



# ANNUAL REPORT 2006/07



CIVIL AVIATION AUTHORITY  
OF NEW ZEALAND

TE MANA RERERANGI TUMATANUI O AOTEAROA



Aviation Security Service

*Kaiwbakamaru Rererangi*



Prepared in accordance with section 150  
of the Crown Entities Act 2004.

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## TO: THE MINISTER OF TRANSPORT

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.

This report covers the activities of the Civil Aviation Authority of New Zealand (including Aviation Security Service) for the financial year 01 July 2006 to 30 June 2007.



RICK BETTLE  
Chairman



**Aviation Security Service**  
*Kaiwhakamaru Rererangi*



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*This annual report is a combined document of CAA and AVSEC.*

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# 1. AUTHORITY'S OVERVIEW

Both the Aviation Security Service (Avsec) and the Civil Aviation Authority (the CAA) have performed well during the year considering the changing organisational contexts and business circumstances each has had to deal with.

During the period, the Authority was joined by a new Chairman, Rick Bettle, and two new members Errol Millar and Ross Crawford. They replaced former Chairman Ron Tannock, and members Robyn Reid and Hazel Armstrong. The work of these people over considerable time is appreciated and we wish them well in their future endeavours.

## 1.1 CIVIL AVIATION AUTHORITY (CAA)

The financial year is characterised by review, re-assessment and reorganisation for the CAA.

Early in the year the CAA commissioned a review of the CAA's capability and resources. The Capability and Resources Review undertaken by PriceWaterhouseCoopers (PWC) involved both MoT and Treasury. The first phase was to identify the capability and resources needed to enable the CAA to fulfil its statutory objectives and functions efficiently and effectively. The second phase was to identify means to bridge any gaps between existing capability and what may be required to fulfil those statutory obligations. A final report on the first phase was provided in late December 2006. The Authority agreed that all of the report's 40 recommendations should be implemented and some have been started and some completed, including the re-structuring of CAA management.

Because recommendations of the first phase of the review were extensive and will take some time to

implement, it was decided that the second phase would be limited to undertaking a smaller programme of work to assess the costs associated with CAA's functions, any material gaps between revenue and costs, and the relationship of costs to identifiable "users" of activities and functions performed by the CAA. The report from this phase of the review is due in August/September 2007.

During the year, New Zealand was audited by the International Civil Aviation Organization (ICAO) as part of their Universal Safety Oversight Audit Program (USOAP) and Universal Security Audit Program (USAP). The objective of the USOAP was to determine New Zealand's capability for safety oversight by assessing the effective implementation of the critical elements of a safety oversight system. The objective of the USAP is to promote global aviation security through the auditing of the 190 ICAO Member States, of which New Zealand is one.

The result of the audits was that, New Zealand demonstrated that its safety oversight system was uniformly effective across all critical elements and 84% effective overall; approximately 25% better than the global average at the time. This is a pleasing result for the CAA and for New Zealand. Nevertheless there were a series of minor findings from both audits that will need the robust attention of the CAA and other aviation infrastructure organisations over the near term. Corrective Action Plans were implemented in 2006/07 and are expected to be completed in 2009.

The CAA undertook an organisational restructuring to further improve its capability and effectiveness during the second part of the year, a result partly from the recommendations of phase one of the Capability

and Resources Review and partly from external drivers. This followed the retirement of John Jones as Director of Civil Aviation (DCA) in November 2006 and the appointment of Russell Kilvington as interim Director for the remainder of the financial year.

Under Russell Kilvington, a new management structure was developed in consultation with CAA management and staff. The new structure reduced the number of Executive managers but left the functional units within the CAA intact. Three new General Manager positions were created.

In parallel to the management changes a new DCA was sought. I am pleased to report that amongst 54 high calibre international applicants, Steve Douglas of the CAA was the stand-out applicant. Steve Douglas took up his appointment at the end of June 2007.

It is with this new structure, the Capacity and Resource Review recommendations and audit results from the ICAO USOAP and USAP reports that the CAA will forge a more focused and effective capability, including its NZTS related roles.

The CAA ended the financial year with a deficit of \$1.010 million against a budgeted deficit of \$1.579 million.

## 1.2 AVIATION SECURITY SERVICE (AVSEC)

The financial year 2006/07 has been an extremely busy and challenging one for Avsec.

