of a formal delegated authority framework. Day-to-day operations are managed by senior managers led by the DCA/CE.

Board membership and composition

The Minister of Transport appoints five independent non-executive members to the Board.

The Board selects the membership of its committees.

Board committees

The Board has one committee—the Audit, Finance and Risk Committee (AFRC)—which is comprised of all Board members and which may include appropriately qualified external members. The objective of the AFRC is to assist the Board in delivering the outcome of safe flight for social connections and economic benefits by ensuring that best practice systems are in place in the areas of:

- management control environment;
- financial information systems and controls; and
- service performance information and associated systems and controls

The Committee Charter is available on the Authority's website.

Internal audit

The overall responsibility for maintaining effective systems of organisational control remains with the Board. The AFRC is responsible for approving an annual Internal Assurance Plan for conducting internal audits and providing governance oversight for external audits. The Authority contracts PwC to assist with carrying out its internal audit function.

The Board requires the DCA/CE to establish, maintain and monitor internal controls to provide assurance that its specific objectives will be achieved.

Risk management

The Board accepts it is responsible for the management of organisational risks, and requires the DCA/CE to establish and operate a Risk Management Programme. The Board has a risk management process whereby the likelihood and consequence of strategic and operational risks are regularly assessed, mitigations are reviewed and the level of residual risk reappraised.

Legislative compliance and ethics

The Authority is guided by codes of conduct and the State Services Commissioner's Standards of Integrity and Conduct. Board members are required to complete a declaration of interests upon appointment and whenever changes occur during their term. A schedule of Board members' interests is reviewed at every Board meeting.

The Board ensures that the Authority complies with all legislation. The Board has delegated responsibility to the DCA/CE for the development and operation of a programme to identify compliance issues and to ensure that staff members are aware of relevant legislative requirements and comply with them.

Engagement with stakeholders

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

Authority member remuneration

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

Board Profile



Nigel Gould Chairman

A qualified Chartered Accountant, Nigel has had a career in finance and establishing businesses in information technology, farming, and more recently, tourism. Nigel currently holds several governance positions in the private sector, and in 2011 was appointed Chairman of the Board of the Authority.

Peter Griffiths Deputy Chairman

Peter Griffiths is an experienced business leader with a particular interest in strategy and the delivery of commercial performance. Peter is currently a Director for Z Energy Ltd, New Zealand Oil and Gas Ltd and Marsden Maritime Holdings Ltd. Peter was appointed as Deputy Chairman of the Board of the Authority in 2010.

John Bartlett Board Member

John has strong aviation industry experience spanning 45 years, particularly in the area of strategy and development. He has held senior executive positions in Ansett New Zealand, the Virgin Group and the Civil Aviation Authority. John was appointed to the Board of the Authority in 2010.











Grant Lilly Board Member

Grant has had an extensive career in senior roles with Air New Zealand and Qantas Airways. He currently has a varied portfolio of governance appointments in central government, local government and corporate entities, and industry associations. Grant was appointed to the Board of the Authority in 2011.

James (Jim) Boulton Board Member

Jim Boulton was Chief Executive of Christchurch International Airport Ltd (CIAL) and a Crown appointee to the CIAL board for the prior six years. Jim has been Director, Managing Director and Chairman of several substantial public and private companies and was appointed to the Board of the Authority in 2013.

Authority Leadership Team

Graeme Harris Chief Executive and Director of Civil Aviation	
Steve Moore General Manager General Aviation	
Chris Ford General Manager Aviation Infrastructure & Personnel	
John Kay General Manager Policy & System Interventions	
John Sneyd Chief Legal Counsel	
Tim Bowron General Manager Business Development & Support	
Mark Hughes General Manager Air Transport & Airworthiness	
Rob Scriven Executive Project Manager	
Mark Wheeler General Manager Aviation Security Service	
Graham Puryer Executive Group Manager (Aviation Security Service)	

NEW TECHNOLOGY – UNMANNED AIRCRAFT



There has been huge growth in the development and use of unmanned aircraft. Examples of Remotely Piloted Aircraft Systems (RPAS), from aeroplanes to multi-rotor 'helicopters', are everywhere including in retail stores and on the news.

On 30 January 2015 the Regulatory Function completed consultation on the proposed changes to Rule Part 101, Gyrogliders and Parasails; and Unmanned Balloons, Kites, Rockets and Model Aircraft Operating Rules, and the new Rule Part 102 for the regulation of high risk unmanned aircraft operations. The proposed amendments are designed to regulate unmanned aircraft operations based on the safety risk they pose. On 31 March 2015, the Authority delivered the unmanned aircraft rule package to the Ministry of Transport.

The two Rule Parts that relate directly to RPAS are:

- Part 101 Gyrogliders and Parasails, Unmanned Aircraft (including Balloons), Kites, and Rockets – Operating Rules, and
- Part 102 Unmanned Aircraft Operator Certification.

Based on feedback from public consultation, the rule changes initially proposed have been refined to provide more clarity about what non-certificated operators can do under Rule Part 101.

The rules came into effect on 1 August 2015, complete with necessary amendments to the Civil Aviation (Offences) Regulations 2006.

Feedback from the consultation process focused on what is needed to implement the aviation rules as this is one of the few aviation rules that extend beyond the traditional 'closed' aviation sector to the general public. As a result, many

people are not familiar with the way the aviation system works, or any requirements on the safe use of airspace. Work is now underway to develop communication and education programmes to inform the general public and the industry of their obligations to maintain a safe aviation system once the rules come into force.

The United States Federal Aviation Administration (FAA) recently released proposed changes to the regulation of small commercial RPAS for consultation. The FAA proposal seeks to regulate small commercial unmanned aircraft under a new Rule Part 107, Operation and Certification of Small Unmanned Aircraft Systems. The new Rule Part 107 is one of three elements of United States regulation of unmanned aircraft. The other two address recreational operations and large commercial operations.

The FAA's Rule Part 107 proposal is very similar to New Zealand's Rule Part 101, with some differences between the two approaches that reflect each country's unique operating environments and needs relating to unmanned aircraft regulations.

What does this mean for you?

Every person in New Zealand's civil aviation community shares responsibility for the safety and security of everyone. The Minister of Transport has created Rule Parts 101 and 102 to make sure it happens.

Operators of unmanned aircraft also need to be aware of other rules that affect them, for example Rule Part 91 General Operating and Flight Rules.

FOR MORE INFORMATION

Visit our website: www.airshare.co.nz or www.caa.govt.nz

NEW SOUTHERN SKY PROGRAMME

New Southern Sky (NSS) is a collaborative programme, involving stakeholders from across the aviation sector, to modernise all aspects of the New Zealand aviation system.

Led by the Regulatory Function of the Authority, NSS implements the projects and activities set out in the 2014 National Airspace and Air Navigation Plan. The programme is being delivered in three stages: Stage 1 2014/15, Stage 2 2016-18 and Stage 3 2019-2023. This effort mirrors the worldwide drive by the International Civil Aviation Organization (ICAO) to update the aviation system with new technologies and move towards an integrated global air navigation system. The modernisation of the aviation system will improve the efficiency of air traffic movements and allow more accurate navigation. These and other changes will reduce operating costs and contribute to improved safety.

To provide firm foundations for the programme, a Governance Group, Working Group and Safety Group have been established. The Governance Group and Safety Group are both led by the Regulatory Function, with membership from the Ministry of Transport and Airways New Zealand (Airways). The Governance Group also has an independent member from outside the aviation sector. The Working Group brings together stakeholders from across the aviation sector with representation from the commercial, military, and recreational aviation communities; the Ministry of Transport and the Ministry for the Environment; and Land Information New Zealand.

To prepare for transforming the policy-based National Airspace and Air Navigation Plan into a set of project deliverables, the NSS sought to learn from other authorities and agencies that have undertaken similar programmes, including Australia's Civil Aviation Safety Authority, the United States' Federal Aviation Administration, Transport Canada, NavCanada, United Kingdom Civil Aviation Authority, European Commission, Eurocontrol and the Single European Skies team. These meetings, held in October 2014, contributed valuable information about the challenges of aviation system transformation, policy and rules development and lessons learned, including the time necessary to signal and allow for changes in the system. The NSS team developed strong relationships with those agencies and has benefited from continuing engagement, such as expert advice on metrics and peer review of key NSS outputs. The feedback on NSS was very positive, particularly the whole-of-system approach, which appears to be unique among aviation system modernisation programmes worldwide.

NSS is well into Stage 1, focused on delivering key navigation and surveillance recommendations. These will be the foundation of the future air navigation system, ensuring that it is safe and can deliver the anticipated economic benefits. The progress made in the navigation and surveillance work streams is detailed below.

Navigation

NSS has been focused on delivering the Global Navigation Satellite System (GNSS) Sole Means recommendation. GNSS sole means is defined as 'Instrument navigation and positioning for any phase of flight using GNSS as the only source of lateral navigation'. For New Zealand, this means navigating using the United States Global Positioning System (GPS). A report was delivered to the NSS Governance Group in October 2015 and will be offered to the Director Civil Aviation. This report will inform further NSS work considering the transitional and future surveillance system, ground based navigation aids, performance based navigation, and airspace components of the system, and considers state security and resilience. For the latter, the Ministry of Transport is the lead.

Surveillance

The current air surveillance system supporting the air traffic management system is operated by Airways. It consists of primary and secondary radars and a multilateration system based in Queenstown. The current radar system will be at the end of its operational life by 2021. The work being undertaken by Airways to develop a new air surveillance infrastructure is expected to include the use of new transponder technology (Automatic Dependent Surveillance – Broadcast (ADS-B)) that is being deployed worldwide. ADS-B is expected to be supported by a contingency capability in the event of a GNSS outage.

Into the future

There are six other work streams supporting NSS delivering over 20 projects across communications, aerodromes, aeronautical information management, airspace, air traffic management and meteorology. Those projects that have been completed include the associated web-based graphical SIGMET product and an Airways Digital Clearance Delivery (datalink) system for the New Zealand Flight Information Region.

Stage 2 of the programme is starting to firm up and will include the delivery of new policy and rules for GNSS navigation and surveillance, a NSS Performance Based Navigation Plan and Advisory Circular revisions to support the new civil aviation rules. Additional operator support will be offered through the development of service packages—the Regulator Function will contribute to guidance and support for operators, which is planned to include information packages and training—to facilitate the transition from the current to new surveillance and navigation solutions. As NSS moves toward Stage 2, we are placing added emphasis on communication and consultation with the wider sector to ensure stakeholders across the aviation system are aware of, and can actively participate in, the modernisation of the aviation system. The communication streams include a NSS website (www.nss.govt.nz), a NSS Twitter handle and a NSS LinkedIn group.

FOCUS ON EFFECTIVENESS



The Aviation Security Service (the Security Service) is moving through a transformation programme designed to ensure that it delivers world-class aviation security services, while facilitating a responsive and high-quality passenger experience.

Starting with the creation of a new Executive Leadership Team in October 2014, the Security Service has transitioned from a regionalised station management model to a centralised group management structure with a focus on effectiveness and continuous improvement. This focus looks at achieving a security outcome while improving the focus on the passenger to support its internal mantra “We Protect”.

The Security Service has also significantly increased the utilisation of front-line staff and is moving to a single workforce planning and rostering team which will employ an upgraded software system to perform 24/7 nationwide staff rostering functions.

The Security Service’s continued focus on effectiveness has resulted in several awards this year.

Collaboration award

The Security Service, working with the New Zealand Customs Service and Auckland International Airport Limited on an initiative to streamline the process for departing international travellers, jointly received an Institute of Public Administration New Zealand Award for “Excellence in Achieving Collective Impact” from State Services Commissioner, Iain Rennie.

A new departures process which integrates immigration departure checks and security checks for passengers into a single, more seamless process, is believed to be a world first.

The single process is one of a number of continuous improvement initiatives, which are being trialled at Auckland International Airport. These initiatives are expected to deliver improved security outcomes and a better traveller experience by reducing the time passengers spend queuing and completing the departure process.

If successful, the process will be integrated into the new terminal design at Auckland International Airport before being rolled out to other airports around the country.

Commitment to excellence

The Security Service’s commitment to excellence is also illustrated by other awards and international endorsements received in 2014/15.

In October 2014, the Security Service’s Explosive Detector Dog Unit (EDDU) programme was officially recognised by the United States Transportation Security Administration (TSA), making New Zealand the first country in the world to be acknowledged in this way.

Recognising the EDD programme as a great means of compliance with the TSA for detection of explosives in cargo screening is a significant achievement, involving effort and perseverance from a number of staff over more than 10 years.



In May 2015, an EDDU team (handler and dog) won the Police National Dog Trials Explosive Detector Dog championship for the third consecutive year.

The national championships provide an opportunity for enforcement dog teams from the Security Service, Police, Customs, and Corrections to challenge themselves in achieving technical excellence and build inter-agency partnerships.

In June 2015, Security Service staff in Auckland received a Top Travel Award for the “Sweetest Security Staff” from a United Kingdom based magazine which covers global affairs, business, culture and design.

International assistance

In 2014/15 the Security Service coordinated capacity and capability development projects worth nearly \$800,000 across eight Pacific Island states (Samoa, Niue, Kiribati, the Cook Islands, Solomon Islands, Kingdom of Tonga, Republic of Vanuatu and the Republic of the Fiji Islands).

The Security Service has been actively involved in providing security assistance within the Pacific since 2005. This has enabled compliance with local laws and international conventions related to security and, because tourism is key to many Pacific Island economies, these activities and contributions have had significant positive impacts.

In September 2014, Security Service staff played an important part in New Zealand’s multi-agency contribution to the success of the United Nations conference on Small Island Developing States held in Samoa. Security Service staff provided technical expertise for the x-ray/walk-through metal detectors used at the conference which was attended by approximately 3,000 delegates from around the world.

Airport identity cards

Following the introduction of new charges for permanent and temporary airport identity cards in April 2014, costs are now being met by the organisations that use these cards, rather than being funded from the Passenger Security Charge.

Enhanced functionality for the Airport Identity Card Information System was introduced through 2014/15 and further planned improvements to the system will use technology and improved processes to deliver operational efficiencies.

Increased passenger volumes

In 2014/15, the Service screened 11.7 million passengers. This increase of 5% from 11.1 million passengers screened in the previous year is partly due to an increase in Chinese tourists and also New Zealand hosting a number of high profile international sporting events, such as the ICC Cricket World Cup, the FIFA-U20 Football World Cup, and the Volvo Ocean Race stopover in Auckland.

SECTION 2

Financial highlights for 2014/15

Introduction

In 2015, the Authority incurred a surplus of \$5.8 million, an improvement against budget of \$4.4 million. The financial results are summarised in figure 1. The result reflects the continued focus by the Board on achieving a sustainable funding baseline for the Authority. It also reflects an environment where revenue is primarily derived from levies and charges paid by airlines on the basis of passengers carried and where passenger volumes are quite volatile. Higher passenger volumes, including the performance of the New Zealand team in the Cricket World Cup in 2015 which resulted in more fans flying than forecast, delivered higher levels of revenue. Despite this, the Authority has continued its efforts to drive efficiency through the organisation. It is also committed to refining its current funding framework in order to minimise the impost on the aviation sector and the travelling public.

Highlights

Regulatory Function

For the Regulatory Function, the 2015 year produced an operating result in line with budget. The higher than budgeted passenger volumes offset reduced hourly charge revenue, while expenditure was influenced by investments in key organisational initiatives. These initiatives included the New Southern Skies programme, the introduction of Safety Management Systems, the 'Regulator as a Professional' initiative and due diligence undertaken on the replacement of the Regulatory Function's core business systems. This latter work has paid dividends and it appears likely that the Authority will be able to make significant cost savings in the replacement of its Electronic Content Management System by leveraging off the New Zealand Transport Agency's introduction of a new system.

The Regulatory Function incurred lower capital expenditure due to a planned delay in the replacement of core business systems. This delay was to ensure an appropriate level of investment is made to provide for the future capability of the organisation, taking into account the likely future requirements of the key organisational initiatives currently underway.

Security Service

The 2015 year produced a better result than budget. This result was primarily due to favourable passenger volumes and achieved alongside a further reduction in the regulated domestic passenger security charge from \$3.82 per domestic passenger to \$3.71 on 1 April 2015, which was approved by Cabinet in 2014.

Also contributing to the higher revenue was the provision of additional chargeable security services that were not originally budgeted. Consequently staffing levels and related expenditure exceeded budget to support the increase in activity, but by less than the revenue increase.

Capital expenditure was below budget for the year, reflecting a revised plan for the replacement of cabin baggage screening equipment that is occurring in 2015/16.

Financial Health

The Board is comfortable with the progress being made with the financial health of the organisation. The key indicators of this are also provided in figure 1.

The Regulatory Function's equity levels are consistent with expectations. Bank levels are higher than planned and are exceeding the Board's requirement of maintaining \$4 million of cash reserves. However, this is primarily due to the deferral of capital expenditure on the replacement of core business systems. This investment is now planned to have a staged implementation, commencing in 2015/16 with the replacement of the document management system and the development of a web channel to provide an improved ability for the industry to transact business with the Authority online. The replacement of the Regulatory Function's key business application (the Aviation Safety Management System) will follow, which may require the Board to seek financial support from the Crown to fully fund this project.

The level of reserves will also be considered in respect of any decisions on changes to the pricing of services being assessed as part of the Triennial Funding Review. This review of levies, fees and charges is nearing completion, with a focus more on re-balancing revenues than on increasing revenue. Consultation on the first of two stages occurred in August 2014 on the underlying principles of the Authority's funding framework, and addressed the question, "Who Should Pay?", and "How should they pay", for the Authority's services. The outcome of the second stage, which is to determine "How much the sector should pay?" is subject to recommendations from the Board to the Minister of Transport that will occur in 2015/16. Should there be support for changes in pricing, this will be subject to consultation, prior to decisions being made by Cabinet.

For the Security Service, due to the higher passenger volumes, the level of domestic and international security reserves at \$14 million is exceeding the \$12 million reserve threshold established as part of the 2012 Security Services Review. This review determined the financial trigger for when the Authority would begin consulting with industry and stakeholders to reduce the passenger security charge. Consistent with the commitment to manage the impost on the traveling public, the Board has undertaken a review of pricing with the outcome subject to recommendations to the Minister of Transport that will occur in 2015/16. Should there be support for changes in pricing, this will be subject to consultation, prior to decisions being made by Cabinet.

FIGURE 1

Group Financial Result and Organisation Financial Health Indicators

	Regulatory Function 2015		Security Service 2015		Group 2015		Regulatory Function 2014	Security Service 2014
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Actual \$m
Comprehensive revenue and expense								
Revenue	38.8	38.5	82.7	76.9	121.5	115.4	37.2	79.5
Expense	38.3	38.4	77.4	75.6	115.7	114.0	37.1	76.6
Surplus/(Deficit)	0.5	0.1	5.3	1.3	5.8	1.4	0.1	2.9
Equity								
General funds	10.7	10.1	10.5	10.7	21.2	20.8	10.2	10.4
Property, plant and equipment revaluation reserve	-	-	0.7	0.7	0.7	0.7	-	0.7
Passenger security charges and other fees and charges reserves								
International passenger security charge	-	-	8.7	5.1	8.7	5.1	-	2.9
Domestic passenger security charge	-	-	5.7	3.7	5.7	3.7	-	6.2
Other fees and charges	-	-	-	(0.1)	0	(0.1)	-	0
Sub total passenger security charges and other fees and charges reserves	-	-	14.4	8.7	14.4	8.7	-	9.1
Total Equity	10.7	10.1	25.6	20.1	36.3	30.2	10.2	20.2
Liquidity								
Working capital	7.5	3.9	22.3	11.0	29.8	14.9	6.6	15.4
Bank and investments	8.3	5.0	22.4	15.7	30.7	20.7	9.9	16.6
Capital expenditure								
Capital expenditure	0.5	4.9	2.0	6.6	2.5	11.5	0.3	6.5
Passenger numbers (000's)								
International	5,328	5,110	5,328	5,110	5,328	5,110	5,018	5,018
Domestic	10,873	10,684	6,374	5,936	10,873	10,684	10,500	5,965

SECTION 3

Delivering on our strategy

Knowing that it is safe to fly in New Zealand keeps the country in business with the rest of the world and keeps tourists coming here. Doing our part to ensure this is true means maintaining our focus on delivering against the Government's overall goal for transport: 'Grow the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders'. We demonstrate this through the progress made against our three key areas of focus in our strategic framework at figure 2.