During the earlier part of the year Avsec concentrated on consolidating its position following the significant increase in staffing levels required to meet the January 2006 introduction of Hold Baggage

Screening (HBS), which was a direct response to the events of September 11.

At the same time Avsec and the international aviation community also responded with urgency to the attempt by terrorists to destroy trans-Atlantic aircraft in August 2006. As a result of this event new international aviation security requirements were implemented during a very tight four-month time frame restricting the amount of Liquids, Aerosols and Gels (LAGs) that could be taken into the cabin on international flights. To meet new ICAO mandated security requirements Avsec staff numbers have increased by 184 full-time and part-time staff to approximately 870 employees during the year.

Avsec management and staff are to be commended, given the new measures were introduced in a very short time frame and with minimal impact on departing international air passengers. The implementation necessitated the recruitment and training of the additional staff, the dedication and support of existing staff, a repayable capital injection from government, consultation with industry, government approval for an increase in the international passenger security charge and an intensive government-lead communications programme aimed at international passengers.

We make two significant observations arising from the introduction of the recent measures:

- The international aviation industry continues to operate in a rapidly changing threat environment that requires us to be vigilant and proactive in countering the risk and threat to passenger security; and
- Avsec is now an established and mature aviation

security organisation with well-developed capability. Since 2001 the organisation has experienced three significant growth phases, each arising principally from Avsec's response to international aviation security events or threats. Each of these responses has added to our knowledge base and the development of a culture of responsiveness, professionalism and innovation.

During the latter part of the financial year Avsec management was also heavily focused on strategic planning for the development of the organisation for the next five years and beyond. The results of this strategic planning have been incorporated in Avsec's 2007/10 Statement of Intent. In broad terms this emphasis is focused on:

- Enhancing the capability of the organisation;
- Training Avsec staff in the key aspects of new aviation security legislation which is currently going through the Parliamentary process;
- Identifying and planning for new (or potential) aviation security measures;
- Scoping and financial forecasting for the review of the international and domestic passenger security charges anticipated to be regulated to take effect from December 2007;
- Planning for the impact of the demands of airport companies as they progress the implementation of their long term development plans; and
- Enhancing aviation security capability and assistance to the South Pacific region.

Avsec's financial result for the 2006/07 year was a deficit of \$1.703 million against a budgeted surplus of \$0.66k. A significant portion of the variance reflects the impact of the renegotiation of the collective agreement with our staff and the net costs associated with the implementation of the new LAGs aviation security measure. Avsec's financial position is sound with working capital of \$10.216 million.



RICK BETTLE  
*Chairman*



ERROL MILLAR  
*Deputy Chairman, CAA*



DARRYLL PARK  
*Deputy Chairman, Avsec*



SUSAN HUGHES  
*Authority Member*



ROSS CRAWFORD  
*Authority Member*



## 2. THE CIVIL AVIATION AUTHORITY

### 2.1 ROLE OF THE AUTHORITY

The Civil Aviation Authority of New Zealand is the governing body of the Crown entity established under section 72A of the Civil Aviation Act 1990 (CA Act 1990).

In section 22 of the Act, the Minister may delegate to the five-member board, known as the Civil Aviation Authority (the Authority), any of the Minister's functions and powers under the Act. The objectives of the Minister under this Act are to:

- undertake the Minister's function in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system; and
- ensure that New Zealand's obligations under international civil aviation agreements are implemented.

The functions of the Authority are stipulated in section 72B of the CA Act 1990.

### 2.2 AUTHORITY MEMBERS

The Authority members are appointed for terms of up to three years by the Governor-General on the recommendation of the Minister of Transport. They are persons that the Minister considers will represent the public interest in civil aviation. The Authority reports to the Minister of Transport.

The Authority members are:

**Rick Bettle**

*Chairman*

**Errol Millar**

*Deputy Chairman, CAA*

**Darryll Park**

*Deputy Chairman, Avsec*

**Susan Hughes**

*Authority Member*

**Ross Crawford**

*Authority Member*

The Authority's responsibilities include:

- communicating with the Minister and Government stakeholders to ensure that their views are reflected in the planning of the CAA and Avsec;
- delegating responsibility for the achievement of statutory objectives to the Director of Civil Aviation and the General Manager of Avsec;
- monitoring organisational performance towards achieving these objectives;
- accounting to the Minister on plans and progress of the CAA and Avsec; and
- ensuring that internal system controls are maintained.

### 2.3 DIRECTOR OF CIVIL AVIATION AND GENERAL MANAGER OF AVSEC

The office of the Director of Civil Aviation and the office of General Manager of Aviation Security Service are established by the CA Act 1990. Under these two persons, two organisations are established to carry-out respectively the functions of the CAA organisation and Avsec.

**Steve Douglas**

*Director of Civil Aviation*

**Mark Everitt**

*General Manager Aviation Security Service*

## 3. GOVERNANCE AND ACCOUNTABILITY STATEMENT

The Minister is responsible to Parliament for overseeing and managing the Crown's interest in relationship with the Civil Aviation Authority entity. The Minister expects the Authority to set the direction of the entity, achieve the government's desired results set out in the CA Act 1990 and other government legislation, and manage any civil aviation safety and security risks on behalf of the Crown.

The Authority is composed of Members who have diverse business, legal and aviation industry skills and experience in order to bring a wide range of thought to bear on aviation safety and security issues. Once appointed, Members are required to act in the best interests of the Authority.

The Authority's actions must always be consistent with the CAA and Avsec's objectives, functions, Statement of Intent, Output Agreement and ethos of public service.

### 3.1 RESPONSIBILITIES

A key to the efficient running of the CAA and Avsec is the governance structure under the CA Act 1990 and CEA 2004. The Authority concentrates on setting high level policy, strategy and objectives, and then monitors progress. The Director of Civil Aviation, the General Manager of Avsec and their respective management teams are concerned with the implementation of policies and strategies.

The Authority, the Director of Civil Aviation and the General Manager of Avsec have statutory functions in the civil aviation system. The Director and the General Manager are guided and accountable in the exercise of their functions by the Authority to the extent permissible under the CA Act 1990, the CEA 2004

and administrative law. The Authority is accountable to the Minister of Transport for the efficient and effective performance of its functions.

However under the CA Act 1990, the Director of Civil Aviation is required to exercise independent judgement in relation to granting, suspension or revocation of aviation documents, the issuance of suspension or revocation of medical certificates, the granting of exemptions or the enforcement of the provisions of the CA Act 1990.

The Authority clearly demonstrates its role by ensuring that the delegation of responsibility and authority to the Director of Civil Aviation and the General Manager of Avsec is concise and complete.

### 3.2 INTERNAL AUDIT

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of organisational control remains with the Authority. The Authority has charged the Director of Civil Aviation and the General Manager of Avsec with establishing and maintaining internal control systems including policy systems and procedures to provide assurance that specific objectives of the Authority will be achieved. The Authority and Management acknowledge their responsibility by signing the Statement of Responsibility in Part 3 (Grouped Service Performance and Financial Statements) of this report.

An internal audit system monitors internal controls in each of the CAA and Avsec. This function is concerned with the quality and reliability of financial and non-financial information reported to

the Authority. Internal Audit operates independently of line management. It reports to executive management.

### 3.3 RISK MANAGEMENT

The Authority acknowledges that it is ultimately responsible for the management of risks. The Authority has charged the Director of Civil Aviation and General Manager Avsec, through their respective risk management policies, with establishing and operating a risk management programme in accordance with the Australia/New Zealand Standard Risk Management 4360 (AS/NZS 4360:2004).

### 3.4 LEGISLATIVE COMPLIANCE

The Authority acknowledges its responsibility to ensure that both organisations comply with all legislation. The Authority has delegated responsibility to the Director of Civil Aviation and the General Manager of Avsec for the development and operation of a programme to systematically identify compliance issues and ensure that members of the staff are aware of legislative requirements that are particularly relevant to them.

### 3.5 ETHICS

The Authority monitors the CAA and Avsec staff members' ethics or conduct such that they maintain high standard of behaviour and practice the principles of "good corporate citizenship". The CAA is guided by its Code of Ethics while Avsec is guided by the Avsec Code of Conduct.

The CAA and Avsec, Crown entities as stipulated in CEA 2004, are covered by the State Services

Commissioner's Standards of Integrity and Conduct launched on 19 June 2007 and effective on 30 November 2007. The Authority, executives and staff members are expected to be fair, impartial, responsible and trustworthy.

### 3.6 QUALITY ASSURANCE

The Authority has a policy of maintaining its management system certification to ISO 9001:2000, and its successors. Both organisations are audited annually under this process.