These three key areas of focus summarise our priorities for 2014-2018² as we work towards achieving our longer-term impacts and overall outcome of 'Safe flight for social connections and economic benefits'.

The focus areas are:



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 making sure the system is safe.

We do this by developing clear requirements for entering and operating within the New Zealand civil aviation system, and ensuring that safety is addressed system-wide.

As a regulator, the Authority needs to keep up-to-date on technological developments in aviation. We also need to keep abreast of new technologies for security services so that we can continue to meet international security standards.



Focus Area 2: Improving sector safety performance

The Authority monitors the safety and security 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, see appendix 3), 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.



Focus Area 3: Becoming a more responsive and 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).

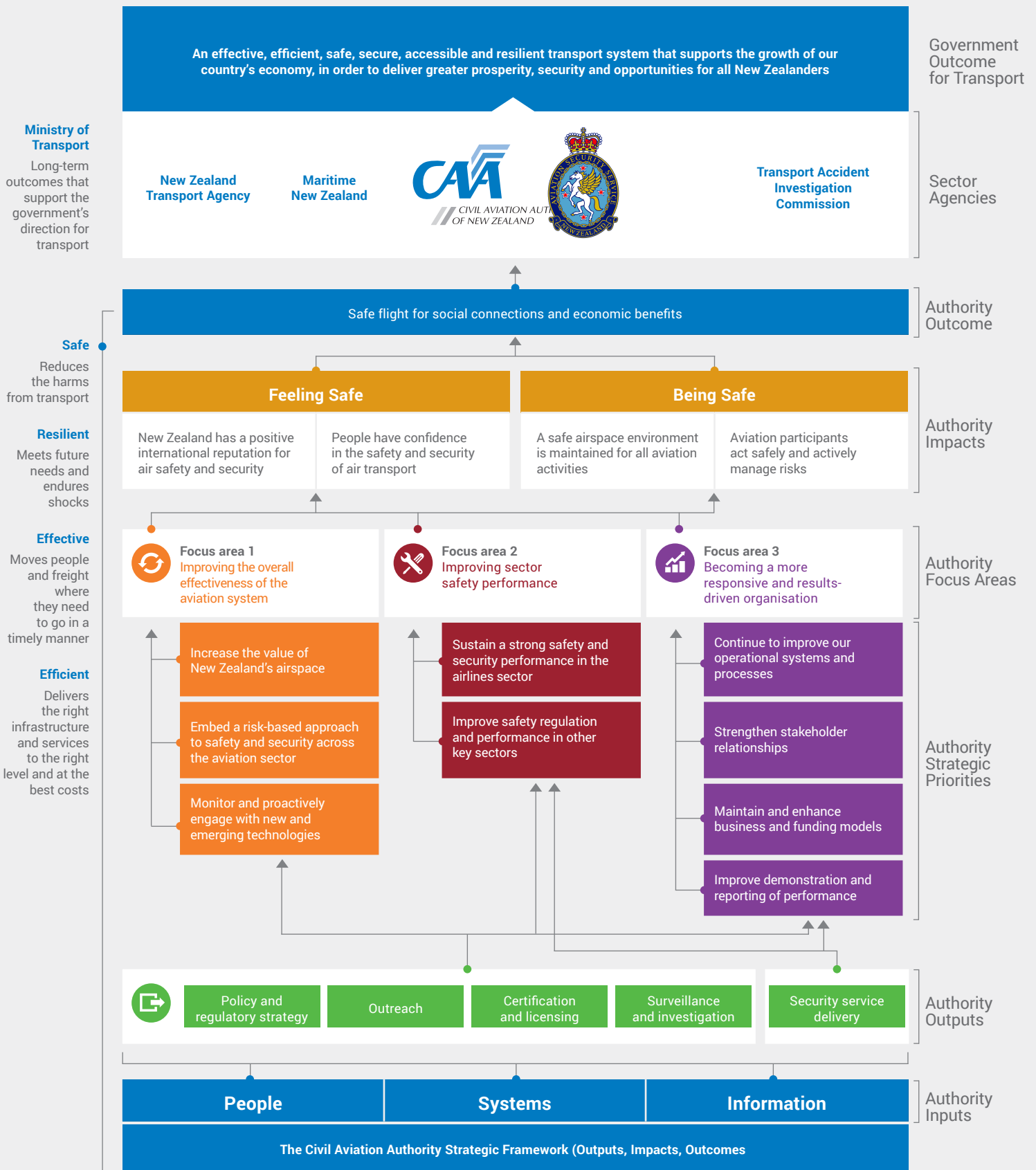
By keeping up to date and proactively engaging in, and influencing, relevant domestic and international issues, we will be able to determine the most appropriate response for New Zealand's aviation environment.

The following pages discuss our achievements in these areas.

² Refer to the 2014-18 Statement of Intent of the Civil Aviation Authority.

FIGURE 2

The Civil Aviation Authority contribution to the transport sector outcome.



FOCUS AREA 1

Improving the overall effectiveness of the aviation system

The aviation system is dynamic with change affecting different parts of the system.

There is an ongoing shared challenge with the Ministry of Transport to deliver the regulatory change needed to align New Zealand with standards made by the International Civil Aviation Organization (ICAO) and with new developments in technology. The Authority is focused on a long term sustainable regulatory programme that delivers on its objectives and supports the Ministry to develop airspace and navigation Rules.

The Board will balance the necessary economic consideration focus with its Regulatory Function and the Security Service. The Authority has several large projects contributing to overall effectiveness, for example, the New Southern Sky Programme that requires a capable and fit-for purpose work force. The required investment in technology and training are imposing challenges for us.

Our strategic priorities for improving the overall effectiveness of the aviation system are:

- 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

Our progress towards delivering on these priorities is reflected in the following pages.



INCREASE THE VALUE OF NEW ZEALAND'S AIRSPACE

The airspace over New Zealand is an asset we want to maximize value from. We must stay up to date with technology change and any implications for our airspace. Safe and efficient airspace use is vital to the New Zealand economy to enable transport of people and goods.

The rules and standards provide the framework for entering and operating within New Zealand's aviation system. This framework needs to be flexible enough to enable innovation and respond to changes in technology and international standards for safety and security. The framework aligns with internationally accepted risk-based approaches to regulation in the aviation sector where appropriate.

Aim (Impact): New Zealand has a positive international reputation for air safety and security and a safe airspace environment is maintained for all aviation activities.

Our challenge

- The use of airspace by aircraft of varying capability representing both old and new technologies;
- Major technology transitions affecting airspace management and airspace users both nationally and globally; and
- Protecting the safety of air transport operations while facilitating recreational use of airspace.

Key programme of work

What we did:

Support the Ministry of Transport to develop airspace and navigation rules for 2015/16 following Cabinet approval.

A detailed description of the activity to develop airspace and navigation rules and implement the Airspace and Air Navigation Plan are discussed under the Regulatory Highlights on page 13.

Implement the Airspace and Air Navigation Plan.

Our success is measured by:

How we are doing:

No deterioration of New Zealand's ratings through:

Maintenance of our international accreditation³

There has been no deterioration of our levels of effective implementation (EI). We are scheduled for audit in late 2016 by ICAO. Online completion of the 1,000+ audit protocol questions has the potential to increase our levels of EI well before the audit takes place.

No ICAO alerts raised through their continuous monitoring regime

No ICAO alerts raised.

Continuing to achieve high standards in Civil Aviation Authority security audits and additional airline requirements

The Security Service was recertified for parts 140 (Aviation Security Service Organisation's – Certification) and 141 (Aviation Training Organisation's – Certification) of the *Civil Aviation Act 1990* for 5 years. This results from the assurance received by the regulator that the service meets the required standards and is compliant under the parts.

Maintenance of, and extension to, our bilateral agreements and service contracts

The Authority has maintained agreements with the United States of America (USA), China, India and other States and has started negotiations with the USA to expand existing agreements. The Authority has also begun negotiations with Australia to establish a new agreement.

³ In the ICAO 2005-2010 Safety Audit Cycle, New Zealand's overall safety rating was the same as Australia's and higher than the OECD average. Refer appendix 3(m) for detail.

Increased air traffic without a correlating increase in accidents or major and critical incidents.

The table at appendix 3(l) 'a safe airspace environment is sustained for all aviation activities' provides a comparison of near miss/loss of separation incidents over the past 5 years.

Compared to 2013/14, the number of near miss, loss of separation events has increased from 107 to 121. The reported number of Unauthorised Airspace incursions has increased from 300 to 340. As described on page 23, there has been a steady increase in the reporting of all incident types including airspace events. As the number of reports is a function of the number of events and the willingness of participants to report them an increase in reports does not necessarily indicate a decrease in safety.

 Strategic Priority

EMBED A RISK BASED APPROACH TO SAFETY AND SECURITY ACROSS THE AVIATION SECTOR

We have a focus on implementing a risk-based approach to our regulator activities. This includes strengthening risk management capability (in industry and the Authority).

A risk-based approach is consistent with international best practice and our obligation to meet ICAO standards. An SMS as outlined by ICAO is a specific form of risk-management methodology applicable to the aviation industry.

Industry-implemented SMS programmes will improve safety and security across the New Zealand aviation system by enabling proactive identification and management of risks.

A Rule change is required to embed the risk-based approach in the regulatory framework – it is currently voluntary. Incorporating SMS requirements into Civil Aviation Rules will address a significant gap in New Zealand's State Safety Programme.

Aim (Impact):

Aviation participants act safely and actively manage risk.

Our challenge

- Identify risks and make decisions evidenced and informed by applying the risk methodology;
- Use our resources where they will have the most impact on the safety of aviation participants, and the greatest societal and economic benefit; and
- Provide sufficient aviation security to deter and detect threats, while not imposing unnecessary burdens on participants and the travelling public.

Key programme of work

Support the Ministry of Transport to develop a rule and associated amendments to implement Safety Management Systems (SMS) across all aviation sectors. This contributes to completing the New Zealand State Safety Programme.

What we did:

The introduction of SMS within the New Zealand aviation regulatory system and a new approach to performance based oversight has resulted in a dedicated team being formed to both integrate and implement the application of SMS thinking across the Authority and within the aviation industry.

This shift to performance-based oversight will materially affect the way that the Regulator performs its functions, requiring a more engaged approach with industry to ensure the aviation system as a whole is best placed to identify and manage its safety risks. This requires new ways of thinking and operating by us to implement and evaluate the effectiveness of SMS and foster the positive changes in safety culture needed to make this happen.

Our success is measured by:

How we are doing:

A 5-10% improvement by 2018 in risk profiles of aviation participants since 2008⁴.

The Authority continues to focus resource on areas of greatest risk. Refer to the table at appendix 3(d) for the trend information by participant that shows our objective of improving risk profiles is on track for 2018.

A 5-10% reduction by 2018 in major and critical occurrences since 2007.

The table at appendix 3(n) 'Measure: 5-10 % reduction by 2018 in major and critical occurrences since 2007' reflects an 82% increase in reports of critical occurrences when compared between 2006/07 (28 critical) and 2014/15 (51 critical). Equally, a 59% increase in reported major occurrences is reflected between 2006/07 (313) and 2014/15 (497).

The original target of a 5-10% reduction in occurrences focused on the known number of reported events in 2006/07 and did not account for an environmental change that improved the reporting of occurrences. This was particularly noted in 2012/13 with aviation participants reporting occurrences with a training facility and has continued at a consistent level since.

The Authority deems the increase in reporting of incidents to be a positive outcome enabling us to have a greater understanding of the civil aviation environment and, areas of greatest risk that contribute to our assessment of risk and mitigation strategies. It is important to note that the increased reporting of occurrences does not directly relate to an increase in the number of occurrences. This measure is being reviewed in the 2015/16 strategy development to better reflect an impact of occurrence reporting on the role of the Authority.

⁴ Refer appendix 3(d): Distribution of risk profiles for aviation document holders and the table of major and critical reports of aviation related concerns over the same period.

MONITOR AND PROACTIVELY ENGAGE WITH NEW AND EMERGING TECHNOLOGIES

The aviation sector is changing rapidly. We must have the capability and be pro-active to meet technological, economic and environmental change. We must be able to certificate new aircraft technologies, configurations, and equipment, as well as be able to oversee necessary airspace and air navigation changes.

Anticipating requirements, such as rule changes, will reduce risk and remove barriers to innovation. Keeping up-to-date with technological advances will maintain New Zealand's international standing.

Aim (Impact): A safe airspace environment is maintained for all aviation activities.

- Our challenge**
- Internal and external processes that allow for rule development to keep pace with the speed of change;
 - Responding to safety issues arising from new and older technologies (particularly in general aviation) sharing the same airspace;
 - Ensuring we have the appropriate technical capability and capacity; and
 - Maintaining security technology which can manage current and future requirements.

Key programme of work

What we did:

Plan and prepare for identified new technologies entering the New Zealand aviation system.

The Authority undertakes an environmental scan to assess any potential impacts of emergent technologies, policies, international amendments or other factors that may impact on the New Zealand civil aviation system.

The outputs of the environmental scan are captured in the annual strategy process and prioritised accordingly. The issue gaining the most attention at present relates to the growth of the Remotely Piloted Aviation Systems (RPAS). This is discussed in detail on page 12.

Our success is measured by:

How we are doing:

Staff capability is developed to enable certification of new and emerging technology within existing rules as appropriate and as required.

The Authority is embarking on work to treat aviation regulation as a profession, the capabilities of a professional regulator have been identified and a regulatory work place strategy and action plan is being created to deliver those capabilities. The action plan will be rolled out in 2015/16 and has a four year timeframe. This approach will ensure our capability meets the required skill sets to manage any change to the civil aviation environment.

All issue assessments associated with new and emerging technologies are completed in a timely manner.

The implementation of an issues assessment panel ensures that all new and emerging issues related to technologies or environmental issues are considered and prioritised for action as appropriate.

FOCUS AREA 2

Improving sector safety performance

We monitor safety and security performance across the system and will develop risk profiles for the main sectors: public air transport and other commercial operations.

Monitoring the performance of the aviation sector to improve safety performance is a major focus for the Authority. Ongoing development of risk profiles to ensure all aspects of safety improvement are identified, planning and preparing for identified new technologies entering the New Zealand aviation system (e.g., remotely piloted aircraft systems) and ongoing rule development will support the monitoring of airspace particularly in high traffic pressure points.

The current implementation of Safety Management Systems (SMS) across all aviation sectors has numerous benefits for New Zealand aviation. Organisations that embrace SMS as an operating philosophy with its associated processes and practices are expected to reap both safety and business benefits. The Regulatory Function is looking to introduce and facilitate this change through proactive performance-based oversight (PBO).

Our strategic priorities for improving the overall effectiveness of the aviation system are:

- Sustain a strong safety and security performance in the airlines sector
- Improve safety regulation and performance in other key sectors

Our progress towards delivering on these priorities is reflected in the following pages.



SUSTAIN A STRONG SAFETY AND SECURITY PERFORMANCE IN THE AIRLINES SECTOR

Any accident in the airlines sector and public transport operations has the potential for multiple loss of life and a consequent reduction in confidence in New Zealand aviation. The scale of such an impact is why we emphasise the safety and security performance of the airlines sector.

Aim (Impact):

People have confidence in the safety and security of air transport.

Our challenge

- Rapidly changing demands for airspace such as remotely piloted aircraft systems interacting with controlled airspace;
- Emergent and changing threats to aviation security;
- An increasing intolerance of safety failure;
- Aviation professionals having the right levels of technical knowledge, experience and training (including Human Factors and Health and Safety); and
- A growing worldwide demand for skilled aviation personnel creating increased mobility and potential changes in key staff within the industry and within the Authority.

Key programme of work

What we did:

Work with airline operators to ensure systems, training, technology, safety and security data and processes pinpoint and address all safety risks.

In 2014/15 there were only 2 accidents in the airline sector involving large or medium aircraft, with no fatalities or serious injuries. Accordingly, the social cost per unit of passenger exposure target has been met for airline operations in both the large and medium aircraft sub-sectors; see appendix 3(b) 'Measure Social Cost of aviation per unit of passenger exposure'. Nonetheless, incident rates for airline operations in large and medium aircraft are higher than the targets. The fact that the social cost is below target, indicates these are small incidents with minimal injuries or damage. However, they represent the ever present risk of undesirable outcomes in this sector and demand continuing attention.

The social cost per unit of exposure for airline operations in small aeroplanes and helicopters are both considerably above target and show a rising trend (appendix 3(b)). This is reflected in both the rising incident rates in these sub-sectors (appendix 3(c)) and less clearly in the rising number of fatalities and serious injuries (appendix 3(a)). To better understand the causes behind this rising incident rate, the Authority has commissioned a sector risk profile of airline operations in small aeroplanes and helicopters. The sector risk profile is due for completion in December 2015.

Establish continuous improvement aviation security service practices and operations.

In addition to the combined departure processing under the inter-agency continuous improvement initiative, the Security Service has implemented an internal continuous improvement team to act on ideas from staff on improving the way we deliver our Service on an ongoing basis.

Our success is measured by:

How we are doing:

People have confidence in the safety and security of air transport in New Zealand airspace as shown by an improvement over the June 2011 results:

A Colmar Brunton confidence survey was undertaken in 2014. The results from resident travellers and overseas travellers show an improvement over the June 2011 survey results:

75% (72% – June 2011) of NZ resident travellers felt extremely or very safe and secure on their most recent domestic or international flight. A 3% increase over the June 2011 results.

92% (86% – June 2011) of overseas visitors feel extremely or very safe and secure on domestic or international flights departing from New Zealand. A 6% increase over the June 2011 results.

Our success is measured by:

How we are doing:

40% (44% – June 2011) of key stakeholders are satisfied with the safety and security performance of the civil aviation system in New Zealand. A 4% reduction compared to the June 2011 results.

The 4% reduction in stakeholder satisfaction compared to 2011 (and down on the 2012 survey of 61%) is not considered material. The Regulatory Function is investigating the cause of the rating. It is worth noting the significant increase in stakeholder respondents to the survey (27 in 2011 versus 98 in 2014).

Strategic Priority

IMPROVE SAFETY REGULATION AND PERFORMANCE IN OTHER KEY SECTORS

New Zealand has a large and diverse general aviation sector. General aviation supports significant parts of the economy, including for example, agri-business and adventure tourism. We are particularly focused on improving sector safety performance in the commercial adventure aviation sector. The rule (Part 115) about certification of the adventure aviation sector is a world first, and is attracting significant international interest.

The numbers of fatalities and serious accidents across the general (commercial and recreational) aviation sector is reducing. However, accident rates in some sub-sectors have stalled or are showing signs of reversal.

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.

Aim (Impact):

A safe airspace environment is maintained for all aviation activities.

Our challenge

- To further reduce the number of fatalities and serious accidents;
- To reduce the acceptance of risk in some sectors (this can be a barrier to shifting perceptions and improving safety culture and practices);
- Participants are geographically dispersed, with a variety of operations, making conventional regulation less effective in delivering improved safety outcomes; and
- Public expectation for 'safe thrills' and the demand created for new commercial adventure activities.

Key programme of work

What we did

Develop **sector risk profiles** across the general aviation sector and support participants in implementing **Safety Management Systems (SMS)**.

Sector Risk Profile – A contract for the completion of a Sector Risk Profile for part 135 passenger operations (small aeroplanes and helicopters) was awarded to Navigatus Consulting on 24 March 2015. Navigatus engaged with a varied selection of operators to evaluate risks to passenger operations in small aeroplanes and helicopters (i.e. operations under rule part 135). The results of this work is currently being analysed and is due for completion in late 2015.

Safety Management Systems (SMS) – Refer to “What we did” under the strategic priority. “Embed a risk based approach to safety and security across the aviation sector” for information on the SMS programme on page 22.

Our success is measured by

How we are doing

A 10% improvement between 2008 and 2018 in the risk profiles of Part 115 adventure aviation operators and Part 137 agricultural aircraft operations.