### 3.7 ENGAGEMENT WITH STAKEHOLDERS

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

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## **PART 1:**

# **CIVIL AVIATION AUTHORITY OF NEW ZEALAND**

**TE MANA RERERANGI TUMATANUI O AOTEAROA**

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## 4. FOREWORD FROM THE DIRECTOR OF CIVIL AVIATION

The New Zealand public, our foreign visitors, the international civil aviation community, businesses, government and civil aviation participants require an aviation system that is safe, secure and efficient. They look to the CAA to be a competent and effective regulator of civil aviation safety and security. The CAA ensures that New Zealand civil aviation policies, rules and oversight functions comply with international standards and the organisation directs its resources, and exercises its statutory functions, to achieve improved levels of safety in the civil aviation system.

### A YEAR IN HIGHLIGHTS

- Progress in achieving the 2010 social cost safety targets differed between the 13 aviation safety target groups that CAA monitors.

Four of the safety target groups showed consistently good performance over the period and are very likely to achieve their respective 2010 targets. This includes the Airline operations – large aeroplane group which carries over 90% of passengers to, from and within New Zealand.

Improved performance was shown in the other commercial operations – aeroplane group (largely freight operations) with the result for the last quarter being within the 2010 target.

Of the four safety target groups listed as critical at the beginning of the year, where their respective social cost was lagging behind or fluctuating on the 2010 safety targets, two groups have improved very significantly. Both agricultural aircraft and private helicopter

operations returned safety performance in the last quarter well within the 2010 social cost target. Private aeroplane and sport aircraft operations remained above target.

Aviation risk initiatives (ARI) were implemented during the financial year to assist the four identified critical aviation target groups meet their safety targets. The impact of these risk initiatives is expected to be evident in the safety performance of these target groups in the medium to long term.

- The CAA monitors the timeliness of the implementation of corrective actions by participants following findings raised in CAA safety audits. During the period 56% of corrective actions were implemented by their respective due dates compared to the target of 100%. However, over 90% of these corrective actions were implemented within four weeks of the due date. The CAA expects improvement in the coming year.
- The CAA continues to meet its obligations and comply with international civil aviation agreements. During 2006 New Zealand was audited under the ICAO Universal Safety Oversight Programme, with audits covering the safety and security responsibilities. The audits have found a good system, but have highlighted areas for improvement in processes and adoption of ICAO Standards.
- The Coroner's report released in May 2006 into the 2003 Air Adventures accident contained 30 recommendations, 24 of which were directed to the CAA. A project team has worked through the



recommendations and updates of progress were published on the CAA web site during 2006/07.

- The Australia/New Zealand Mutual Recognition Arrangement came into force in March 2007, allowing acceptance of airline air operator certificates by each authority. In April 2007 a New Zealand operator was approved under the Arrangement to operate B737 freight services in Australia. Other operators are expected to apply for approval in the near future.
- The CAA signed a full technical arrangement on maintenance with Transport Canada in June 2007. The arrangement covers maintenance activity performed under a Part 145 (maintenance organisation) certificate and certifications made by those organisations. This means that maintenance work on Canadian aircraft can be undertaken in New Zealand and vice-versa.
- A new Surveillance System was introduced in March 2007, following three years of development by the CAA. It allows every aviation operator to be assessed, based on the level of safety risk they pose. This information then assists in defining the level of oversight and audit required for individual certificate holders. While the system is now operating, there are still implementation issues to be resolved.
- Recommendations from Phase 1 of the PricewaterhouseCoopers Capability and Resources Review of the CAA in December 2006 are being implemented. The most significant was the organisational restructuring completed during the middle of 2007. Work will continue on the remaining 39 recommendations.
- Work on Phase 2 of the Capability and Resources Review was limited to an assessment

of the costs associated with CAA functions and identification of revenue streams. The report from this phase of the review is due in August/September 2007.

- In supporting the New Zealand Transport Strategy (NZTS), the CAA continues to actively participate in the Transport Sector Strategic Directions (TSSD) working groups. Work on the development of the next step of defining the detailed implementation requirements in collaboration with other transport entities is also being supported by the CAA executive.

In undertaking its work over the financial year, the CAA managed its revenue of \$27.465 million against its total expenditure of \$28.475 million, resulting in a deficit of \$1.010 million (against budgeted deficit of \$1.579 million).