A 10% reduction in the accident rate⁶ between 2011 and 2018 in Part 115 and Part 137 operators.

All other sectors in appendix 3(g) are considerably above target for social cost per seat hour. Expressed as accident rates per flying hour the picture improves, particularly for the two sub-sectors nominated as success measures (accident rates for part 137 operations and Part 115 operations) Agricultural helicopters have decreased their accident rate by 41% while agricultural aeroplanes are at the same level as 2011. The fact they are both simultaneously exceeding social cost targets indicates accidents in the agricultural sector are few but still carry significant impact. Part 115⁵ operations had an accident rate in 2013 of 20 and it has increased to 66 per 100,000 flying hours in 2015.

The accident rate for private aeroplanes are rising. As the number of accidents per year in this sector has remained about the same (45-50 pa) the increase in rate is magnified by falling activity in the sector. Private helicopters are below target by 21% with a fairly static trend. 'Other Commercial Aeroplanes' are below the target accident rate by 22% while 'Other Commercial Helicopters' are 57% above their targeted accident rate in this sector has remained about the same (45-50 pa) the increase in rate is magnified by falling activity in the sector.

For the reasons outlined above the airline sector risk profile underway was refocused to examine operations under part 135 (helicopters and small aeroplanes). A sector risk profile of Airline operations in large and medium aircraft (part 121 & 125) is being considered for the 2016/17 financial year or earlier if funding allows.

⁵ For part 115 (implemented in 2012) the benchmark will be the one year result for the year ending 2013.

⁶ Accident rate is the rolling 3 year average for rate of aircraft accidents per 100,000 flying hours.

FOCUS AREA 3

Becoming a more responsive and results-driven organisation

We monitor safety and security performance across the system and will develop risk profiles for the main sectors: public air transport and other commercial operations.

We need to ensure the Authority is equipped to meet future challenges. The Authority must respond to emerging issues and changes by making effective decisions, allocating resources, identifying and mitigating risks to improve performance.

In order for us to achieve our goals, the Authority must have the right people in the right jobs doing the right things. Our people must be properly trained, with clear accountabilities and a clear understanding of their role and how it contributes to the services we deliver.

The Authority aspires to be an employer of choice by:

- Retaining the best by providing opportunities for learning, providing broad experiences, and assisting with career development
- Providing leadership and clear direction to maintain the thread between strategy, processes and implementation
- Reinvesting learning back into the organisation and maintaining our knowledge base
- Backing our people to deliver, by ensuring staff have the support and resources to perform well
- Providing a healthy and safe work environment that embraces diversity and is committed to equal opportunities and appointments on merit.

Our strategic priorities for becoming a more responsive and results-driven organisation is:

- Continue to improve our operational systems and processes
- Strengthen stakeholder relationships
- Maintain and enhance business and funding models
- Improve demonstration and reporting of performance

Our progress towards delivering on these priorities is reflected in the following pages.



CONTINUE TO IMPROVE OUR OPERATIONAL SYSTEMS AND PROCESSES

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.

Aim (Impact): People have confidence in the safety and security of air transport.

Our challenge

- Speed to market of new technologies impacting aviation and the consequent impact on organisational systems ability to respond; and
- Technical advances require ever more specialised responses and capability development.

Key programme of work

What we did:

Develop a business case to determine whether to replace the Aviation Safety Management System and introduce the Electronic Document Records Management System software. Implement if justified.

In January 2014, the Regulatory Craft Programme was established to improve the effectiveness and efficiency of the Regulatory Function. The programme of work has four investment objectives:

- to improve safety and security performance by the consistent application of the Regulatory Operating Model (ROM)
- to improve interactions between the Regulatory Function and Participants
- to optimise use of Authority resources
- to improve the effectiveness of the platform to meet current and future needs

To ensure that the Authority's information system platform is fit for purpose, considerable effort has been invested in testing the capability of the market, and to examine the Authorities ability to manage the quantum of change required. The work included reviewing the outcome of a Request for Information process and running a Request for Proposal process. The following key decisions have been taken within this financial year, to ensure that any information technology procurement meets the long term needs of the Authority.

- the investment priority will be on implementing an Electronic Content Management as a Service (ECMS) and an Online Channel for delivery against the Better Public Services result area 9 (New Zealand businesses have a one stop online shop for all government advice and support they need to run and grow their business) and result area 10 (New Zealanders can complete their transactions with government easily in a digital environment)
- the replacement of the Aviation Safety Management System has been deferred to reduce the complexity of the information technology upgrade programme
- the Security Service established a Continuous Improvement unit to work with the Airport Company in Auckland, and New Zealand Customs on streamlining the departures process. Early trials have shown this as a successful collaboration culminating in a public sector service award for collaboration.

In July 2015, due diligence work began to explore the ECMS option currently being operated by the New Zealand Transport Agency.

Our success is measured by:

How we are doing:

The Aviation Safety Management System replacement business case identifies significant benefits that will be measured as part of the replacement programme.

Refer above.

STRENGTHEN STAKEHOLDER RELATIONSHIPS

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 aviation 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.

Aim (Impact):

To be respected in our role in the aviation sector through more effective and accepted regulation and leadership in the delivery of security services.

Our challenge

- Addressing stakeholder expectations, given changing attitudes to 'traditional' regulation, and how we exercise our authority;
- Leveraging the work we do in non-regulatory airport security, Maritime security services, and Police operations, and making good use of the influence participants can have on each other to improve safety;
- Monitoring the sector to ensure that we are able to clearly anticipate and understand the impact of changes; and
- Our relationships with stakeholders allow us to understand the travelling public's needs and concerns, influence industry leaders, and draw on expertise to identify solutions.

Key programme of work

Implement the organisational stakeholder engagement strategy (inclusive of the international engagement strategy) and review as required.

What we did:

A draft final Stakeholder Engagement and Relationship Management Framework paper was completed in June 2015 and circulated across the Authority to test assumptions and context.

The framework is to be used to enable effective stakeholder engagement and communication across the Authority. Critical to the Authority's effectiveness as a regulator and security service provider is the 'quality' of the relationships it has with its customers and stakeholders. 'Quality', in this context is best described as the ability to confront difficult or awkward subjects constructively, with mutual respect, and to ensure that consistent messages are conveyed, regardless of the nature of the interaction.

The Security Service participates in inter-agency fora including the Combined Law Agency Group (CLAG) which facilitates collaboration between law enforcement and regulatory agencies on security and criminal threats, and the Major Events Border Steering Group (MEBSG). The Security Service benefits from MEBSG membership by having early warning of, and therefore being able to plan for, anticipated peaks of departing passengers after a major event, and by being part of a risk management information and intelligence sharing network. In addition the Security Service contributes analytical capability to an interdepartmental group tasked with producing timely and accurate assessments of threats of physical harm to New Zealanders and New Zealand interests.

Our success is measured by:

The Authority is proactively sought out by key stakeholders to engage on aviation safety and security issues and influence outcomes.

How we are doing:

The Authority recognises the importance of engaging across the aviation industry to represent New Zealand and to influence outcomes. Our membership and attendance at multiple International Civil Aviation Organization forums ensures we are positioned to meet future challenges in global aviation security and safety.

Our roles extend from observer, to member and of significant note, Chair and Deputy Chair of several different forums.

In April 2015 our Chief Meteorological Officer, Peter Lechner, was elected unopposed and unanimously to the International Civil Aviation Organization Meteorology Panel (METP) at the inaugural meeting in Montreal. The purpose of METP is to define and develop ICAO provisions for aeronautical meteorological services consistent with operational improvements envisioned by the Global Air Navigation Plan. The panel is a big step forward in cooperative meteorological support for the contemporary and future civil aviation world.

On the local side, our role in the New Southern Sky programme (page 13) and our work across agencies on continuous improvement initiatives at Auckland International Airport (page 14) continue to place us in the right roles to provide the appropriate advice and support to our stakeholders.

100% of our delegated responsibilities nationally and internationally are met.

The delivery of our delegated responsibilities is detailed under the Statements of Performance on pages 46-65.

MAINTAIN AND ENHANCE BUSINESS AND FUNDING MODELS

Funding for our operational services is based on cost-recover 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 regulator services).

Large variance between actual and forecast demand significantly affect revenue – positively or negatively – which in turn has the potential to put pressure on cash reserves.

The Authority participates in a programme led by the Ministry of Transport to consider where common services can be delivered more efficiently and cost effectively by enhancing shared capability and collaboration across the Transport sector.

Aim (Impact): To be sustainable in the delivery of our regulatory functions and security services.

Our challenge

- Focus on activities that give New Zealand the best possible safety and security outcomes; and
- Appropriately and sustainably fund the organisation to ensure safety outcomes can be met and value for money delivered.

Key programme of work

What we did:

Implement actions from the Security Service business review approved in December 2013.

Refer to the Security Service highlights on page 14.

Complete the aviation safety and regulatory function triennial funding review for 2015.

The Authority has completed the financial modelling of a range of solutions for the funding review of the Regulatory Function. The draft proposal and associated consultation document has been submitted to the Minister of Transport for his consideration. It is anticipated (subject to Government approval) that the review will be completed and implemented by 1 July 2016.

Identify opportunities to contribute to shared services across the Transport Sector.

The Authority along with Maritime New Zealand, the Ministry of Transport and the New Zealand Transport Agency have established a joint programme to consider opportunities for collaboration across the transport sector.

The activities carried out under this programme are presented in section 5 "Organisational Health and Capability".

Our success is measured by:

How we are doing:

Implementation of the aviation safety and regulatory function triennial funding review in 2015 provides a sustainable funding base for regulatory activity and informs the next review in 2018.

Progress on the review is according to the agreed timetable and has considered a number of options. These are discussed above.

Management of the Security Service reserves within approved balances.

Refer to the financial highlights (page 16) and the notes to the accounts for information on the reserve balance maintenance.

IMPROVE DEMONSTRATION AND REPORTING OF PERFORMANCE

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.

Aim (Impact): The Authority has the confidence of our stakeholders that our reports accurately reflect safety and security outcomes.

- Our challenge**
- Demonstrating through our reporting that our work is contributing to safety and security outcomes by sustaining the excellent safety record in New Zealand aviation; and
 - Demonstrating how we keep pace with changes in our environment.

Key programme of work

What we did:

Develop performance reporting and performance measurement that demonstrates the Authority's effectiveness and clearly describes the performance story.

The Authority is developing an integrated strategic and operational performance management and measurement framework (IPMMF) that will allow us to measure progress towards achieving our strategic outcomes and which can be easily and meaningfully applied by the organisation. The first phase of designing and implementing the Balanced Scorecard was the identification and agreement of what to measure for the Authority overall. This was completed in August 2014. The second phase has commenced with cascading the approach through the organisation. This has been initiated with the Security Service which is being integrated into business processes for the 2015/16 year. The Authority is now looking to cascade the approach through the Regulatory Function. The results of the IPMMF will result in enhanced measurement for future Statement of Intent and Statements of Performance Expectations. This is discussed further on page 37.

Implement the State Sector reforms following the amendments to the Crown Entities Act 2004 and the Public Finance Act.

The Authority has met all obligations under the reforms for the provision of accountability documents. We are now considering the content of the next Statement of Intent.

Our success is measured by:

How we are doing:

The Authority meets all statutory reporting obligations with no breaches of legislation recorded.

There have been no recorded breaches of legislation recorded in relation to our statutory reporting obligations.

Risk, Quality and Assurance

The Authority operates an integrated Risk, Quality and Assurance programme. The programme ensures that risks are appropriately managed, a quality management system is in place and independent assurance can be provided to the Chief Executive and Board.

Risk, Quality and Assurance framework

The Authority has established an integrated Risk, Quality and Assurance framework which targets our resources to manage risk, manage quality and directs internal assurance activities (Figure 1).



Managing risk

The Authority's organisation-wide risk management framework serves to coordinate the management of risk in achieving organisational objectives. The risk management programme is based on the AS/NZS ISO 31000:2009 Risk Management Standard. The framework is based on a three tiered approach that is interactive, yet maintains distinct lines of risk management responsibility.

The business has first-line responsibility for risk identification, assessment and management. The Manager Quality, Assurance and Risk has second line responsibility for the support, guidance and coordination of risk management, with Internal Assurance providing third-line responsibility for assessing the effectiveness of organisation risk management activities.

As part of the Authority's Corporate Risk management programme, regular corporate risk and management control assessments took place during the 2014/15 year. The Authority Leadership Team regularly reviews the Corporate Risk Register and discusses the broader risk landscape that the Authority operates in.

Managing quality

The Authority is committed to the same quality approach expected of aviation participants. This requires a clear framework for the ISO 9001:2008 (ISO 9001) exposition, as it represents the Quality Management System (QMS), and includes a commitment to future review and improvement. TELARC conducted a three yearly re-certification audit of our ISO 9001:2008 Quality Management System in 2013/14 for both the Regulatory Function and the Security Service. This resulted in the Authority being re-certified under ISO 9001:2008 until 2017.

Obtaining assurance

The Authority has worked with its contracted internal assurance provider, PwC to move from a fully outsourced internal assurance model to one of co-sourced audit provision. This has focused on transferring skills and organisational knowledge, and developing a 'one team' approach. Internal assurance coverage for the 2014/15 year included the following reviews:

- Certification, Safety Promotion and Surveillance Practices
- Health and Safety Governance
- New Southern Skies Programme review

The Service also has its own internal Quality Assurance programme that is certified under ISO 9001:2008. The Service reports independently to the Finance Audit and Risk Committee.

Implementation of the recommendations of the Auditor-General

On 31 July 2012, the Auditor-General confirmed to the Authority that nine of the thirteen recommendations directed to the Authority in its report of 2010 were completed and closed. In its third quarter 2013/14 report to the Minister of Transport, the Authority noted that it has made significant progress towards completing the remaining four recommendations. Three recommendations relate to the effectiveness and surveillance functions and one recommendation relates to safety data integrity. Work continues to complete the recommendations, with progress reported to the Minister of Transport through quarterly reporting.

Organisational Health and Capability

The Authority has focused on building a strong foundation to support the activity of the Regulatory Function and the Security Service through building staff capability, focusing on organisational behaviours and developing future focused strategies.

Safe and Secure Skies – roadmap

In November 2014, the Authority invested in an initiative to bring the Authority's strategy and environmental context alive through the development of a pictorial representation. In particular, the visual roadmap assists understanding the transformational aspirational context of the Authority and to ensure that staff have a shared meaning of the future state. The desire was for a clear understanding of what the Authority will look like when transformed, the benefits and efficiency gains that will be realised, and how the various components will contribute.

The roadmap has created a shared meaning of the future state vision that is easily articulated and communicable, and inclusive. It will drive innovation and clearly define the value proposition to our various customers and stakeholders.

Regulatory workforce strategy and action plan

Effective risk-based regulation relies on the regulator dealing with high levels of ambiguity in a constantly changing environment and handling a vast array of information in different forms. The quality of decision making is dependent on balancing the information and data available to a regulator with a level of skill, with current knowledge and the appropriate behavioural style.

The Regulatory Function of the Authority, like many other regulators, is facing a number of challenges that can be summarised as:

- The emergence of risk-based regulation.
- Increased complexity of regulatory decision making.
- Increased expectations of performance from the public, central government, and participants.
- Rapidly changing and evolving technologies such as satellite based navigation.
- Introduction of safety management systems within aviation.

To meet these challenges we need to have capability across all levels of the organisation and a purposeful structured and integrated approach to achieving a professional workforce.

The Authority has defined the capabilities of the professional aviation regulator. The capability framework recognises best practice and has been tailored to meet the Regulatory Functions requirements for building a corps of professional aviation safety regulators. It covers what we want to achieve, the way we do things and foundational capabilities.

This capability framework recognises that not all staff can be expected to have specialised knowledge in all areas, and that the skill set will be dependent on specific needs of a particular role. The model places the capabilities in the context of the wider core behaviours required of the workforce in the Authority and represents the collective capabilities required of our regulatory staff.

The capability framework has been publicised amongst Managers. They have been engaged in workshops, to enable them to understand what these capabilities mean for the workforce and their role in building capability.

In March 2015, the Regulatory Function Executive Leadership Team endorsed the development of a Regulatory Workforce Strategy. The purpose of the Regulatory Workforce Strategy is to enable us to deliver on our business strategy by aligning organisational capability development and workforce to business results.

The Regulatory Workforce Strategy and Action Plan under development will describe how we transition the regulatory workforce to achieve the Authority's purpose. One of the outcomes of the strategy is the Aviation Regulator is recognised as a professional.

The Authority will develop the capabilities of its regulatory workforce by fusing aviation technical knowledge with the skills and behaviours required of the professional aviation regulator. These capabilities are an integral part of the workforce strategy and will inform decisions to meet current and emerging business needs.

This strategy is intended to be dynamic and will evolve over time as our business needs change.

'Red tape reduction' initiative

The Regulatory Function will soon implement a 'red tape reduction' programme as part of its commitment to ensuring that safety and security regulatory requirements, and/or the way they are applied, do not impose an unreasonable impost on the civil aviation sector. We are still in the scoping phase of this initiative, however it is likely that 'red tape reduction' would occur at both the business level (i.e. the Regulatory Function's internal procedures) and the regulatory level (that is, a review of regulatory requirements to remove unnecessary requirements or reduce standards where appropriate, etc.) without compromising aviation safety.

Integrated Performance Management and Measurement Framework (IPMMF)

The IPMMF aims to provide an integrated strategic and operational performance management and measurement framework. This is to build on and provide the ability for the organisation to measure progress towards achieving its strategic outcomes, including its contribution to the Transport sector.

The methodology is based on the Balanced Scorecard and it is expected this work will provide the framework for internal reporting as well as the Authority's public accountability disclosures and include, but not be limited to, the following:

- Evaluating and recommending improvements to the Authority's intervention ('line of sight') framework, linking outcomes to activities (i.e., reviewing the existing Statement of Intent intervention logic schema). This is planned to include, but not be limited to, defining 'key result indicators' and 'key performance indicators' having regard to the Authority's operating environment and systems, and core strategic and business drivers.
- Applying the intervention logic to test the strategic framework and allow the Executive to model alternate strategies and make resource allocation and pricing decisions.
- Develop the measures and targets of the intervention logic (including Statements of Performance) to monitor the progress in achieving the Authority's strategy.
- Develop management indicators that provide assurance to stakeholders (Minister/Board/Ministry of Transport) of the Authority's short and longer term performance.
- Assess the ability of the integrated strategic and operational performance management and measurement framework to be managed successfully within the Authority's existing governance and accountability framework.

Safer operating environment

In June 2015, the Security Service improved its rating for Accident Compensation Corporation (ACC) workplace safety management practices from secondary level to tertiary level. The Regulatory Function retained primary level.

These ratings will last until 30 June 2017. The benefits resulting from this are not only a healthy and safe workplace but also a 20% reduction on the Service's ACC work cover levies.

The Security Service has also been able to reduce its lost time injury (LTI) frequency rate to 9 for 2014/15 from a high of 29 two years ago. Employees' participation in Healthcare and Fatigue Assessment programmes has contributed to this reduction and will assist in working towards a healthy safe workforce and achieving a target of 4 for the next financial year.

Sector collaboration and capability programme

The Authority continues to make an active contribution to the Transport Sector Leadership Group (TSLG), which, led by the Ministry of Transport, is overseeing the implementation of innovative ways to improve the efficiency and quality of the services being delivered across the sector and is in support of the Government's priority of delivering Better Public Services.

A key role of the TSLG has been oversight of the continued work being performed across the sector in delivering the Collaboration and Capability Programme. This programme has focused on developing a better understanding of the capability requirements of individual agencies and allowing all transport sector agencies to learn from others' experiences.

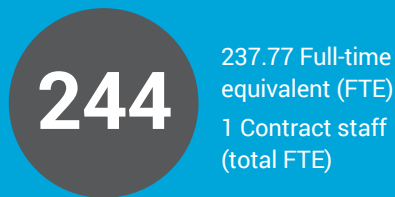
In 2014/15, the progress of the programme included embedding the benefits of working collaboratively across the information and communications technology (ICT) and Ministerial Services areas, as well as maintaining impetus and embedding existing collaboration initiatives. In the ICT area, a monthly forum of the Chief Information Officers across the transport sector shared IT strategies, partnership opportunities, investment insights, and experiences with vendors, allowing all transport sector agencies to learn from others' experiences. The result has been an environment where agencies seek feedback and peer review before undertaking initiatives, which improves the likelihood of efficient, well-planned IT developments and investigations into possible sharing opportunities. With Ministerial Services, the ability of the transport agencies to use the Ministry's workflow system, while retaining their individual processes, has meant a more efficient system for producing high quality Ministerial replies to public enquiries.