## NEXT STEPS

The CAA is committed to undertaking its regulatory functions competently and efficiently. The following themes will guide its future direction and priorities.

- *stability and direction* - promoting a common understanding among staff of CAA's role in the civil aviation system and its relationship with aviation community participants;
- *core regulatory functions* – emphasising the importance of CAA's core regulatory functions (entry certification and safety and monitoring) in the New Zealand civil aviation system and the need to perform these functions well;
- *maintaining and building relationships* – the development of effective and appropriate relationships with the aviation community, government foreign authorities and international bodies; and
- *core values* – emphasising CAA independence, integrity, professionalism, openness and honesty in all relationships both internally and externally.

Work has commenced in all these areas and the themes will be reflected in the CAA's planning for future years.

A handwritten signature in black ink, appearing to read 'S Douglas', written in a cursive style.

STEVE DOUGLAS  
Director of Civil Aviation

## 5. OVERVIEW OF THE CAA

The CAA is an independent statutory authority that regulates and enforces the provisions of the CA Act 1990 and civil aviation rules.

### 5.1 OUR STATUTORY ROLE AND RESPONSIBILITIES

The Civil Aviation Authority of New Zealand was established under the CA Act 1990 as a Crown entity on 10 August 1992.

The objective of the Authority is to undertake its safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive, and sustainable transport system.

In section 72I, the Authority appoints a chief executive of the Authority, known as the Director of Civil Aviation. The Authority may delegate functions and powers to the Director. In addition to the functions and powers delegated by the Authority, the Director has a range of functions and powers conferred by the CA Act 1990.

Certain civil aviation international obligations of the Crown have been delegated to the CAA or the Director in respect of the International Civil Aviation Organization (ICAO) and the Convention on International Civil Aviation signed in Chicago on 7 December 1944. The CAA is designated by the Minister of Transport as the:

- Airspace Authority;
- Air Traffic Services Authority;
- Aviation Security Authority;
- Dangerous Goods Authority;
- Meteorological Authority; and
- Personnel Licensing Authority.

### 5.2 OUR OPERATIONS

The CAA is organised into seven groups:

- Airlines Group – oversees the activities of operators of aircraft weighing more than 5,700 kg and with ten or more passenger seats (e.g. Airbus 320; ATR 72; Boeing 737, 747, 767, 777; British Aerospace Jetstream; Convair 580; Bombardier Q300; Beech 1900; Fokker 27; Saab 340) along with aircraft certification and registration, associated maintenance, training, design, manufacturing and supply organisations;
- General Aviation Group – oversees the operators of fixed wing airline/charter aircraft weighing less than 5,700kg and with nine passenger seats or less, all rotary wing aircraft, all agricultural aircraft and all adventure, private, sport and recreational aviation (commercial and private), including aircraft certification and registration, associated maintenance, training, design, manufacturing and supply organisations;
- Personnel Licensing and Aviation Services Group – oversees the licensing of pilots, maintenance engineers, air traffic controllers, flight engineers and flight examiners; medical certification of pilots and air traffic controllers; certification of aviation services (air traffic service providers, airports and aerodromes, training organisations, meteorological services, communication services, aviation security and dangerous goods) and administration of the health and safety in the aviation sector;
- Government Relations, Planning and Strategy Group – undertakes policy, planning and international liaison and coordination. The Group develops civil aviation rules under an approved annual programme. It is also responsible for the CAA's public accountability documentation such

as the Statement of Intent, Quarterly Reports, Output Agreement and Annual Report; the development of the CAA Annual Plan; and the coordination of group operational resource plans;

- Safety Information Group – is responsible for safety investigation, enforcement, safety data analysis, and provision of promotional materials, education and services;
- Business Support Group – comprises Human Resources, Professional Standards, Management Information Services, Finance and Administration; and
- Legal Services Group.

Overall, our work includes:

- policy advice and rules development;
- certification and licensing of aviation participants;
- enforcement of the civil aviation legislation and rules;
- monitoring of compliance by participants with aviation safety and security requirements;
- education and promotion of aviation rules, advisory circulars and other safety-related information;
- investigation of aviation accidents and incidents and analysis of trends;
- publication of aeronautical information; and
- Health and Safety in Employment Act 1992 (HSE Act 1992) and Hazardous Substances and New Organisms Act 1996 (HASNO Act 1996) administrator in the aviation sector.

### 5.3 OUR MISSION

To be an effective organisation, by taking regulatory and promotional actions to minimise any threat or harm to people and property from New Zealand civil aviation operations.

### 5.4 OUR VISION

New Zealand aviation: free from safety and security failure and contributing to an integrated, safe, responsive, and sustainable transport system.

### 5.5 OUR BUSINESS PHILOSOPHY

Safety and security in the New Zealand civil aviation system is dependent on a system of rules and statutory requirements that reflect our international obligations and domestic laws, the state of development of the civil aviation system and public expectations. The legal framework is strengthened by a set of principles that can be regarded as together constituting a safety and security “philosophy”. That philosophy has its origins in the Swedavia-McGregor Report of 1988, enhanced and modified through the years including the introduction of the NZTS in 2004.

A key principle of the philosophy is that, operators are expected to act responsibly without excessive regulatory intervention. As civil aviation regulator and enforcer, the CAA has to be fair and consistent in the performance of regulatory functions and to ensure that its interventions are well informed and effective.

#### International regulatory framework

New Zealand is a signatory to the Chicago Convention. It is therefore covered by the Standards and Recommended Practices of ICAO, for the purpose of promoting uniformity in the regulation of international civil aviation, as set-out in the Annexes to the Chicago Convention.

New Zealand has an obligation to comply with these standards, or notify ICAO where it is not compliant, and to endeavour to comply with the recommendations. These standards and practices have no effect in New Zealand unless specifically incorporated or otherwise expressed in our system of law. The Civil Aviation Act 1990 and the Civil Aviation Rules are the prime means for adopting the standards and practices.

In practice, ICAO Standards and Recommended Practices are applied not only to international operations but also in domestic aviation, especially in operations and infrastructure that interface with the international sector.

### **Civil Aviation Act 1990**

A key provision in the Act is the requirement that holders of “aviation documents” are responsible for the safety of their operation. If required by the civil aviation rules, they must establish and follow a safety management system which sets out how they intend to discharge that responsibility. The safety management system becomes the basis for entry into, and operation within the aviation system. Document holders must also provide training and supervision for their employees and provision of resources to ensure compliance with relevant safety standards. Individuals exercising privileges in terms of an aviation document must be “fit and proper” to exercise those privileges. These provisions remain the cornerstone of the safety regulatory approach followed in New Zealand.

### **Civil Aviation Rules**

Civil Aviation Rules are the principal means of giving effect to the objectives and functions of the Minister, the CAA, and the Director’s functions and powers under the CA Act 1990. The Rules are made by the Minister on the basis of a programme approved by Cabinet and developed by the CAA under an agreement with the Secretary for Transport.

The Rules must be consistent with ICAO standards and to the extent that these have been adopted by New Zealand and other international obligations. Other than that, they must take into account a broad range of considerations including the recommended practices of ICAO, the level of risk pertaining to a particular activity within New Zealand, and the cost of implementing proposed measures. The Minister must

also consider the impact of the proposed rule on other non-safety related objectives of the NZTS.

### **Workplace health and safety strategy**

The CAA is the designated agency for administering the HSE Act 1992 in the aviation sector. The CAA’s responsibilities include: working with industry to develop standards, practical guidance and information products to address national priorities or other significant health and safety standards in aviation.

### **Safety and security policy principles**

The CAA’s approach to civil aviation safety and security regulation in New Zealand is determined by the following principles:

- relationship with the aviation community and the public;
- division of responsibility for aviation safety;
- consistency and fairness in the performance of the Director’s core statutory functions;
- informed and effective intervention;
- fostering safety and security culture; and
- clear rules.

### **Transport sector cooperation and collaboration**

As part of the CAA’s role in the ‘whole of Government approach’ to managing New Zealand’s transport sector, the CAA will engage in collaborative initiatives developed amongst government transport agencies. As these initiatives take shape and produce specific requirements for the transport entities, the CAA will implement any requisite processes or monitoring programmes that are within its statutory role and responsibilities.

In the meantime the CAA continues to support the continuing collaborative management of the NZTS’ Transport Sector Strategic Directions (TSSD) projects.