In the latter period of the year, focus was placed on testing the feasibility for greater collaborative efficiencies in the areas of accommodation, procurement, and in managing the finance and HR/payroll systems. The outcomes of this work will be evaluated in 2015/16.

Staff Profile

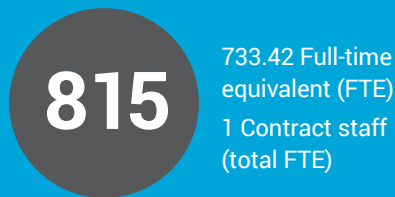
TOTAL STAFF NUMBERS

Regulatory Function (Regulatory)



225 – 2013/14

Security Service (Security)



794 – 2013/14

STAFF TURNOVER

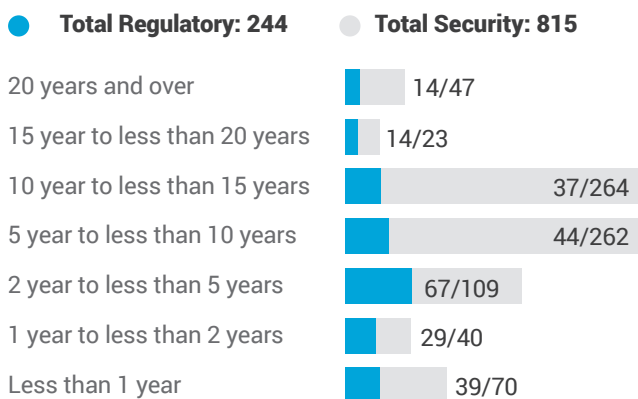
Regulatory

9.30%

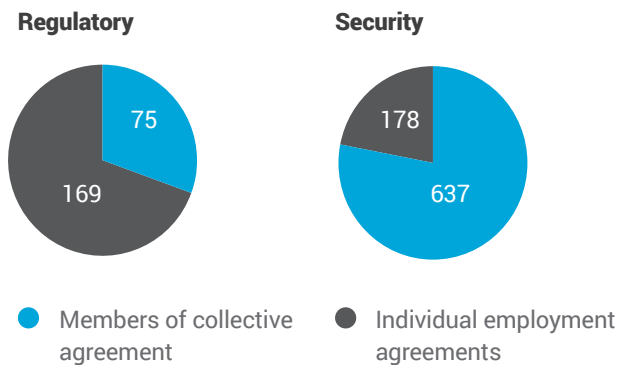
Security

6.20%

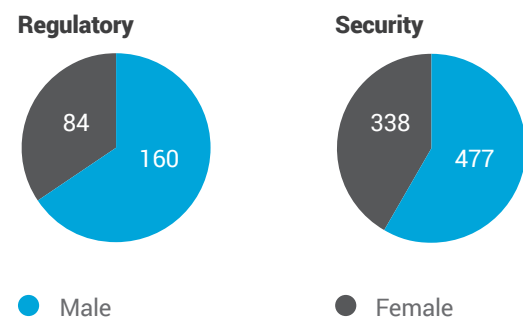
LENGTH OF SERVICE



EMPLOYMENT STATUS



GENDER PROFILE



MANAGEMENT PROFILE

	Regulatory	Security
Tier 2 – Tier 4		
Male	7	3
Female	0	2
Total Tier 2 Management	7	5
Male	20	5
Female	1	3
Total Tier 3 Management	21	8
Male	17	10
Female	6	4
Total Tier 4 Management	23	14
Male	86.27%	66.67%
Female	13.73%	33.33%
TOTAL MANAGEMENT	51	27

STAFF MOVEMENT

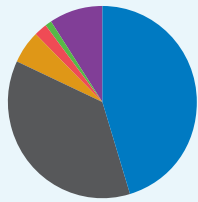
	Regulatory	Security
Headcount 01 July 2014	225	794
Resignations	(20)	(47)
Retired	(2)	(6)
Recruited	43	76
Retrenched	(2)	(2)
HEADCOUNT 30 JUNE 2015	244	815

FRONTLINE OR OPERATIONS/MANAGEMENT SUPPORT

	Regulatory	Security
Frontline operations	144	758
Managerial and support (including the Director & General Managers)	100	57
TOTAL	244	815

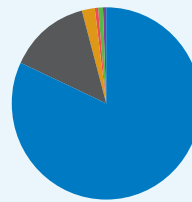
ETHNICITY/NATIONALITY*

Regulatory



- Not reported (45.49%)
- New Zealand European (36.48%)
- English/Scot/Welsh (5.74%)
- Australian (2.05%)
- New Zealand Māori (1.23%)
- Other (9.02%)

Security



- Not reported (79.93%)
- New Zealand European (13.71%)
- English/Scot/Welsh (1.96%)
- Australian (0.61%)
- New Zealand Māori (0.73%)
- Other (0.49%)

AGE PROFILE

Average Age: Regulatory = 49

Average Age: Security = 50

DISABILITY PROFILE*

Regulatory: 3.4% of total headcount with disabilities

Security: 1.1% of total headcount with disabilities

* The collection of staff ethnicity/nationality and disability data was initiated in 2013/14 on a voluntary basis.

Activities in the past year



Leadership accountability and culture

- The Authority's purpose has been defined through a co-creation process and is being communicated across the whole Authority by means of a graphic roadmap.
- Targeted leadership development is offered to managers across the Authority.
- Quarterly Leadership and Management forums for all managers themed around the six organisational core behaviours are developed and conducted by members of the Authority Leadership Team (ALT).
- Induction specifically for new managers is conducted.
- The six organisational core behaviours form an integral part of performance management.
- Just culture principles are integral to all performance improvement plans.
- Regular engagement surveys.



Recruitment, selection and induction

- All vacancies are subject to a thorough role analysis prior to being advertised.
- All roles include specific, gender neutral capabilities.
- Shortlisting and interviewing focuses on the capabilities and experience required to do the job and is totally non discriminatory.
- All interviewees are offered a whanau interview.
- Psychometric profiling is non-discriminatory.
- People and capability are represented on all interview panels.
- Managers are guided through their role in induction.
- Induction is thorough and includes a 30 day and 4 month catch up to ensure new employees are satisfied with their work environment.



Harassment and bullying prevention

- Anti-harassment and bullying policy redeveloped and communicated to all employees with guidelines available online.
- Employees encouraged and supported to address low level issues themselves.
- Workshops on bullying and harassment held for new employees.
- Redevelopment of rostering system with input from unions and employees to ensure no favouritism.



Flexibility and work design

- Organisational flexible working programme in place.
- Working from home policy in place for all employees whose work might allow them to do so.
- Working from home tools developed and included in policy guidelines and available to all employees.
- All work from home requests considered.
- Unpaid leave requests considered and supported where possible on a case by case basis.
- Breast feeding room available in Head Office, parent rooms available in some other locations.
- Parental leave policy includes specific benefits for returning to work mothers.



Remuneration, recognition and reward

- Pay for performance practice in place.
- Thorough and robust/transparent job sizing practices including peer review.
- Reward and recognition systems and processes used by the Authority support equal pay principles.
- Performance ratings moderated by thorough process with ability to request further review.
- Manager workshops conducted on performance reviews and giving feedback prior to each review round.
- One-off non-financial rewards available for above and beyond performance.
- Internal “high five” mechanism in the internal organisation newsletter that allows employees to publicly recognise good work by peers.
- Quarterly staff meetings featuring a guest speaker on topical subject of interest.
- Internal celebrations held throughout the organisation to celebrate personal events such as special birthdays, long service.
- Long service awards and certificates are presented at 5, 10, 15+ years’ service.



Employee development promotion and exit

- Structured employee development study assistance programme has been revised, communicated and included in the organisational learning policy.
- Internal and external secondments supported.
- Targeted technical training made available to all technical employees.
- Internal coaching and mentoring programme available for targeted employees.
- Learning management framework in place for all employees and included in the organisational learning policy.
- Regular development opportunities updates in the organisation newsletter.
- Formal exit interviews offered to all exiting employees, results collated and reported back (anonymously) to senior managers.
- Exit online survey offered for all exiting employees. Results collated and reported back anonymously to senior managers.



Safe and healthy environment

- ACC tertiary accreditation for workplace safety management programme in part of the organisation.
- A formal “Life care” wellness programme with the opportunity for anyone to contribute.
- An Employee Assistance Programme.
- Informal pilates and yoga organised and made available.
- Ergonomic occupational assessments including for those working remotely.
- Flu vaccinations.
- Hearing and vision assessments.

Capital and Asset Management

The table below shows comparative actual capital expenditure against budget:

	Actual 2014/15 (\$000)	Budget 2014/15 (\$000)	% of budget spent	Variance Comment
Regulatory Function				
Computer hardware	209	389	54%	
Computer software	183	4,458	4%	This variance relates to the upgrade of business systems and infrastructure which has been deferred pending the outcome of the Regulatory Craft Programme (refer Focus Area 3 on page 30).
Plant & equipment	13	10	130%	
Furniture & fittings	-	-	-	
Motor vehicles	73	80	91%	
Leasehold improvements	-	-	-	
TOTAL	478	4,937	10%	
Security Service				
Computer hardware	54	-	-	
Computer software	297	870	34%	This variance primarily relates to the airport identity card system enhancements being rescheduled to the following year.
Plant & equipment	1,071	5,286	20%	This variance relates to the delayed implementation of cabin baggage screening equipment.
Furniture & fittings	-	-	-	
Motor vehicles	549	396	139%	
Leasehold improvements	41	-	-	
TOTAL	2,012	6,552	31%	

Statements of Performance and Financial Statements

Statement of responsibility

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

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

In the opinion of the Authority, the financial statements and Statements of Performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2015.

Signed on behalf of the Board:



Nigel Gould

Chairman of the Civil Aviation Authority of New Zealand
21 October 2015



Peter Griffiths

Deputy Chairman of the Civil Aviation Authority of New Zealand
21 October 2015

Independent Auditor's Report

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2015

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Civil Aviation Authority on pages 66 to 101, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Civil Aviation Authority on pages 20 to 34, 46 to 65 and 105 to 112.

In our opinion:

- the financial statements of the Civil Aviation Authority:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015;
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Accounting Standards.
- the performance information:
 - presents fairly, in all material respects, the Civil Aviation Authority's performance for the year ended 30 June 2015, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - what has been achieved with the appropriations;
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 21 October 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

Responsibilities of the Board

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

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Civil Aviation Authority's financial position, financial performance and cash flows; and
- present fairly the Civil Aviation Authority's performance.

The Board's responsibilities arise from the Crown Entities Act 2004, the Public Finance Act 1989, and the Civil Aviation Act 1990.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

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

In addition to the audit we carried out an assurance review over the Civil Aviation Authority's process to select a replacement Aviation Safety Management System, and independent quality assurance in relation to the Regulatory Craft Programme. These assignments are compatible with those independence requirements.

Other than the above assignments and audit, we have no relationship with or interests in the Civil Aviation Authority.



Kelly Rushton

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

SECTION 6

Statements of Performance

The Statements of Performance set 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:

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

The funding for International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing, Policy Advice (all delivered within Output Class 1: Policy and Regulatory Strategy), and Health and Safety in Employment Activities (delivered within Output Class 4: Surveillance & Investigation) is provided under the Vote Transport multi-category appropriation – ‘Policy Advice and Related Outputs’.

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

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

Output Classes:

Regulatory Function

Output Class 1: Policy and Regulatory Strategy

Output Class 2: Outreach

Output Class 3: Certification & Licensing

Output Class 4: Surveillance & Investigation

Security Service

Output Class 5: Security Service Delivery

Output Class 1 Policy & Regulatory Strategy

Description

Under this output class the Authority:

- 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. parliamentary questions, briefings, responses to agencies Ministerials;
- Develops and maintains linkages internally, across government, internationally and within industry.



1.1

INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

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

What is intended to be achieved?

This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport (* in accordance with the estimates of appropriations 2014/15).

How does this contribute to our impacts?

Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our impact of "New Zealand has a positive international reputation for air safety and security. This contributes to reducing trade and market barriers.

How do we assess our service delivery performance?

Quantity

* Percentage of international engagement undertaken that meets the objectives of the Authority's International Engagement Strategy:

International engagement conducted within the Ministers delegated authority.

Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
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100%	95% (of objectives met)	5%	100%
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International Civil Aviation Organization (ICAO) compliance:

Timeliness

Acknowledge incoming ICAO State letters within three weeks of receipt.

Respond to incoming ICAO State letters by due date as set by ICAO.

100%	100%	-	100%
100%	100%	-	100%

Maintain the currency of the Electronic Filing of Differences (eFOD) in accordance with ICAO timeframes.	100%	100%	-	new measure
Quality: Significant Safety Concerns (SSC) raised by ICAO.	nil	nil	-	new measure
* ICAO coordinated validation mission (ICVM) carried out as a result of an SSC.	nil	nil	-	new measure

What do our results show? All work completed in this area falls within the Statement of Intent objectives.

1.2 MINISTERIAL SERVICING – CIVIL AVIATION

What is intended to be achieved?

This category is intended to achieve the effective delivery of support to executive government and parliamentary processes (* in accordance with the estimates of appropriations 2014/15).

How does this contribute to our impacts?

The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all four impacts described in our strategic framework.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity * Reports, correspondence and Parliamentary questions are acceptable to the Minister (as assessed by annual survey) (Reports, correspondence and Parliamentary questions are acceptable to the Minister (as assessed by annual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.)	* 95% of papers acceptable (met expectations)	* 95% of papers acceptable (met or exceeded expectations)	-	Survey unable to be conducted to assess this measure due to change of Minister in July 2014.
Timeliness Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	100%	100%	-	100%

What do our results show? The Minister of Transport responded to the 30 June “Quality of Ministerial Servicing” survey on 29 July 2015 and assessed the Authority’s work as meeting expectations and to continue to work on ensuring a ‘no surprises’ approach to high profile matters.

1.3 POLICY ADVICE – CIVIL AVIATION

What is intended to be achieved?

This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system (* in accordance with the estimates of appropriations 2014/15).

How does this contribute to our impacts?

A “safe airspace environment” and “participants act safely and manage risks” are determined by robust analysis and decision making.

How do we assess our service delivery performance?

		Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity					
* Percentage of policy papers that meet the standards set out in the Authority’s policy development procedures (assessed by annual independent audit).		100% ⁷	95% meet standard	5%	100%
Timeliness					
Stage II of the Airspace and Navigation policy implemented.	Completion of term policy for navigation and surveillance 30 June 2015 is dependent on the delivery of a set of aviation system safety criteria reports, including a decision on the degree to which New Zealand will rely on the Global Navigation Satellite System now and in the future. Policy and rule development work is continuing alongside the New Southern Sky Safety Group work. The Minister has been briefed on these issues. We anticipate that policy and rules for navigation and surveillance will be delivered in the 2015 – 2016 year.		Stage II implemented by 31 December 2015	partially completed	new measure
Remotely Piloted Aircraft (RPAs) policy development and review of authorisation process complete.	A long term integration strategy for RPAS has been completed and is awaiting further discussion at senior level, as it recommends a wider cross-government approach to the management of this new technology.		Stage two: detailed long term policy by 30 June 2015	-	An interim approach to the regulation of RPAs was developed and consulted, and a regulatory impact statement and Cabinet paper was approved on 30 June 2014.

What do our results show? The major policy project completed this financial year was the interim policy on Remotely Piloted Aircraft. An independent review of the policy work undertaken confirmed that the Authority complied with its policy development procedures in the delivery of this project. The review also made a number of useful recommendations to improve elements of the process. In 2015/16 the policy team will build these recommendations into its policy development procedures to benefit future policy projects. Delays in the completion of stage two of the Airspace and Navigation policy implementation due to pending decisions is anticipated to result in delivery of the policy and rules in 2016.

⁷ The Regulatory Function worked on 13 policy projects in 2014/15. Of those 13, 3 were completed by 30 June 2015, these were; Remotely Piloted Aircrafts (Large), State Safety Programme (Medium), and Acceptance of overseas certificates (Small). Only the most substantial piece, Remotely Piloted Aircrafts was independently reviewed.

1.4 SYSTEM LEVEL DESIGN AND INTERVENTION

What is intended to be achieved?

This category is intended to achieve an effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.

How does this contribute to our impacts?

The proactive identification of emerging issues in the aviation environment allow us to develop minimum safety and security standards for aviation participants that directly contribute to all four of the impacts defined in the Authority's strategic framework depicted on page 19.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quality and Timeliness				
Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross government.	One report provided in September 2014 for inclusion in the organisations strategic review. No significant impacts were noted to affect the current environment and the 2014-18 Statement of Intent was maintained for 2015/16.	Six monthly reports provided to Authority	(1)	An environmental scan was provided to senior management on 17 October 2013 to inform the development of strategic priorities for the 2014-18 Statement of Intent. A second report is under development for inclusion in the organisations strategic review and is due in September 2014.
Quantity:				
All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.	100% 63 issues on 30 June 2014 – opened (22) assigned (22) allocated (6) assessed (1) scheduled (12) 36 raised in the financial year 37 issues on 30 June 2015 – opened (35) assigned (2)	100%	-	100% 48 issues received between 1 July 2013 and 30 June 2014 10 issues assessed 16 issue assessments underway and 22 pending assessment. Terms of Reference agreed to revise Aviation Community Group role to include greater involvement in front end of issue assessment process. Issue Assessment and action tracking system has been updated, and now includes formal step by step procedures. All issue assessments have been completed in accordance with these new procedures.

What do our results show? All work completed falls within the Statement of Intent objectives with no material variance.

1.5

RULES AND STANDARDS DEVELOPMENT

What is intended to be achieved?

This category is intended to achieve timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO.

How does this contribute to our impacts?

A robust and fit for purpose regulatory structure directly contributes to the maintenance of a safe airspace environment for all where aviation participants act safely and actively manage risks.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity				
Number of Rules under development agreed between the Authority and the Ministry of Transport.	7	6-10	within range	8
Number of Rules completed agreed between the Authority and the Ministry of Transport.	2	3-5	(1-3) Refer to Rules programme summary at appendix 4.	2
Quality and Timeliness				
Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook).	100%	100%	-	The measure is based on the fact that Rules can only proceed to the next stage of the development process once the Ministry of Transport representative is satisfied.

What do our results show? The target was to complete all 7 projects underway by 30 June 2015, however, that target was aggressive and not achieved due to resource limitations and unforeseen complications with some of the projects. Refer to the Rules Programme Summary at appendix 4. Note that the Civil Aviation Authority does not measure the quality and timeliness of rules. This is undertaken through the Ministry of Transport.

1.6 PACIFIC SUPPORT

What is intended to be achieved?

This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.

How does this contribute to our impacts?

New Zealand's positive international reputation for air safety and security is demonstrated through our role as regional leader and safety promoter to the Pacific States.

How do we assess our service delivery performance?	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Timeliness Action plan for each state developed and delivered according to the timetable agreed with each state.	Action plans for 10 Pacific Aviation Safety Office (PASO) States delivered according to timetable	Delivered according to timetable	-	Scoping of each State ongoing to identify areas for priority attention. Timetable will be developed upon agreement by States to action plans in 2014/15.
Quality 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). ⁸	Mission plan developed and agreed with MFAT. Funding pending approval through to 2016-18 to achieve improved level of compliance with ICAO eight critical elements in the Pacific	Improved level of compliance with ICAO eight critical elements	-	new measure
New systems and processes established and used as a result of training.	Decision made by PASO to adopt ICAO Continuous Monitoring Audit processes. Training on systems and processes scheduled to commence in December 2015	Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided.	-	In December 2013, States agreed to the training requirements that will deliver on improvements to Pacific aviation systems and processes. Scoping for delivery underway.
Increased industry satisfaction and willingness to engage in the Pacific.	Survey developed. Independent assessor currently undertaking survey across Pacific. Results due for evaluation by June 2016.	Survey developed to assess industry satisfaction	-	Baseline data has been developed and survey to assess industry satisfaction drafted.