## 5.6 OUR STAKEHOLDERS

- *Public at large* - who want trust and confidence in the New Zealand civil aviation system;
- *flying public (includes domestic, international visitors and transit passengers)* – who want to arrive safely at their destinations and be united with families and friends around the world or in New Zealand;
- *businesses* – that depend on air transport to bring people to businesses, products to markets, tourists to holiday destinations, and sport fans to sporting events;
- *Government and MoT* – who require good advice, value for money, support and contribution to achieving the objectives of the NZTS;
- *international civil aviation organisations and State aviation authorities* - who want responsible technical and regulatory interaction and assistance;
- *civil aviation community participants* - who want appropriate and equitable regulations; and
- *staff of the CAA* - who want meaningful employment and also a safe and secure civil aviation system.

## 5.7 PARTICIPANTS IN THE NEW ZEALAND CIVIL AVIATION SYSTEM

The CAA's scope of work increased in 2006/07 compared to same period in 2005/06. Certificated organisations increased by 18 (or +2.9% from 618 to 636), total active licensed pilots by 331 (or +3.6% from 8,980 to 9,311) and number of aircraft in the New Zealand fleet by 115 (or +2.9% from 3,988 to 4,103).



## Certificated organisations

CIVIL AVIATION RULE PART	CERTICATED ORGANISATION	NUMBER	
		30 JUNE 06	30 JUNE 07
<b>Part 119</b>	Air operator	171	170
<b>Part 129</b>	Foreign air operator	42	41
<b>Part 137</b>	Agricultural aircraft operator	117	113
<b>Part 139</b>	Aerodrome certification, of which seven have international operations (Auckland, Hamilton, Palmerston North, Wellington, Christchurch, Dunedin and Queenstown) and 18 with purely domestic operations	26	25
<b>Part 140</b>	Aviation security organisation (Aviation Security Service or Avsec)	1	1
<b>Part 141</b>	Training organisation	48	47
<b>Part 145</b>	Maintenance organisation	52	52
<b>Part 146</b>	Design organisation	12	12
<b>Part 148</b>	Manufacturing organisation	24	24
<b>Part 149</b>	Recreation organisation	6	7
<b>Part 171</b>	Telecommunication service organisation	3	3
<b>Part 172</b>	Air traffic service organisation (e.g. Airways)	1	1
<b>Part 174</b>	Meteorological service organisation (e.g. Metservice)	2	2
<b>Part 175</b>	Information service organisation	2	2
<b>Part 19F</b>	Supply organisation	55	60
<b>Part 92</b>	Dangerous goods packaging	36	48
	Synthetic training device (airlines)	6	5
	Synthetic training device (general aviation)	14	23
	<b>TOTAL CERTIFICATED ORGANISATIONS</b>	<b>618</b>	<b>636</b>

In addition to these certificated organisations there are:

- 100 medical examiners responsible for the issue of medical certificates and surveillance of certificate holders;
- 106 published non-certificated aerodromes and heliports;
- 678 lifetime air traffic services licence, 456 of which with active class 3 medical;
- 2,193 Part 66 aircraft maintenance engineers;
- five New Zealand-based airlines with international operations: Air New Zealand, Zeal 320, Jetconnect, Airwork NZ Limited and Pacific Blue Airlines. One New Zealand-based airline with international charter operations: Air National;
- 31 foreign airlines operating aircraft to New Zealand: Aerolineas Argentinas S.A., Air Caledonie International, Air Chathams (New Zealand operator that operates out of Fiji and Tonga), Air Fiji, Air Pacific, Air Tahiti Nui, Air Tahiti SA, Air Vanuatu, Asian Express Airlines, Atlas Air, Cargolux Airlines International, Cathay Pacific Airways, Emirates, Eva Airways, ExecuJet Australia, Fiji Airlines (Part 129

certificate operating from Tonga), Japan Airlines International, Jetstar Airways, Kalitta Charters II, Korean Airlines, LAN Chile Airlines, Malaysian Airlines, Polar Air Cargo, Polynesian Ltd., PT Garuda Indonesia, Qantas Airways, Royal Brunei Airlines, Safair, Singapore Airlines Cargo,

- Singapore Airlines, and Thai Airways; and
- four Pacific Island air operators that are overseen by the CAA on behalf of the Samoa, Tonga and Cook Islands Authorities: Polynesian Airlines, PeauVavau, Airlines Tonga and Air Rarotonga.