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.

⁸ ICAO has identified and defined the following critical elements of a State's safety oversight system: CE-1 Primary aviation legislation, CE-2 Specific operating regulations, CE-3 State civil aviation system and safety oversight functions, CE-4 Technical personnel qualification and training, CE-5 Technical guidance, tools and the provision of safety-critical information, CE-6 Licensing, certification, authorization and approval obligations, CE-7 Surveillance obligations and, CE-8 Resolution of safety concerns. Definitions of each of the critical areas can be found at <http://www.icao.int/Security/USAP/Pages/The-Critical-Elements.aspx>

Output Class Financials:	Actual 2014/15 \$000	Target 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
* Crown Funding (Vote Transport: International Relations and International Civil Aviation Organization Obligations, Ministerial Servicing – Civil Aviation, Policy Advice – Civil Aviation)	1,779	1,780	(1)	1,779
Ministry of Transport Contract Revenue (rules development)	1,380	1,374	6	1,345
Levies	1,183	523	660	1,209
Fees & Charges	60	-	60	48
Other Revenue	-	-	-	-
Revenue	4,402	3,677	725	4,381
Expense	(4,402)	(3,677)	(725)	(4,381)
Net surplus/(deficit)	-	-	-	-



Output Class 2 Outreach

Description

Under this output class the Authority:

- 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.

2.1 OUTREACH

What is intended to be achieved?

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

How does this contribute to our impacts?

People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes on risk identification and management. This directly contributes to participants acting safely and managing risks.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity Number of safety summary reports and aviation safety reports and other publications released.	Reports: 4 safety summary 2 aviation safety 6 Vectors 3 new Apps 9 new products 15 Revised/Reprinted products	Reports: 4 safety summary 2 aviation safety 12-18 publications	5	Reports: 4 safety summary 2 aviation safety 8 (6 x Vector magazines, 1 x technical log and 1 x calendar).
Quality and Timeliness Percentage of reports and publications that are produced in accordance with the Authority's procedures ⁹ and to the following time lines: safety summary reports within 40 days of quarter end. aviation safety reports within 6 months of period end.	95% (2 safety summary reports delivered late)	100%	5%	17%
Quantity Number of educational units (seminars, workshops and courses) delivered.	31 AvKiwi Seminars 4 Maintenance Controller course 4 Aviation Coordinator Courses	20-30	9	31 Avkiwi seminars 5 maintenance controller courses 4 aviation safety coordinator courses

⁹ Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report. Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report.

Percentage of educational units that are:

Delivered in accordance with the schedule published on the CAA website.

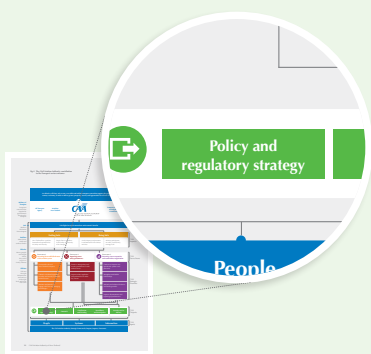
Rated by participants as a 3 or higher¹⁰ in their overall rating of the seminar and the benefit provide.

100% 100% - 100%

What do our results show? With the exception of 2 safety summary reports delivered late, the balance of work completed in this area falls within the Statement of Intent objectives with no material variance. Significant work has been undertaken to provide industry with more targeted bespoke reporting, and, the inclusion of supporting apps for educational programmes.

	Actual 2014/15 \$000	Target 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
Output Class Financials:				
Levies	4,689	4,347	342	4,241
Fees & Charges	-	-	-	-
Other Revenue	143	119	24	114
Revenue	4,832	4,466	366	4,355
Expense	(4,743)	(4,447)	(296)	(4,342)
Net surplus/(deficit)	89	19	70	13

¹⁰ Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar? How would you rate the seminar overall?



Output Class 3 Certification & Licensing

Description

Under this output class the Authority:

- 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 suspension and revocation of documents.

3.1

CERTIFICATION & LICENSING

What is intended to be achieved?

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

How does this contribute to our impacts?

The robust assessment and certification of participants in the civil aviation system ensures safe aviation practitioners maintain a safe airspace environment.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity				
Number of certifications carried out. (estimated volumes).	1,017	1,200-1,500 Organisations	(183-483) Demand driven	1,172
	815	930-1,130 Aircraft	(115-315) Demand driven	870
	74	35-45 Service providers	29 Demand driven	89
Number of licencing procedures carried out.	6,019	5,000-7,000	within range Demand driven	6,811
Quality and Timeliness				
Percentage of certifications and licencing procedures that follow Authority procedural requirements (based on a quarterly assessment of progress against Statement of Performance Expectation performance measures by assessing a sample per the Authority review procedure ¹¹).	99%	100%	-	98%

¹¹ Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report. Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report

Output Class Financials:	Actual 2014/15 \$000	Budget 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
Levies	11,561	11,615	(54)	10,975
Fees & Charges	6,674	6,612	62	6,452
Other Revenue	556	497	(59)	467
Revenue	18,791	18,724	(67)	17,894
Expense	(18,445)	(18,649)	204	(17,840)
Net surplus/(deficit)	346	75	271	54



Output Class 4 Surveillance & Investigation

Description

Under this output class the Authority:

- Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- Conducts inspections, audits and investigations under the Health and Safety in Employment Act 1992;
- Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk;
- Takes appropriate regulatory intervention under the *Civil Aviation Act 1990* to hold participants to account where necessary.

4.1

SURVEILLANCE & INVESTIGATION

What is intended to be achieved?

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

This category includes the Crown funded activity *Health and Safety in Employment Activities – Civil Aviation.

*This category is intended to achieve compliance with 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.

How does this contribute to our impacts?

People have confidence in the safety and security of the aviation system as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quantity				
Number of audits and inspections.	634	630-750	within range	717
* Number of health and safety in employment investigations, audits and inspections.	17 ¹²	35-55	(18-38)	11 closed with 9 audits remaining open at 30 June 2014
Number of safety and regulatory investigations	381 ¹³	650-800	(269-419)	849

12 Reprioritisation of resources to focus on two significant prosecutions has resulted in the number of investigations, audits and inspections to be less than the budgeted target for 2014/15.

13 The significant reduction in safety and regulatory investigations against both budget and 2013/14 actual is reflective of the introduction of a new methodology by which some investigations are being conducted. Historically investigations have been event based, which is the investigation of an aviation occurrence once it has happened. In 2014/15 the Authority moved a third of its safety investigators to a Systemic and Thematic based investigation project team. This will allow the Authority to put interventions in place to prevent potential occurrences before they happen, thereby increasing the integrity of safety within the aviation system. Trialling of the new methodology is in its infancy but the Authority believes it will add significant benefit once the methodology is proven and in place full-time by 31 December 2015.

Safety Investigations	28%	Minor > 50%	(22%)	new measure
Percentage of occurrences investigated or reviewed.	38%	Major > 35%	3%	new measure
	34%	Critical > 15%	19%	15%
Enforcement Investigations.	39	50-80	(11-41)	new measure
Aviation Related Concerns Investigations.	323	400-460	(77-137)	new measure
Section 15A of the <i>Civil Aviation Act 1990</i> Investigations	1	5-10	(4-9)	new measure

Number of hours spent on targeted safety analysis reporting by sector.

Airline sector	1,350	300	1,050 ¹⁴	new measure
Helicopter and agricultural	1,439.50	400	1,039.50 ¹⁴	new measure
Other	1,353.50	500	853.50 ¹⁴	new measure

Quality

Percentage of health and safety in employment investigations, audits and inspections that follow policy and procedural requirements (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures by assessing a sample per the Authority review procedure ¹⁵).	97%	100%	(3%)	96%
* Percentage of health and safety in employment investigations, audits, and inspections that follow policy and procedural requirements ¹⁶).	90%	100%	(10%)	new measure
Percentage of safety analysis reports provided to the operational units that are assessed as 'very useful' or 'somewhat useful'. ¹⁷	An assessment survey is being developed to formally recognise the usefulness of reports provided to the operational units. Informal feedback on reports provided reflect the current process is targeting the right information with minimal follow up for additional information	100%	Survey under development	new measure

¹⁴ The number of hours spent on targeted safety analysis reporting is a new measure and was underestimated in the budgeted target.

¹⁵ Quarterly assessment of progress against SOI performance measures procedure.

¹⁶ This measure specifies the results specifically related to the Crown funded Health and Safety in Employment Activities – Civil Aviation included in the statement of appropriations 2014/15 which are consolidated in the preceding measure in the Authority Statement of Performance Expectations.

¹⁷ Based on a survey of each report being assessed by recipients based on the following scale: 1. Very useful, 2. Somewhat useful, 3. Not very useful, 4. Not at all useful

Timeliness				
Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures by assessing a sample per the Authority review procedure ¹⁸).	98%	100%	(2%)	96%
* Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes. ¹⁹	100%	100%	-	100%
Quality and Timeliness				
Percentage of safety and regulatory investigations that are delivered to agreed standards and time lines:				
Percentage of a 5% random sample of safety investigations that is assessed, both internally and externally, as meeting the Safety and Investigations Unit Business Plan time-scales and are based on defensible and justifiable reasons aligned with the Authority's strategic framework and Regulatory Operating Model.	98%	100%	(2%)	96%
Percentage of a 5% random sample of regulatory investigations that is independently assessed to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model.	100%	100%	-	100%

What do our results show? The introduction of a new measure on the usefulness of safety analysis reports provided to operational units is still being assessed, as is the method of measuring this target. A survey is being developed for application in 2015/16. The number of hours spent on targeted safety analysis reporting is a new measure and was underestimated in the budgeted target. A revision to this measure to provide a more accurate target has been made for the 2015/16 Statement of Performance Expectations.

¹⁸ Quarterly Assessment of Progress Against SOI Performance Measures Procedure.

¹⁹ This measure specifies the results related to the Health and Safety in Employment Activities included in the statement of appropriations 2014/15 which are consolidated in the preceding Quality measure in the Authority 2014/15 Statement of Performance Expectations.

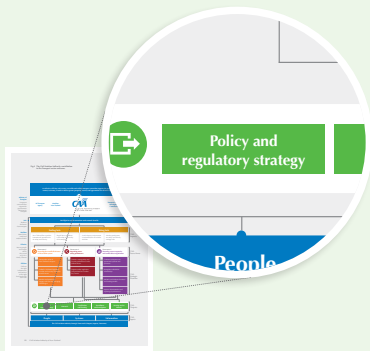
Output Class Financials:	Actual 2014/15 \$000	Budget 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
* Crown Funding (Vote Transport: Health and safety in employment activities)	440	440	-	440
Levies	8,387	8,670	(283)	8,369
Fees & Charges	1,605	2,249	(644)	1,491
Other Revenue	321	311	10	277
Revenue	10,753	11,670	(917)	10,577
Expense	(10,662)	(11,660)	998	(10,571)
Net surplus/(deficit)	91	10	81	6

Output Class 5 Security Service Delivery

Description

Under this output class the Authority:

- Screens all passengers and their carry-on baggage at security designated airports²⁰
- 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.



5.1 SECURITY SERVICE DELIVERY

What is intended to be achieved?

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

How does this contribute to our impacts?

People have confidence in the safety and security of air transport that threats and risks don't materialise, or are resolved as quickly and unobtrusively as possible. Effective screening 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.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Timeliness				
Number of flight delays attributable to screening activities (due to security system failure).	4	nil	(4)	5
Average passenger wait times ²¹ at international departure screening points	2min 56sec	< 3mins	within range	3min 25 sec
Average passenger wait times at domestic departure screening points. ²²	2min 02sec	< 3mins	within range	1min 15sec
Quality				
Number of verified unauthorised or prohibited items discovered post screening points (due to a security system failure). ²³	1.45 items per million items screened	≤ 3.4 items per million items screened	within range	0.471

²⁰ 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.

²¹ Waiting time subject to review as part of screening point efficiency review.

²² Waiting time subject to review as part of screening point efficiency review.

²³ 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 verified dangerous goods discovered post screening points (due to a security system failure). ²⁴	0.029	≤ 3.4 items per million items screened	within range	0.031
Number of substantiated complaints against security officers involved in the screening function.	8 substantiated complaints made, 11,792,189 passengers screened.	No more than 1 per 250,000 passengers screened.	within range	One formal complaint per 1,703,343 passengers screened
Quantity				
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:				
Metro-domestic airports	77.49%	>67.5%	within range	74.4%
Metro international airports	59.68%	>64.0%	(4.32%)	67.4%
Regional domestic airports	67.74%	>57.5%	within range	63.2%
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus). ²⁵	8.2%	<12% rostering surplus	within range	8.6%

What do our results show? The Security Service has performed positively against all measures. The four flight delays attributable to security system failures were the result of two separate incidents where the service rescreened or removed bags when a risk to aircraft was identified. We maintain a nil target for security impacts to the timely departure of aircraft, however, we highlight these incidents as they occur to reflect the commitment by the service to the maintenance of a secure environment for passengers.

²⁴ 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.

²⁵ 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.

5.2 AUDIT PERFORMANCE; ACCESS CONTROL; MARITIME SECURITY SERVICES

What is intended to be achieved?

This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.

How does this contribute to our impacts?

High standards maintained in the delivery of security services result in a positive international reputation for air safety and security.

How do we assess our service delivery performance?

	Actual 2014/15	Target 2014/15	Variance 2014/15	Actual 2013/14
Quality				
Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	100%	100%	-	100%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by external auditors (the Regulator) during any programmed audit. <i>Note: this measure records findings resulting from screening point operational non-conformances not screening point testing activity.</i>	nil	nil	-	nil
Access Control: Number of corrective action requests pertaining to access control issued by external auditors (the Regulator).	nil	nil	-	nil
* Maritime Port Security: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	nil	nil	-	nil

What do our results show? All work completed in this area falls within the Statement of Intent objectives with no material variance.

	Actual 2014/15 \$000	Budget 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
Output Class Financials:				
Contracted services	4,533	3,075	1,458	3,242
Passenger security charges	76,530	72,827	3,703	75,138
* Crown Funding (Vote Transport: Maritime Port Security)	145	145	-	145
Other Revenue	1,457	833	624	985
Revenue	82,665	76,880	5,785	79,510
Expense	(77,357)	(75,602)	(1,755)	(76,571)
Net surplus/(deficit)	5,308	1,278	4,030	2,939

For the years ending 30 June

Cost to deliver outputs

	Actual 2014/15 \$000	Target 2014/15 \$000	Variance 2014/15 \$000	Actual 2013/14 \$000
Output Class Financials:				
Policy and regulatory strategy	(4,402)	(3,677)	(725)	(4,381)
Outreach	(4,743)	(4,447)	(296)	(4,342)
Certification and Licensing	(18,445)	(18,649)	204	(17,840)
Surveillance and Investigation	(10,662)	(11,660)	998	(10,571)
Regulatory Function	(38,252)	(38,433)	181	(37,134)
Security Service Delivery	(77,357)	(75,602)	(1,755)	(76,571)
Security Service Delivery Total	(77,357)	(75,602)	(1,755)	(76,571)

Output Classes Financial Commentary

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. These eliminations include interentity rent and audit work conducted by the Regulatory Function for the Security Service amounting to \$247,000.

SECTION 7

Financial Statements

Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2015

	Note	2015 Actual \$000	2015 Budget \$000	2014 Actual \$000
Revenue				
Levies revenue	2	25,820	25,155	24,794
Passenger security charges	2	76,530	72,827	75,138
Revenue from other services	2	12,855	11,921	11,234
Crown funding revenue	3	2,364	2,365	2,364
Ministry contract revenue	3	1,531	1,519	1,451
Other revenue	4	2,096	1,615	1,717
Total revenue		121,196	115,402	116,698
Expense				
Personnel costs	5	89,616	87,013	84,531
Depreciation and amortisation expense	12,13	3,840	4,838	5,758
Finance costs	6	394	252	385
Other expenses	7	21,512	21,917	23,012
Total expenses		115,362	114,020	113,686
Net Surplus / (Deficit)		5,834	1,382	3,012
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		5,834	1,382	3,012

Explanations of major variances against budget are provided in note 32.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Note	2015 Actual \$000	2015 Budget \$000	2014 Actual \$000
Equity				
Opening balance of equity at 1 July				
General funds	19	20,633	20,252	24,031
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	9,051	7,847	2,641
Total opening balance of equity at 1 July		30,430	28,845	27,418
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		5,834	1,382	3,012
Total changes in equity during the year		5,834	1,382	3,012
Closing balance of equity at 30 June				
General funds	19	21,165	20,756	20,633
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	14,353	8,725	9,051
Total closing balance of equity at 30 June		36,264	30,227	30,430

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2015

	Note	2015 Actual \$000	2015 Budget \$000	2014 Actual \$000
Assets				
Current Assets				
Cash and cash equivalents	8	4,169	822	3,200
Debtors and other receivables	9	13,436	13,021	12,702
Services work in progress		147	-	40
Investments – term deposits	10,27	26,500	19,874	23,250
Total Current Assets		44,252	33,717	39,192
Non-Current Assets				
Property, plant and equipment	12	11,888	16,847	12,964
Intangible assets	13	1,485	6,359	1,888
Investment property	14	402	415	496
Total Non-Current Assets		13,775	23,621	15,348
Total Assets		58,027	57,338	54,540
Liabilities				
Current Liabilities				
Creditors and other payables	15	6,238	8,519	5,793
Employee entitlements	16	8,033	9,847	7,861
Provisions	17	136	72	636
Borrowings	18	-	400	2,940
Total Current Liabilities		14,407	18,838	17,230
Non-Current Liabilities				
Employee entitlements	16	6,211	5,184	5,608
Provisions	17	1,145	949	1,272
Borrowings	18	-	2,140	-
Total Non – Current Liabilities		7,356	8,273	6,880
Total Liabilities		21,763	27,111	24,110
Net Assets		36,264	30,227	30,430
Equity				
General funds	19	21,165	20,756	20,633
Property, plant and equipment revaluation reserve	19	746	746	746
Passenger security charges and other fees and charges reserves	19	14,353	8,725	9,051
Total Equity		36,264	30,227	30,430

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 Actual \$000	2015 Budget \$000	2014 Actual \$000
Cash Flows from Operating Activities				
Receipts from levies		25,844	26,271	24,780
Receipts from passenger security charges and other services		88,361	84,130	85,030
Receipts from Crown funding and Ministry contracts		3,895	3,995	3,840
Interest and other sundry revenue received		2,056	2,238	1,354
Payments to employees		(83,974)	(83,113)	(80,382)
Payments to suppliers		(26,292)	(27,157)	(25,195)
Interest paid		(326)	(252)	(381)
Goods and Services Tax (net)		(279)	(322)	344
Net Cash Flows from Operating Activities	20	9,285	5,790	9,390
Cash Flows from Investing Activities				
Maturity of investments		800	5,500	-
Sale of property, plant and equipment		314	45	371
Placement of investments		(4,000)	-	(23,250)
Purchase of property, plant and equipment		(2,010)	(6,161)	(6,123)
Purchase of intangible assets		(480)	(5,328)	(716)
Net Cash Flows from Investing Activities		(5,376)	(5,944)	(29,718)
Cash Flows from Financing Activities				
Repayment of external borrowings		(2,940)	(400)	(1,116)
Net Cash Flows from Financing Activities		(2,940)	(400)	(1,116)
Net increase/(decrease) in cash and cash equivalents		969	(554)	(21,444)
Opening cash and cash equivalents at 1 July		3,200	1,376	24,644
Closing Cash and Cash Equivalents at 30 June	8	4,169	822	3,200

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

Budget figures of receipts from levies, receipts from passenger security charges and other services, and payments to suppliers have been restated to a GST exclusive basis; consistent with how actuals are reported resulting in budgeted goods and services tax (net) of \$322 instead of \$12,970. This change did not impact budgeted net cash flows from operating activities.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies

Reporting Entity

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

To fulfil these statutory responsibilities, the Authority comprises the Regulatory Function of the Authority and the separate Security Service.

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

These financial statements of the Authority are for the year ended 30 June 2015. The financial statements were approved by the Authority on 21 October 2015.

Section 728 (3B) of the Civil Aviation Act 1990 states that the Authority shall perform its functions in respect of the Aviation Security Service separately from its other functions and shall maintain accounts, records, and reports accordingly.

Basis of Preparation

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

Statement of compliance

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

These financial statements comply with Public Benefit Entity (PBE) accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 33.

Measurement basis

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

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies, except for the adoption of PBE accounting standards.

Standards issued that are not yet effective and not early adopted

The following standards, amendments and interpretations that are relevant to the Authority are not yet effective for the year ended 30 June 2015 and have not been applied in preparing these financial statements:

- In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Authority will apply these updated standards in preparing its 30 June 2016 financial statements. The Authority expects there will be minimal or no change in applying these updated accounting standards.

Significant Accounting Policies

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

Revenue

The Authority earns revenue from:

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

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised 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 surplus or deficit in the period in which the Authority provides the funded programmes.

Goods and services tax

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

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

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

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

Income tax

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

Payment of any surplus to the Crown

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown Entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that 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 measured at fair value through profit or loss – comprising forward exchange contract derivatives

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

Forward exchange contract derivatives are recognised in the Statement of Financial Position at their fair value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the surplus or deficit in the period in which they arise.

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

Foreign currency transactions

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

Other financial assets

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

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.

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.

Other financial liabilities

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.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

The Authority had entered into finance leases for certain security screening and office equipment, but these have expired and no new finance leases have been entered into. 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 recognised finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge was expensed to the surplus or deficit 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 was 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 as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

Services work in progress

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

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

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

Investments

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

Bank 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 surplus or deficit. Any subsequent increase in the revaluation that offsets a previous decrease in value recognised in the surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Additions

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

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

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

Impairment of property, plant and equipment and intangible assets

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

Non-cash-generating assets

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

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

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

Investment property

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

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

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

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.

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

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 are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

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

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 surplus or deficit.

Provisions

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

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

Onerous contracts

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

Restructuring

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

Equity

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

General funds

Property, plant and equipment revaluation reserve

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

Passenger security charges and other fees and charges reserves

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

Passenger safety reserves

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

Budget figures

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

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

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

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

Criteria for apportioning support services costs

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

Critical accounting estimates, assumptions and judgements

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

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

Internally developed computer software intangible assets availability of use

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

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

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

Lease classification

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

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

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

Retirement and long service leave

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

2. Revenue from Levies and Services

	Actual 2015 \$000	Actual 2014 \$000
Levies revenue		
International passenger levies	6,942	6,549
Domestic passenger levies	18,337	17,702
Other levies	541	543
Total levies revenue	25,820	24,794
Passenger security charges		
International passenger security charges	55,505	52,274
Domestic passenger security charges	21,025	22,864
Total passenger security charges	76,530	75,138
Revenue from other services		
Aviation regulatory and safety services	8,326	7,992
Other contracted aviation security services	4,529	3,242
Total revenue from other services	12,855	11,234

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

3. Crown Funding and Ministry Contract Revenue

Crown funding revenue

The Authority has been provided with funding from the Crown through a Multi-Class Output Expense Appropriation and specifically from the Ministry of Transport for the following specific purposes of the Authority as set out in the Civil Aviation Act 1990. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2014: nil).

	Actual 2015 \$000	Actual 2014 \$000
Policy advice	663	663
International relations and International Civil Aviation Organization obligations	685	685
Ministerial servicing	431	431
Health and safety in employment activities	440	440
Total multi-class output expense appropriation	2,219	2,219
Maritime security	145	145
Total revenue from the Crown	2,364	2,364

Policy Advice

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

International relations and International Civil Aviation Organization obligations

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

Ministerial servicing

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

Health and safety in employment activities

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

The Authority has used the Crown funding provided to:

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

Maritime security

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

	Actual 2015 \$000	Actual 2014 \$000
Ministry contract revenue		
Rules development (Ministry of Transport)	1,200	1,200
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	331	251
Total Ministry contract revenue	1,531	1,451

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

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

4. Other Revenue

	Actual 2015 \$000	Actual 2014 \$000
Interest revenue	1,284	879
Net gain on sale of property, plant and equipment	186	209
Net foreign exchange gains	57	-
Other revenue	569	629
Total other revenue	2,096	1,717

During the year the Authority disposed of vehicles that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$186,000 (2014: \$209,000). The Authority has entered into a shared services agreement with Maritime New Zealand to provide information technology services, with this revenue recorded in other revenue.

5. Personnel Costs

	Actual 2015 \$000	Actual 2014 \$000
Salaries and wages	81,105	78,687
Employer contributions to defined contribution plans	2,151	1,924
Other personnel expenses	5,586	5,482
Increase/(decrease) in employee entitlements	774	(1,562)
Total personnel costs	89,616	84,531

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

6. Finance Costs

	Actual 2015 \$000	Actual 2014 \$000
Interest on Crown Loan	190	218
Interest on finance leases	-	17
Discount unwind on long-term employee entitlements	204	150
Total finance costs	394	385

7. Other Expenses

	Actual 2015 \$000	Actual 2014 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	109	107
• Fees to Audit New Zealand for other services	22	10
Audit related fees for assurance and related services	14	3
Operating lease expenses	5,261	6,835
Building operating expenses	1,067	1,066
Information technology expenses	1,822	1,732
Staff travel	3,023	2,851
Insurance	882	1,026
Impairment of receivables	130	34
Safety information services	2,508	2,430
Consultancy	3,465	2,674
Consumables and maintenance	1,748	1,618
Net foreign exchange losses	-	42
Net loss on disposal of property, plant and equipment & intangibles	2	1,095

Revaluation of investment property	100	165
Other expenses	1,359	1,324
Total other expenses	21,512	23,012

Fees to Audit New Zealand for other services were for an assurance review over the Authority's process to select a replacement Aviation Safety Management System and independent quality assurance in relation to the Regulatory Craft Programme.

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

8. Cash and Cash Equivalents

	Actual 2015 \$000	Actual 2014 \$000
Cash at bank and on hand	4,169	3,200
Cash equivalents – short-term deposits	-	-
Total cash and cash equivalents	4,169	3,200

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

The weighted average effective interest rate for the short-term deposits held is 3.0% (2014: 2.9%).

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

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

9. Debtors and Other Receivables

	Actual 2015 \$000	Actual 2014 \$000
Debtors arising from exchange transactions	12,869	12,011
Other receivables	726	795
Less: provision for impairment	(159)	(104)
Total debtors and other receivables	13,436	12,702

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

As at 30 June 2015 and 2014, all receivables were reviewed for evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

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

	2015			2014		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	11,223	-	11,223	12,166	-	12,166
Past due 1-30 days	1,712	-	1,712	431	-	431
Past due 31-60 days	372	-	372	45	-	45
Past due 61-90 days	56	-	56	17	-	17
Past due over 90 days	232	(159)	73	147	(104)	43
Total	13,595	(159)	13,436	12,806	(104)	12,702

All receivables are assessed for impairment and where there is doubt as to the collectability then an impairment provision is made.

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

	Actual 2015 \$000	Actual 2014 \$000
Balance at 1 July	(104)	(81)
Additional provisions made during the year	(136)	(62)
Receivables written-off during the period	74	12
Provisions reversed during the year	7	27
Balance at 30 June	(159)	(104)

10. Investments

	Actual 2015 \$000	Actual 2014 \$000
Current investments are represented by:		
Term deposits	26,500	23,250
	26,500	23,250

Maturity analysis and effective interest rates of term deposits

Term deposits with maturities of less than 12 months	26,500	23,250
Effective interest rate	4.6%	4.2%
	26,500	23,250

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

11. Derivative Financial Instruments

The Authority has taken a forward exchange contract for USD 400,000 (2014: USD 400,000) to settle liability insurance cover premiums for the 2015/16 financial year. The contract will be settled within six months from balance date.

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

12. Property, Plant and Equipment

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

	Assets under construction	Leasehold improvements	Furniture & fittings	Plant & equipment	Office equipment	Motor vehicles	Computer equipment	Leased HBS screening equipment	Total
	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance at 1 July 2013	59	9,093	2,156	12,097	618	2,989	2,746	5,231	34,989
Additions/(Transfers)	(54)	240	13	5,286	64	330	245	-	6,124
Disposals	-	(1,719)	(1,447)	(606)	(24)	(639)	(219)	(5,231)	(9,885)
Balance at 30 June 2014	5	7,614	722	16,777	658	2,680	2,772	-	31,228
Balance at 1 July 2014	5	7,614	722	16,777	658	2,680	2,772	-	31,228
Additions/(Transfers)	559	36	-	524	12	622	257	-	2,010
Disposals	-	-	-	-	-	(907)	-	-	(907)
Balance at 30 June 2015	564	7,650	722	17,301	670	2,395	3,029	-	32,331
Accumulated depreciation and impairment losses									
Balance at 1 July 2013	-	(3,193)	(882)	(8,660)	(540)	(1,829)	(2,228)	(4,604)	(21,936)
Depreciation expense	-	(705)	(1,056)	(1,636)	(44)	(509)	(378)	(627)	(4,955)
Eliminate on disposal	-	550	1,434	607	25	564	217	5,231	8,628
Balance at 30 June 2014	-	(3,348)	(504)	(9,689)	(559)	(1,774)	(2,389)	-	(18,263)
Balance at 1 July 2014	-	(3,348)	(504)	(9,689)	(559)	(1,774)	(2,389)	-	(18,263)
Depreciation expense	-	(576)	(59)	(1,662)	(43)	(411)	(206)	-	(2,957)
Eliminate on disposal	-	-	-	-	-	777	-	-	777
Balance at 30 June 2015	-	(3,924)	(563)	(11,351)	(602)	(1,408)	(2,595)	-	(20,443)
Carrying amounts									
At 1 July 2013	59	5,900	1,274	3,437	78	1,160	518	627	13,053
At 30 June 2014	5	4,265	218	7,088	99	906	383	-	12,964
At 30 June 2015	564	3,726	159	5,950	68	987	434	-	11,888

The total amount of property, plant and equipment in the course of construction is \$564,000 (2014: \$5,000). The depreciation expense for property, plant and equipment is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's property, plant and equipment, nor are any of these assets pledged as security for liabilities or contingent liabilities.

13. Intangible Assets

Movements for each class of intangible asset are as follows:

	Acquired software	Assets under construction	Internally developed software	Software under development	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
Balance at 1 July 2013	3,891	9	2,057	-	5,957
Additions	689	-	24	3	716
Transfer to available for use	9	(9)	-	-	-
Disposals	(12)	-	-	-	(12)
Balance at 30 June 2014	4,577	-	2,081	3	6,661
Balance at 1 July 2014	4,577	-	2,081	3	6,661
Additions	342	104	15	19	480
Balance at 30 June 2015	4,919	104	2,096	22	7,141
Accumulated amortisation and impairment losses					
Balance at 1 July 2013	(2,225)	-	(1,757)	-	(3,982)
Amortisation expense	(681)	-	(122)	-	(803)
Disposals	12	-	-	-	12
Balance at 30 June 2014	(2,894)	-	(1,879)	-	(4,773)
Balance at 1 July 2014	(2,894)	-	(1,879)	-	(4,773)
Amortisation expense	(792)	-	(91)	-	(883)
Balance at 30 June 2015	(3,686)	-	(1,970)	-	(5,656)
Carrying amounts					
At 1 July 2013	1,666	9	300	-	1,975
At 30 June 2014	1,683	-	202	3	1,888
At 30 June 2015	1,233	104	126	22	1,485

The total amount of intangibles in the course of construction is \$126,000 (2014: \$3,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's intangible assets, nor are any intangible assets pledged as security for liabilities or contingent liabilities.

14. Investment Property

	Actual 2015 \$000	Actual 2014 \$000
Balance at 1 July	496	415
Fair value gains/(losses) on valuation	(94)	81
Balance at 30 June	402	496

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

The building was revalued at 30 June 2015 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$402,000 (2014: \$496,000). As it is probable that Auckland Airport will require the demolition of the building at the end of the current lease period in August 2018 the value of the building has been prepared on a discounted cashflow basis.

15. Creditors and other Payables

	Actual 2015 \$000	Actual 2014 \$000
Creditors and payables under exchange transactions		
Creditors	3,944	2,559
Other payables	261	484
Total creditors and payables under exchange transactions	4,205	3,043
Creditors and payables under non-exchange transactions		
Taxes payable (GST, PAYE)	2,033	2,750
Total creditors and payables under non-exchange transactions	2,033	2,750
Total creditors and other payables	6,238	5,793

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

16. Employee Entitlements

	Actual 2015 \$000	Actual 2014 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	126	479
Annual leave	7,097	6,658
<i>Current portion of long-term employee entitlements</i>		
Sick leave	145	151
Retiring and long service leave	665	573
Total current portion	8,033	7,861
Non-current employee entitlements are represented by:		
Long-term employee entitlements		
Retiring and long service leave	5,889	5,254
Sick leave	322	354
Total non-current portion	6,211	5,608
Total employee entitlements	14,244	13,469

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

In determining the appropriate discount rate, the Authority considered the interest rates on New Zealand Treasury Bills and Government Bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. Term-specific risk-free rates as at 30 June 2015 ranging from 2.93% pa to 5.50% pa (2014: ranged from 3.70% pa to 5.50% pa) and a salary inflation factor of 2.0% pa for the year ended 30 June 2016, with a long term salary inflation rate of 3.5% (2014 range between 1.25% and 4.5% pa and 3.5% respectively) were used.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1 % pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$545,000 lower/\$637,000 higher respectively (2014: \$475,000 lower/\$553,000 higher respectively).

If the salary inflation factor was 1 % pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$575,000 higher/\$496,000 lower respectively (2014: \$501,000 higher/\$434,000 lower respectively).

17. Provisions

	Actual 2015 \$000	Actual 2014 \$000
Current provisions are represented by:		
Onerous contracts	136	144
Restructuring	-	492
Screening equipment decommissioning	-	-
Total current portion	136	636
Non-current provisions are represented by:		
Onerous contracts	716	852
Lease make-good	429	420
Total non-current portion	1,145	1,272
Total provisions	1,281	1,908

Movements for each class of provision are as follows:

	Onerous contracts \$000	Screening equipment decommissioning \$000	Restructuring \$000	Lease make-good \$000	Total \$000
2015					
Balance at 1 July 2014	996	-	492	420	1,908
Additional provisions made/(reversed)	(144)	-	(492)	9	(627)
Balance at 30 June 2015	852	-	-	429	1,281
2014					
Balance at 1 July 2013	-	233	109	72	414
Additional provisions made/(reversed)	996	(233)	383	348	1,494
Balance at 30 June 2014	996	-	492	420	1,908

Onerous contracts

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 5.5% was used to calculate the present value of the cost of the onerous lease.

Screening equipment decommissioning

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

Restructuring provision

The Authority approved a detailed and formal restructuring plan which was announced in February 2012, with further restructuring announced in April 2014. The provision represented the estimated cost for redundancy payments and the restructuring plan is now complete with no further provision required.

Leasehold make-good provisions

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 21.

The Authority has also recognised a liability for the cost to make good the leased land at Auckland Airport which is currently occupied by the old Security Service operational base building. It is expected that Auckland Airport will require the land on expiry of the lease in August 2018. The building is accounted for as an investment and is disclosed in Note 14.

18. Borrowings

	Actual 2015 \$000	Actual 2014 \$000
Current borrowings are represented by:		
Advances from the Crown	-	2,940
Total current portion	-	2,940
Non-current borrowings are represented by:		
Total non-current portion	-	-
Total borrowings	-	2,940

Description of advances from the Crown

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

19. Equity

	Actual 2015 \$000	Actual 2014 \$000
General funds		
Opening balance at 1 July	20,633	24,031
Surplus/(deficit) for the year	5,834	3,012
Transfer (to)/from specific reserves	(5,302)	(6,410)
Closing balance at 30 June	21,165	20,633
Reserves		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Closing balance at 30 June	746	746
Passenger security charges reserve – international		
Opening balances at 1 July	2,911	(100)
Surplus/(deficit) for the year	6,074	1,570
Transfer (to)/from general funds	(280)	1,441
Closing balance at 30 June	8,705	2,911
Passenger security charges reserve – domestic		
Opening balances at 1 July	6,140	3,903
Surplus/(deficit) for the year	(372)	1,626
Transfer (to)/from general funds	(120)	611
Closing balance at 30 June	5,648	6,140
Passenger security charges reserve – other fees and charges		
Opening balances at 1 July	-	(1,162)
Surplus/(deficit) for the year	(394)	(257)
Transfer (to)/from general funds	394	1,419
Closing balance at 30 June	-	-
Passenger safety reserve – fixed fees		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(1,054)	(842)
Transfer (to)/from levies reserve	1,054	842
Closing balance at 30 June	-	-

Passenger safety reserve – hourly charges

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(4,998)	(5,307)
Transfer (to)/from levies reserve	4,998	5,307
Closing balance at 30 June	-	-

Passenger safety reserve – other

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	(1,104)	(953)
Transfer (to)/from levies reserve	1,104	953
Closing balance at 30 June	-	-

Passenger safety reserve – levies

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	6,663	6,317
Transfer (to)/from specific reserves	(7,156)	(7,102)
Transfer (to)/from other general reserves	493	785
Closing balance at 30 June	-	-

Passenger safety reserve – other general reserves

Opening balances at 1 July	-	-
Surplus/(deficit) for the year	1,020	857
Transfer (to)/from levies reserves	(493)	(784)
Transfer (to)/from general funds	(527)	(73)
Closing balance at 30 June	-	-

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

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

	Actual 2015 \$000	Actual 2014 \$000
Net surplus/(deficit)	5,834	3,012
Add/(less) non-cash items:		
Depreciation and amortisation expense	3,840	5,758
Impairment of receivables	55	23
Net foreign exchange (gains)/losses	(57)	35
Discount unwind on employee entitlements	204	150
Fair value gains on investment property	100	165
Total non-cash items	4,142	6,131
Add/(less) items classified as investing or financing activities:		
(Gains)/losses on disposal of property, plant & equipment and intangibles	(184)	886
Total items classified as investing or financing activities	(184)	886
Add/(less) movements in working capital items:		
Debtors & other receivables (increase)/decrease	(789)	(1,182)
Services work in progress (increase)/decrease	(107)	(40)
Creditors & other payables increase/(decrease)	445	1,047
Employee entitlements increase/(decrease)	571	(1,712)
Provisions increase/(decrease)	(627)	1,248
Net movements in working capital items	(507)	(639)
Net cash from operating activities	9,285	9,390

21. Capital and operating commitments

	Actual 2015 \$000	Actual 2014 \$000
Capital commitments		
Plant and equipment	5,234	1,982
Total capital commitments	5,234	1,982

The Authority has entered into agreements for the acquisition of airport screening and related equipment. Leased equipment was replaced in December 2014 and equipment upgrades are scheduled over the next three years.

	Actual 2015 \$000	Actual 2014 \$000
Non-cancellable operating leases		
Not later than one year	5,358	5,445
Later than one year and not later than five years	16,497	18,892
Later than five years	5,818	7,529
Total non-cancellable operating leases	27,673	31,866

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

Part of the office premises in Wellington has been sublet due to it being surplus to requirements and the sublease expires in November 2019. The Authority has recognised a provision of \$852,000 (2014: 996,000) in respect of this lease (refer note 17).

A significant portion of the total non-cancellable operating lease expense relates to the lease of two floors of office premises in Wellington. The lease expires in November 2037, with an option to vacate the premises at the lease renewal date of November 2019.

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

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are \$4,829,000 (2014: \$5,519,000).

22. Contingencies

Contingent liabilities

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2014: \$nil) existing in relation to any legal matters currently in progress.

Contingent assets

The Authority has no contingent assets (2014: \$nil).

23. Related Party Transactions and Key Management Personnel

Related party transactions

The Authority is a wholly owned entity of the Crown. The government significantly influences the functions the Authority undertakes and also provides Crown funding to support the execution of those functions. All transactions with the Crown and crown related entities have been entered into on an arm's length basis.

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

Related party transactions required to be disclosed

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

	Actual 2015 \$000	Actual 2014 \$000
Key management personnel compensation		
Board members	148	138
Authority Leadership Team and senior employees	3,529	3,583
Total key management personnel compensation	3,677	3,721

	Actual 2015 \$000	Actual 2014 \$000
Key management personnel full-time equivalent		
Board members	1	1
Authority Leadership Team and senior employees	17	18
Total key management personnel full-time equivalent	18	19

Key management personnel include Board Members, the Director of Civil Aviation and his nine member Authority Leadership Team (refer to page 11) and also includes other senior employees with the ability to influence decisions.

PBE IPSAS 20 requires the disclosure of the number of individuals on a Full-Time Equivalent (FTE) basis. As this is the first year in which PBE standards have been adopted, we expect the comparative FTE for Board members for the year to 30 June 2014 to have been similar to the current year.

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

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

24. Board Members Remuneration

	Actual 2015 \$000	Actual 2014 \$000
The total value of remuneration paid or payable to each Board member during the year was:		
J Bartlett (reappointed June 2014)	24	23
J Boulton (reappointed November 2013)	24	16
N Gould (Chairman – reappointed November 2013)	49	49
P Griffiths (reappointed November 2013)	27	27
G Lilly (reappointed July 2015)	24	23
Total Authority member remuneration	148	138

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

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

25. Employee Remuneration

	Actual 2015	Actual 2014
Total remuneration paid or payable		
\$100,000 – \$109,999	46	44
\$110,000 – \$119,999	39	26
\$120,000 – \$129,999	19	19
\$130,000 – \$139,999	14	6
\$140,000 – \$149,999	6	10
\$150,000 – \$159,999	13	11
\$160,000 – \$169,999	9	8
\$170,000 – \$179,999	3	2
\$180,000 – \$189,999	1	4
\$190,000 – \$199,999	2	1
\$200,000 – \$209,999	2	2
\$210,000 – \$219,999	1	2
\$220,000 – \$229,999	2	2
\$230,000 – \$239,999	2	-
\$240,000 – \$249,999	2	1
\$250,000 – \$259,999	-	-
\$260,000 – \$269,999	1	-
\$270,000 – \$279,999	1	-
\$280,000 – \$289,999	-	1
\$290,000 – \$299,999	2	-
\$300,000 – \$309,999	-	-
\$310,000 – \$319,999	-	-
\$320,000 – \$329,999	-	-
\$330,000 – \$339,999	-	-
\$340,000 – \$349,999	-	-
\$350,000 – \$359,999	1	-
\$360,000 – \$369,999	-	-
\$370,000 – \$379,999	-	1
Total number of employees	166	140

During the year ended 30 June 2015, 9 (2014: 6) employees and no Board Members (2014: nil) received compensation and other benefits in relation to cessation totalling \$760,000 (2014: \$251,000). No Board Members received compensation or other benefits in relation to cessation (2014: nil).

26. Events After the Balance Sheet Date

There were no significant events after the balance sheet date.

27. Categories of Financial Assets and Liabilities

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

	Actual 2015 \$000	Actual 2014 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	4,169	3,200
Debtors and other receivables	13,436	12,702
Investments – term deposits	26,500	23,250
Total loans and receivables	44,105	39,152

	Actual 2015 \$000	Actual 2014 \$000
Financial liabilities		
Financial liabilities measured at amortised cost		
Creditors and other payables	6,238	5,793
Advances from the Crown	-	2,940
Total financial liabilities measured at amortised cost	6,238	8,733

Fair value hierarchy disclosures

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

28. Financial Instrument Risks

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

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

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

Market Risk

Price risk

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

Interest rate risk

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

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

Currency risk

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

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

Credit risk

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

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

	2015	2015	2014	2014
		concentration		concentration
	\$000	%	\$000	%
Concentrations of credit risk				
Loans & receivables				
New Zealand registered banks	30,666	69.5%	26,447	67.6%
New Zealand airports	98	0.2%	172	0.4%
Domestic and International passenger airlines	10,273	23.3%	9,612	24.6%
Other	3,066	7.0%	2,918	7.4%
Total concentrations of credit risk	44,103	100.0%	39,149	100.0%

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

Liquidity risk

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

Contractual maturity analysis of financial liabilities, excluding derivatives:

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

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 months & 1 year	Later than 1 year
	\$000	\$000	\$000	\$000	\$000
2015					
Creditors and other payables (Note 15)	6,238	6,238	6,238	-	-
Borrowings (Note 18)	-	-	-	-	-
Total contractual undiscounted cash flows	6,238	6,238	6,238	-	-

2014

Creditors and other payables (Note 15)	5,793	5,793	5,793	-	-
Borrowings (Note 18)	2,940	3,131	299	2,832	-
Total contractual undiscounted cash flows	8,733	8,924	6,092	2,832	-

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$307,000 (2014: \$264,000).

29. Capital Management

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

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

30. Security Service Specific Reserves

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

	International Passenger Security Charges	Domestic Passenger Security Charges	Other Fees / Charges	Actual	Budget	Actual Prior Year
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Revenue	55,505	21,030	4,828	81,363	76,192	79,136
Expense	(49,431)	(21,402)	(5,222)	(76,055)	(74,914)	(76,197)
Net surplus/(deficit)	6,074	(372)	(394)	5,308	1,278	2,939
Opening balance at 1 July 2014	2,911	6,140	-	9,051	7,847	2,641
Transfer (to)/from General Reserves	(280)	(120)	394	(6)	(400)	3,471
Closing balance at 30 June 2015	8,705	5,648	-	14,353	8,725	9,051
2014						
Revenue	52,277	22,864	3,995	79,136	77,606	56,754
Expense	(50,707)	(21,238)	(4,252)	(76,197)	(77,244)	(76,289)
Net surplus/(deficit)	1,570	1,626	(257)	2,939	362	(19,535)
Opening balance at 1 July 2013	(100)	3,903	(1,162)	2,641	2,553	22,176
Transfer (to)/from General Reserves	1,441	611	1,419	3,471	-	-
Closing balance at 30 June 2014	2,911	6,140	-	9,051	2,915	2,641

31. Regulatory Function Specific Reserves

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

	Fixed Fees	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (including Levies)	Actual	Budget	Actual Prior Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015							
Revenue	2,997	5,342	3,598	26,841	38,778	38,537	37,206
Expense	(4,051)	(10,340)	(4,702)	(19,159)	(38,252)	(38,433)	(37,134)
Net surplus / (deficit)	(1,054)	(4,998)	(1,104)	7,682	526	104	72
Opening balance at 1 July 2014	-	-	-	10,204	10,204	9,963	10,132
Transfer (to)/from General Reserves	1,054	4,998	1,104	(7,156)	-	-	-
Closing balance at 30 June 2015	-	-	-	10,730	10,730	10,067	10,204

	Fixed Fees	Hourly Charges	Other (Vote Transport & MoT Contract)	General Funds (Including Levies)	Actual	Budget	Actual Prior Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014							
Revenue	2,997	4,994	3,564	25,651	37,206	36,857	33,861
Expense	(3,839)	(10,301)	(4,517)	(18,477)	(37,134)	(37,048)	(33,404)
Net surplus / (deficit)	(842)	(5,307)	(953)	7,174	72	(191)	457
Opening balance at 1 July 2013	-	-	-	10,132	10,132	9,685	9,675
Transfer (to)/from General Reserves	842	5,307	953	(7,102)	-	-	-
Closing balance at 30 June 2014	-	-	-	10,204	10,204	9,494	10,132

32. Explanation of Major Variances Against Budget

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

Statement of Comprehensive Revenue and Expense

Revenue

Revenue for the year ended 30 June 2015 of \$121.2 million was higher than the budget of \$115.4 million by \$5.8 million (5%). The significant variances are as follows:

Levies revenue

Regulatory Function levy revenue from departing domestic and international passengers of \$25.8 million was higher than budget of \$25.2 million by \$0.6 million (2.6%). This favourable variance was primarily due to both domestic passenger and international passenger volumes being stronger than budget expectations by 1.7% and 4.3% respectively. The Cricket World Cup event was a major contributor to this outcome.

Revenue from passenger security charges

Revenue from passenger security charges of \$76.5 million was higher than the budget of \$72.8 million by \$3.7 million (5.1%). The international passenger security charge was higher than budget by \$2.3 million due to higher passenger volumes at Auckland, Christchurch and Queenstown airports. Domestic passenger security charges was higher than budget by \$1.5 million, due to higher domestic passenger volumes.

Revenue from other services

Revenue from other services of \$12.8 million was higher than the budget of \$11.9 million by \$0.9 million (7.8%).

Revenue from gatehouse security services, which was not budgeted, accounted for the majority of the variance. Third party security work was higher than budget, but this was offset by revenue from the Regulatory Function being lower than budget, due to a lower level of chargeable activities than originally planned.

Expense

Expenditure for the year ended 30 June 2015 of \$115.4 million was higher than the budget of \$114.0 million by \$1.3 million (1.2%).

The significant variances are as follows:

Personnel costs

Personnel costs of \$89.6 million were higher than the budget of \$87.0 million by \$2.6 million (3.0%). Personnel costs in the Regulatory Function exceeded budget by \$0.8 million, primarily due to leave provisions and recruitment costs. Extra personnel costs for gatehouse security, project contractors, and leave provisions meant that aviation security also exceeded budget by \$1.8 million.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$3.8 million was lower than the budget of \$4.8 million by \$1.0 million (20.6%).

This was due to major projects such as the replacement of core business systems in the Regulatory Function and the replacement of cabin baggage screening in the Security Service being deferred.

Other expenses

Other expenses of \$21.5 million were lower than the budget of \$21.9 million by \$0.4 million (1.8%). This was from lower costs in the Regulatory Function of \$0.8 million and higher costs in the Security Service of \$0.4 million.

The lower costs in the Regulatory Function were primarily due to lower infrastructure costs and travel costs.

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

33. Adjustments Arising on Transition to the New PBE Accounting Standards

Reclassification adjustments

There have been no reclassifications on the face of the financial statements in adopting the new PBE accounting standards.

Recognition and measurement adjustments

There have been no recognition and measurement adjustments to the 30 June 2015 comparative information resulting from the transition to the new PBE accounting standards

Additional Financial Information

Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2015

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

Group		Regulatory Function		Security Service		Elimination		Group	
		2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget
2014 Actual									
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue									
24,794	Levies revenue	25,820	25,155	-	-	-	-	25,820	25,155
75,138	Passenger security charges	-	-	76,530	72,827	-	-	76,530	72,827
11,234	Revenue from other services	8,342	8,861	4,533	3,075	(20)	(15)	12,855	11,921
2,364	Crown funding revenue	2,219	2,220	145	145	-	-	2,364	2,365
1,451	Ministry contract revenue	1,380	1,374	151	145	-	-	1,531	1,519
1,717	Other revenue	1,017	927	1,306	688	(227)	-	2,096	1,615
116,698	Total revenue	38,778	38,537	82,665	76,880	(247)	(15)	121,196	115,402
Expense									
84,531	Personnel costs	29,768	28,951	59,848	58,062	-	-	89,616	87,013
5,758	Depreciation and amortisation expense	879	1,030	2,961	3,808	-	-	3,840	4,838
385	Finance costs	205	252	189	-	-	-	394	252
23,012	Other expenses	7,400	8,200	14,359	13,732	(247)	(15)	21,512	21,917
113,686	Total expenses	38,252	38,433	77,357	75,602	(247)	(15)	115,362	114,020
3,012	Net Surplus / (Deficit)	526	104	5,308	1,278	-	-	5,834	1,382
3,012	Total comprehensive revenue and expense	526	104	5,308	1,278	-	-	5,834	1,382

Statement of Changes in Equity

For the Year Ended 30 June 2015

Group		Regulatory Function		Security Service		Elimination		Group	
2014 Actual		2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Equity									
Opening balance of equity at 1 July									
24,031	General funds	10,204	9,963	10,429	10,289	-	-	20,633	20,252
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
2,641	Passenger security charges and other fees and charges reserves	-	-	9,051	7,847	-	-	9,051	7,847
27,418	Total opening balance of equity at 1 July	10,204	9,963	20,226	18,882	-	-	30,430	28,845
3,012	Net surplus / (deficit) for the year	526	104	5,308	1,278	-	-	5,834	1,382
3,012	Total changes in equity during the year	526	104	5,308	1,278	-	-	5,834	1,382
Closing balance of equity at 30 June									
20,633	General funds	10,730	10,067	10,435	10,689	-	-	21,165	20,756
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
9,051	Passenger security charges and other fees and charges reserves	-	-	14,353	8,725	-	-	14,353	8,725
30,430	Total closing balance of equity at 30 June	10,730	10,067	25,534	20,160	-	-	36,264	30,227
General funds is represented by									
11,417	Tax payer funds	988		10,435		-		11,423	
9,216	Other funding	9,742		-		-		9,742	
20,633	Total general funds	10,730		10,435		-		21,165	

Statement of Financial Position

As at 30 June 2015

Group		Regulatory Function		Security Service		Elimination		Group	
2014 Actual		2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current Assets									
3,200	Cash and cash equivalents	802	394	3,367	428	-	-	4,169	822
12,702	Debtors and other receivables	4,027	4,878	10,237	8,143	(828)	-	13,436	13,021
40	Services Work in Progress	147	-	-	-	-	-	147	-
23,250	Investments – term deposits	7,500	4,561	19,000	15,313	-	-	26,500	19,874
39,192	Total Current Assets	12,476	9,833	32,604	23,884	(828)	-	44,252	33,717
Non-Current Assets									
12,964	Property, plant and equipment	3,107	3,858	8,781	12,989	-	-	11,888	16,847
1,888	Intangible assets	542	4,839	943	1,520	-	-	1,485	6,359
496	Investment property	-	-	402	415	-	-	402	415
15,348	Total Non-Current Assets	3,649	8,697	10,126	14,924	-	-	13,775	23,621
54,540	Total Assets	16,125	18,530	42,730	38,808	(828)	-	58,027	57,338
Current Liabilities									
5,793	Creditors and other payables	3,241	3,133	3,825	5,386	(828)	-	6,238	8,519
7,861	Employee entitlements	1,692	2,303	6,341	7,544	-	-	8,033	9,847
636	Provisions	-	72	136	-	-	-	136	72
2,940	Borrowings	-	400	-	-	-	-	-	400
17,230	Total Current Liabilities	4,933	5,908	10,302	12,930	(828)	-	14,407	18,838
Non-Current Liabilities									
5,608	Employee entitlements	385	415	5,826	4,769	-	-	6,211	5,184
1,272	Provisions	77	-	1,068	949	-	-	1,145	949
-	Borrowings	-	2,140	-	-	-	-	-	2,140
6,880	Total Non-Current Liabilities	462	2,555	6,894	5,718	-	-	7,356	8,273
24,110	Total Liabilities	5,395	8,463	17,196	18,648	(828)	-	21,763	27,111
30,430	Net Assets	10,730	10,067	25,534	20,160	-	-	36,264	30,227
Equity									
20,633	General funds	10,730	10,067	10,435	10,689	-	-	21,165	20,756
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
9,051	Passenger security charges and other fees and charges reserves	-	-	14,353	8,725	-	-	14,353	8,725
30,430	Total Equity	10,730	10,067	25,534	20,160	-	-	36,264	30,227

Statement of Cash Flows

For the Year Ended 30 June 2015

Group		Regulatory Function		Security Service		Elimination		Group	
2014 Actual		2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget	2015 Actual	2015 Budget
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Flows from Operating Activities									
24,780	Receipts from levies	25,816	26,271	-	-	28	-	25,844	26,271
85,030	Receipts from Passenger security charges and other services	9,152	8,011	79,449	76,119	(240)	-	88,361	84,130
3,840	Receipts from Crown funding and Ministry contracts	3,599	3,694	296	301	-	-	3,895	3,995
1,354	Interest and other sundry revenue received	954	927	1,102	1,311	-	-	2,056	2,238
(80,382)	Payments to employees	(27,965)	(27,214)	(56,009)	(55,899)	-	-	(83,974)	(83,113)
(25,195)	Payments to suppliers	(9,439)	(10,397)	(17,065)	(16,760)	212	-	(26,292)	(27,157)
(381)	Interest paid	(200)	(252)	(126)	-	-	-	(326)	(252)
344	Goods and Services Tax (net)	(107)	(452)	(172)	130	-	-	(279)	(322)
9,390	Net Cash Flows from Operating Activities	1,810	588	7,475	5,202	-	-	9,285	5,790
Cash Flows from Investing Activities									
-	Maturity of investments	800	4,500	-	1,000	-	-	800	5,500
371	Sale of property, plant and equipment	11	-	303	45	-	-	314	45
(23,250)	Placement of investments	-	-	(4,000)	-	-	-	(4,000)	-
(6,123)	Purchase of property, plant and equipment	(295)	(479)	(1,715)	(5,682)	-	-	(2,010)	(6,161)
(716)	Purchase of intangible assets	(187)	(4,458)	(293)	(870)	-	-	(480)	(5,328)
(29,718)	Net Cash Flows from Investing Activities	329	(437)	(5,705)	(5,507)	-	-	(5,376)	(5,944)
Cash Flows from Financing Activities									
(1,116)	Repayment of external borrowings	(2,940)	(400)	-	-	-	-	(2,940)	(400)
(1,116)	Net Cash Flows from Financing Activities	(2,940)	(400)	-	-	-	-	(2,940)	(400)
(21,444)	Net increase/(decrease) in cash and cash equivalents	(801)	(249)	1,770	(305)	-	-	969	(554)
24,644	Opening cash and cash equivalents at 1 July	1,602	643	1,598	733	-	-	3,200	1,376
3,200	Closing Cash and Cash Equivalents at 30 June	801	394	3,368	428	-	-	4,169	822

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

Budget figures of receipts from levies, receipts from passenger security charges and other services, and payments to suppliers have been restated to a GST exclusive basis; consistent with how actuals are reported resulting in budgeted goods and services tax (net) of \$322 instead of \$12,970. This change did not impact budgeted net cash flows from operating activities.

PART C

Appendices

Organisation Chart



APPENDIX 2

Operating Environment

Sector Profile

New Zealand's Active Aviation Document Holders as at 30 June 2015

Organisations		Individuals	Aircraft			
2	Australian AOC Operating with ANZA Privileges	2,754	Part 66 Aircraft Maintenance Engineer	1,956	Aeroplane	
66	Part 109 Regulated Air Cargo Agent	186	Part 66 Certificate of Inspection Authorisation	286	Amateur Built Aeroplane	
28	Part 115 Adventure Aviation Operator	208	Part 66 Certificate of Maintenance Approval	3	Amateur Built Glider	
173	Part 119 Air Operator	25,589	Pilot licences (3,695 with active class 1 medical certificates and 5,935 with active class 2 medical certificates including 3,651 ATPL Aeroplane licence holders, 1,181 holding active class 1 medical certificates and 912 holding active class 2 medical certificates)	23	Amateur Built Helicopter	
28	Part 129 Foreign Air Operator			64	Balloon	
104	Part 137 Agricultural Aircraft Operator			283	Glider	
27	Part 139 Aerodrome Certification			57	Gyroplane	
1	Part 140 Aviation Security Organisation	1,030		Air traffic and flight service licences (583 holding class 3 medical certificates)	17	Hang Glider
55	Part 141 Training Organisation			836	Helicopter	
56	Part 145 Maintenance Organisation			206	Microlight Class 1	
13	Part 146 Design Organisation			858	Microlight Class 2	
20	Part 148 Manufacturing Organisation			74	Para Glider	
8	Part 149 Recreation Organisation			204	Parachute	
2	Part 171 Telecommunication Service Organisation			48	Power Glider	
1	Part 172 Air Traffic Service Organisation					
2	Part 173 Instrument Flight Procedure					
2	Part 174 Meteorological Service Organisation					
2	Part 175 Information Service Organisation					
61	Part 19F Supply Organisation					
57	Part 92 Dangerous Goods Packaging					
14	Synthetic Training Device (Airlines)					
30	Synthetic Training Device (General Aviation)					
752	Total	29,767	Total	4,915	Total	

APPENDIX 3

Safety Data

Outcome Measures

3(a) Measure: Accidents and injuries by aviation sector

Number of civil aviation accident fatalities and serious injuries

Aviation Safety Target Groups	2013/14			2014/15		
	Accidents	Fatalities	Serious Injuries	Accidents	Fatalities	Serious injuries
Public air transport						
1. Airline operations – large aeroplanes	4	-	3	1	-	-
2. Airline operations – medium aeroplanes	-	-	-	1	-	-
3. Airline operations – small aeroplanes	1	-	2	2	1	2
4. Airline operations – helicopters	5	1	1	1	1	4
5. Adventure aviation transport operations (for all aircraft, includes parachutes and paragliders).	7	-	5	11	-	3
Other commercial operations						
6. Other commercial operations – aeroplane	12	2	6	6	-	-
7. Other commercial operations – helicopter	4	-	2	6	3	2
8. Agricultural operations – aeroplanes	6	-	2	3	-	1
9. Agricultural operations – helicopters	4	2	1	5	1	0
Non-commercial operations						
10. Private operations – aeroplanes	11	1	-	10	4	2
11. Private operations – helicopters	1	2	-	4	1	2
12. Private operations – sport aircraft (for all aircraft, includes parachutes and paragliders).	54	1	10	49	2	15
13. Other	-	-	-	-	-	-

3(b) Measure: Social cost of aviation per unit of passenger exposure

Social cost per seat hour by aviation safety group (\$)

Aviation Safety Target Groups	For the 3 years ended 30 June							2012/15 Targets	% above or (below) target
	2009	2010	2011	2012	2013	2014	2015		
Public air transport									
1. Airline operations—large aeroplanes	-	-	-	-	-	0.01	0.02	-	-
2. Airline operations—medium aeroplanes	-	0.02	0.02	0.02	-	-	-	0.02	(100%)
3. Airline operations—small aeroplanes	0.41	2.44	2.40	2.26	2.93	5.21	26.12	2.34	1,116%
4. Airline operations—helicopters	5.59	9.61	10.60	5.30	17.03	48.09	58.38	6.50	898%
5. Adventure Aviation transport operations	68.43	61.06	65.47	156.59	180.27	166.54	6.68	13.00	51%
Other commercial operations									
6. Other commercial operations—airplane	25.85	26.26	58.81	58.83	54.15	12.96	16.37	6.50	252%
7. Other commercial operations—helicopter	65.53	38.23	59.82	98.72	103.03	62.85	94.87	6.50	1,460%
8. Agricultural operations—airplanes	77.41	104.50	53.31	12.46	38.61	47.85	59.88	14.00	428%
9. Agricultural operations—helicopters	23.15	9.02	7.22	22.31	29.84	63.36	69.27	7.25	956%
10. Agricultural operations—sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations—airplanes	50.3	52.85	59.12	99.73	54.29	83.13	170.17	10.00	1,702%
12. Private operations—helicopters	36.42	41.05	96.33	77.96	141.25	113.71	153.29	10.00	1,533%
13. Private operations—sport aircraft	100.96	100.14	91.39	105.78	373.00	78.22	54.06	20.00	270%

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

3(c) Measure: Rate of aircraft accidents per 100,000 flying hours

Aviation Safety Target Groups	3 year rolling for the years ended 30 June							% against target	2012/15 Targets
	2009	2010	2011	2012	2013	2014	2015		
Public air transport									
1. Airline operations – large aeroplanes	0.11	0.32	0.62	0.52	0.30	0.40	0.49	490%	0.10
2. Airline operations – medium aeroplanes	0.52	1.11	1.70	2.23	1.04	0.53	0.70	132%	0.53
3. Airline operations – small aeroplanes	3.75	5.18	5.21	3.51	2.70	2.52	4.54	85%	5.32
4. Airline operations – helicopters	2.58	5.16	5.2	4.01	4.12	6.95	6.73	128%	5.25
5. Adventure aviation transport operations	-	-	-	-	20.00	30.50	66.00	-	-
Other commercial operations									
6. Other commercial operations – aeroplane	5.07	4.73	4.26	3.86	3.07	2.74	3.28	77%	4.24
7. Other commercial operations – helicopter	11.33	7.76	9.55	10.54	10.56	10.16	11.77	158%	7.47
8. Agricultural operations – aeroplanes	15.66	19.26	15.90	11.58	15.57	13.90	16.05	101%	15.92
9. Agricultural operations – helicopters	9.55	10.36	9.36	9.10	7.30	5.80	5.56	56%	9.85
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations – aeroplanes	24.63	26.07	29.58	23.20	27.08	32.50	36.01	133%	27.11
12. Private operations – helicopters	26.46	32.99	34.80	38.20	31.84	24.20	26.40	79%	33.39
13. Private operations – sport aircraft	-	-	-	-	-	-	-	-	-

3(d) Measure: Average distribution of risk profiles for aviation document holders (assessed participants)

Activity Type	2008	2009	2010	2011	2012	2013	2014	2015	Reduction in risk score from 2008 to 2015
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security	n/a	6.7	5.6	6.5	6.9	5.1	5.4	8.2	no
Part 108 Security Programme	8.5	8.2	11.6	9.3	9.6	10.4	8.7	10.4	no
Part 109 Regulated Air Cargo Agent	n/a	12.3	13.1	10.5	11.0	10.1	10.8	10.4	yes
Part 115 Adventure Aviation Operator	n/a	n/a	n/a	n/a	39.8	20.7	12.5	10.7	yes
Part 121 Air Operator Large Aeroplanes	9.7	12.2	11.8	11.8	8.7	8.4	8.5	7.1	yes
Part 125 Air Operator Medium Aeroplanes	15.9	15.8	17.6	16.1	14.5	13.5	13.0	15.8	yes
Part 129 Foreign Air Transport Operator	11.7	10.2	8.1	10.5	8.4	8.5	5.6	6.3	yes
Part 135 Air Operator Helicopters and Small Aeroplanes	19.1	17.1	17.1	16.4	16.1	14.4	13.1	13.3	yes
Part 137 Agricultural Aircraft Operator	21.8	17.7	16.3	16.1	15.9	14.3	13.3	14.5	yes
Part 139 Aerodrome Operator	5.7	5.1	5.9	6.5	5.7	5.5	5.0	6.5	no
Part 140 Aviation Security Service Organisation	7.3	5.2	5.1	4.6	5.0	4.9	6.6	5.6	yes
Part 141 Aviation Training Organisation	11.6	11.0	10.3	10.8	10.2	7.7	7.4	7.0	yes
Part 145 Maintenance Organisation	11.5	10.7	10.4	12.1	11.0	8.3	8.6	9.9	yes
Part 146 Aircraft Design Organisation	10.3	8.0	11.2	12.6	9.9	8.6	7.9	8.2	yes
Part 148 Aircraft Manufacturing Organisation	13.1	8.7	10.9	11.3	9.7	8.1	12.2	10.1	yes
Part 149 Aviation Recreation Organisation	n/a	20.1	10.2	15.9	10.8	8.0	11.5	14.5	yes
Part 171 Telecom Service Organisation	6.2	5.4	5.0	11.6	15.3	6.4	4.8	4.4	yes
Part 172 Air Traffic Service Organisation	7.8	8.0	9.6	17.1	24.0	15.0	12.7	12.6	no
Part 173 Instrument Flight Procedure	n/a	4.3	7.2	9.1	14.2	9.8	4.4	6.5	no
Part 174 Meteorological Service Organisation	16.5	7.3	11.1	11.4	11.2	7.6	4.4	5.2	yes
Part 175 Aeronautical Info Service Organisation	15.9	6.3	9.5	15.1	17.5	11.2	11.1	41.5*	no
Part 19F Supply Organisation	13.1	13.2	11.1	10.4	9.2	7.8	8.7	8.9	yes
Part 92 Dangerous Goods Pack Approval Holder	n/a	2.6	8.3	13.7	9.0	6.1	7.0	6.9	no

* Part 175 work was taken over by a 'new' client in 2014 when Group EAD partnered with Airways Corp. The high risk score reflects the Authority's automatic surveillance scoring system devoid of any accurate data on the certificate holder. There are two audits underway at the beginning of 2015 focusing on Notice to Airmen (NOTAM) and Aeronautical Information Publication (AIP) functions which will create a basis for a revised score in the next quarter.

3(e) Measure: Rate of security incidents

For the years ended 30 June

	2011	2012	2013	2014	2015
Public air transport					
1. In-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.	-	-	-	-	-
2. Airside security incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.	-	-	-	-	-
3. Airside incidents involving the introduction of dangerous goods* into aircraft screened by the Aviation Security Service.	-	-	-	-	-

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

Other Safety Information

3(f). Measure: Number of aircraft accidents by aviation safety group

Aviation Safety Target Groups	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	3 Year Trend
Public air transport								
1. Airline operations – large aeroplanes	2	2	3	1	-	4	1	▼
2. Airline operations – medium aeroplanes	-	2	1	1	-	-	1	▲
3. Airline operations – small aeroplanes	3	2	2	1	1	1	2	▲
4. Airline operations – helicopters	4	4	1	2	5	5	1	▼
5. Adventure aviation transport operations	11	13	9	8	4	7	11	▲
Other commercial operation								
6. Other commercial operations – aeroplane	9	13	12	6	8	12	6	▼
7. Other commercial operations – helicopter	6	3	7	8	4	4	6	▲
8. Agricultural operations – aeroplane	6	5	6	3	11	6	3	▼
9. Agricultural operations – helicopter	6	5	4	7	4	4	5	▲
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-	➤
Non-commercial operations								
11. Private operations – aeroplanes	18	10	5	9	12	11	10	▼
12. Private operations – helicopters	3	10	6	2	8	1	4	▲
13. Private operations – sport aircraft	46	54	52	38	50	54	49	▼
Others	1	1	1	1	1	-	-	▼

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

3(g). Measure: Social cost per 100,000 flight hours (\$)

Aviation Safety Target Groups	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	3 Year Trend
Public air transport								
1. Airline operations – large aeroplanes	0.03	-	-	0.02	0.01	0.39	0.03	▼
2. Airline operations – medium aeroplanes	-	0.09	-	-	-	-	-	➔
3. Airline operations – small aeroplanes	0.40	1.35	-	0.33	2.12	2.08	14.10	▲
4. Airline operations – helicopters	4.02	2.43	0.55	0.64	11.69	21.12	11.82	▼
5. Adventure aviation transport operations	-	-	-	-	2.16	12.09	25.69	▲
Other commercial operation								
6. Other commercial operations – aeroplane	0.07	1.48	17.34	0.06	0.07	4.03	-	▼
7. Other commercial operations – helicopter	1.35	-	31.47	22.82	0.51	2.22	52.98	▲
8. Agricultural operations – aeroplane	14.26	4.91	-	-	13.02	4.19	1.63	▼
9. Agricultural operations – helicopter	2.15	-	1.97	8.21	-	14.03	9.42	▼
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-	➔
Non-commercial operations								
11. Private operations – aeroplanes	3.46	19.57	0.50	22.6	1.34	13.47	54.21	▲
12. Private operations – helicopters	19.10	8.22	55.05	-	55.03	46.92	31.46	▼
13. Private operations – sport aircraft	-	-	-	-	-	96.45	242.52	▲

3(h). Measure: Number of fatalities and serious injuries per 100,000 flight hours

Aviation Safety Target Groups	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Public air transport							
1. Airline operations – large aeroplanes	-	-	-	-	-	-	-
2. Airline operations – medium aeroplanes	-	-	-	-	-	-	-
3. Airline operations – small aeroplanes	-	2.30	-	-	2.99	-	8.50
4. Airline operations – helicopters	3.42	-	-	1.67	2.06	9.55	7.78
5. Adventure aviation transport operations	-	-	-	-	-	28.00	32.85
Other commercial operations							
6. Other commercial operations – aeroplane	-	0.36	5.71	-	-	5.14	-
7. Other commercial operations – helicopter	1.86	-	9.09	7.01	-	-	15.01
8. Agricultural operations – aeroplane	3.09	2.97	-	-	4.77	-	2.22
9. Agricultural operations – helicopter	2.07	-	-	1.57	-	14.83	1.44
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-
Non-commercial operations							
11. Private operations – aeroplanes	7.74	5.07	-	22.78	-	22.71	18.78
12. Private operations – helicopters	4.78	-	28.86	-	43.33	83.45	17.28
13. Private operations – sport aircraft	-	-	-	-	-	75.20	268.51

3(i). Measure: Social cost of fatalities and serious injuries (\$millions)

Aviation Safety Target Groups	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Public air transport							
1. Airline operations – large aeroplanes	-	-	-	-	0.05	1.23	-
2. Airline operations – medium aeroplanes	-	-	-	-	-	-	-
3. Airline operations – small aeroplanes	-	0.39	-	0.17	0.71	0.82	4.80
4. Airline operations – helicopters	0.77	-	-	0.39	5.67	4.35	5.63
5. Adventure aviation transport operations	20.37	1.54	1.54	41.72	0.46	2.13	1.24
Other commercial operation							
6. Other commercial operations – aeroplane	-	3.69	41.72	-	0.22	10.34	-
7. Other commercial operations – helicopter	0.39	-	15.13	11.45	0.35	0.82	12.75
8. Agricultural operations – aeroplane	3.69	0.39	-	-	5.45	0.82	0.41
9. Agricultural operations – helicopter	0.39	-	-	3.69	-	8.28	3.97
10. Agricultural operations – sport aircraft	-	-	-	-	-	-	-
Non-commercial operations							
11. Private operations – aeroplanes	1.16	7.37	-	5.62	0.35	3.94	16.73
12. Private operations – helicopters	3.69	-	4.85	-	6.33	7.87	4.80
13. Private operations – sport aircraft	12.01	21.14	21.91	25.21	16.54	8.46	14.17

3(j). Measure: Number of non-compliances with Civil Aviation Rules or expositions by operators

Finding Category	FY 2012/13				FY 2013/14				FY 2014/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	145	240	195	225	169	241	294	177	143	168	303	216
			805				881				830	

3(k). Measure: Enforcement actions /prosecutions for non-compliance and/or breach of civil aviation rules

Year	Total number of occurrences	Number of Prosecutions commenced	Prosecutions as a % of Occurrences	Written Warnings issued	Infringement Notices issued
2001	4,787	21	0.44%	23	-
2002	4,004	22	0.54%	34	-
2003	4,131	18	0.43%	27	-
2004	4,688	19	0.40%	31	-
2005	4,707	22	0.46%	26	-
2006	5,324	23	0.43%	18	4
2007	5,007	21	0.41%	16	5
2008	5,927	19	0.32%	12	10
2009	5,275	17	0.32%	11	9
2010	5,529	24	0.43%	9	7
2011	6,071	11	0.18%	4	7
2012	5,985	18	0.30%	11	4
2013	7,325	10	0.13%	12	8
2014	6,305	10	0.16%	12	18
2015	6,488	13	0.20%	7	6

3(l). A safe airspace environment is sustained for all aviation activities

5–10% improvement since 2007

'Near misses'/loss of separation incidents.	Close Proximity Events							Fewer 'near misses'/loss of separation incidents through time.
	Year ended June	2010	2011	2012	2013	2014	2015	
	Count	76	93	115	163	107	121	
	Count per 100,000 hours	8	9.8	11.3	15.6	10.3	14.11	
Uncontrolled incursions (into controlled airspace).	Unauthorised Airspace Incursions							Fewer uncontrolled incursions (into controlled airspace) through time.
	Year ended June	2010	2011	2012	2013	2014	2015	
	Count	291	255	370	355	300	340	
	Count per 100,000 hours	30.7	27	36.5	34.0	28.8	39.66	

Compliance with International Civil Aviation Organization Standards and Recommended Practices

3(m). Measure: Level of effective implementation

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

Comparative USOAP's Level of Effective Implementation by Critical Elements	Year	Overall	CE-1	CE-2	CE-3	CE-4	CE-5	CE-6	CE-7	CE-8
State										
Australia	2008	82.51	93.55	71.88	88.78	51.16	88.74	87.65	87.34	92.45
Canada	2005	95.28	96.88	96.12	98	97.67	94.84	92.4	98.82	92.31
New Zealand	2006	83.72	80.65	79.53	83.52	80.95	80.39	87.66	88.89	84.62
Republic of Korea	2008	98.58	100	97.6	100	100	96.03	99.56	98.68	97.83
United Kingdom of Great Britain and Northern Ireland	2009	93.63	94.12	88.96	95.45	95.35	92.45	94.98	96.34	94.12
United States of America	2007	91.36	90.32	86.92	88.78	85.71	93.46	96.37	85.88	96.08
OECD Average	n/a	83.05	87.60	81.54	81.11	68.66	84.10	88.91	82.56	81.73

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

Level of Effective Implementation by Area	Year	Overall	CE-1	CE-2	CE-3	CE-4	CE-5	CE-6	CE-7	CE-8
State										
Australia	2006	83.72	86.36	100	98.77	86.18	90.8	68.75	78.87	79.74
Canada	2005	95.28	91.3	92.86	97.62	89.76	96.77	91.58	95.92	98.78
New Zealand	2010	98.45	100	100	96.3	100	98.11	96.84	98.45	99.32
Republic of Korea	2009	93.63	89.66	87.5	95.12	86.67	97.09	84.21	96.02	98.79
United Kingdom of Great Britain and Northern Ireland	2007	91.36	82.61	100	93.59	94.44	96.91	82.47	83.85	96.15
United States of America	2008	82.51	78.26	100	82.72	71.07	76.56	96.97	81.03	90.97
OECD Average	2008	98.58	100	100	97.59	100	98.06	96.84	99	98.63

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

3(n). Measure: 5-10% reduction by 2018 in major and critical occurrences since 2007

Severity of occurrence	2006/07	Target at 5%	Target at 10%	2014/15	Actual increase/ (reduction)
Critical	28	26.6	25.2	51	82.14%
Major	313	297.35	281.70	497	58.79%
Minor	4,570	n/a	n/a	5,996	n/a
Total occurrences	4,911			6,544	

A safe airspace environment is sustained for all aviation activities

APPENDIX 4

Rules Development Programme

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



Rule No.	Project Title	Latest milestone achievement	Progress status and comment	Next milestone/Expected Delivery Date	
Various	International Civil Aviation Organization Equipment Compliance	Draft Notice of Proposed Rule Making (NPRM) and draft Regulatory Impact Statement forwarded to Ministry of Transport, November 2010.	Project removed from programme	Due to changes in standards for flight data recorders and cockpit voice recorders since this project was initiated, the Authority and the Ministry of Transport agreed that this project should be removed from the current programme and re-assessed through the policy issue assessment process to ensure problem/issue validity. Following approval from the Minister, the Emergency Location of Aircraft project is intended to take its place on the programme.	Project removed in July 2015. A decision on a replacement project is pending.
Part 61	Pilot Licences and Ratings Stage 2	Draft NPRM forwarded to Ministry of Transport, August 2012.	Minor delay/issues identified – should be delivered by agreement period	Final rule redrafted and the final rule package delivered to the Ministry of Transport on 25 September 2015.	Prepare goatskins for the Minister's signature when the Ministry of Transport requires them.
Part 139	Review of Aerodrome Requirements	Revised draft NPRM published, March 2014.	Steady and positive progress – on track	Final rule signed by Minister.	Rule in force 1 August 2015. Project closed.
Various	International Civil Aviation Organization Safety Management Systems	Draft NPRM, November 2010.	Steady and positive progress – on track	Finalising the Summary of Public Submissions. Revised the requirements for the transition periods and have received feedback from the Ministry of Transport. Reworking the draft final rules accordingly.	Deliver draft final rule package to the Ministry of Transport early October.
Part 147	Maintenance Training Organisations	Project start-up.	Minor delay/issues identified – should be delivered by agreement period	Summary of Public Submissions completed. Some minor amendments to the proposed rule are required. Drafting final rule package.	Deliver draft final rules to the Ministry of Transport early October.
Various	Omnibus 2014	NPRM published March 2015.	Steady and positive progress – on track	Final rule signed by Minister.	Rule in force 24 September 2015. Project closed.
Part 102	Unmanned Aircraft Operator Certification	Draft final rule, March 2015.	Steady and positive progress – on track	Final rule printed and signed by the Minister, 8 April 2015.	Project closed.



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