### Pilot licences

PILOT LICENCE TYPE	30 JUNE 2006		30 JUNE 2007			
	TOTAL LIFETIME	TOTAL ACTIVE	TOTAL LIFETIME	TOTAL ACTIVE	WITH ACTIVE CLASS 1 MEDICAL	CLASS 2
<b>Aeroplane</b>	2,755	1,739	2,868	1,814	1,121	693
<b>Helicopter</b>	108	66	115	69	46	23
<b>Senior CPL aeroplane</b>	51	10	50	9	6	3
<b>Aeroplane</b>	4,465	2,571	4,618	2,628	1,414	1,214
<b>Balloon</b>	37	24	38	24	16	8
<b>Glider</b>	8	4	9	5	4	1
<b>Helicopter</b>	1,432	1,016	1,507	1,051	674	377
<b>Aeroplane</b>	8,831	3,111	9,129	3,235	390	2,845
<b>Glider</b>	1	1				
<b>Helicopter</b>	958	438	1,003	476	97	379
<b>TOTAL PILOT LICENCES</b>	<b>18,646</b>	<b>8,980</b>	<b>19,337</b>	<b>9,311</b>	<b>3,768</b>	<b>5,543</b>

*Note: The above statistics show the total number of lifetime licences of each type, plus the number that have an active class 1 medical or an active class 2 medical (but no active class 1 medical). This means that for CPL licences and above, the number with a class 2 medical must only be exercising PPL privileges (or not flying at all). The sum of the active medicals represents the potential number of active pilots.*



## Aircraft licences

AIRCRAFT CLASS	NUMBER	
	30 JUNE 06	30 JUNE 07
Microlight Class 2 (two or more seats , flight permit required)	591	632
Amateur built helicopter	12	15
Helicopter	654	677
Aeroplane	1,828	1,857
Amateur built aeroplane	231	245
Power glider	42	45
Balloon	58	61
Gyroplane	10	11
Amateur built glider	4	4
Microlight Class 1 (one seater, flight permit not required)	248	244
Glider	310	312
<b>TOTAL AIRCRAFT</b>	<b>3,988</b>	<b>4,103</b>

### Three stages in regulating the New Zealand civil aviation system

The CAA is the safety and security oversight regulator for New Zealand civil aviation.

#### 1. Entry

Aviation participants enter the civil aviation system when they have met the minimum standards and are issued with the relevant aviation document(s)<sup>1</sup>.

#### 2. Operation or participation

While in the system, aviation participants must continue to operate in compliance with civil aviation standards and conditions of their documents. The CAA conducts functional supervision of participants operating in the civil aviation system through various types of surveillance operations (e.g. routine audits and inspections, spot checks, special purpose audits). Their adherence to civil aviation rules and standards is checked by the CAA, and any corrective actions

necessary to bring their performance to the required standards are identified by the CAA and implemented accordingly by aviation participants. The CAA and the aviation participant agreed on the implementation date of the corrective action.

Participants are expected to:

- ensure that appropriate aviation documents and all the necessary qualifications and other documents are held by that person or organisation;
- fully understand the roles and responsibilities attached to their aviation document(s);
- comply with the CA Act 1990 and civil aviation rules;
- establish and follow documented safety standards and procedures;
- demonstrate a commitment to safe practices within their organisation so as to maintain compliance with the relevant safety standards and

<sup>1</sup> There are some participants that do not hold aviation documents such as the non-certificated aerodromes.

- conditions attached to their aviation document(s);
- report all safety occurrences to the CAA; and
- implement all corrective actions required by the CAA by established due dates.

When a document holder's performance falls below the standard, the CAA seeks compliance in regaining the required level of performance. The CAA identifies areas of non-compliance through findings from its audits and inspections, and a return to an acceptable level of performance is managed through corrective actions and follow-up.

### 3. Exit

Aviation participants exit the civil aviation system, either voluntarily by surrendering their aviation documents or as a result of the CAA's action to suspend or revoke the document. The CAA takes exit action in the interests of safety when other regulatory tools have failed or are unacceptable.

Participants should expect the Director of Civil Aviation to exercise his powers, when necessary to:

- impose conditions for a specified period;
- withdraw any conditions;
- suspend any aviation document for a specified period;
- revoke or partially revoke any aviation document under section 18; and
- impose permanent conditions under section 18 of the CA Act 1990.

Any person of whom any decision is taken may appeal against that decision to a District Court under section 66 of the CA Act 1990.

## 5.8 OUR FUNDING

Three-quarters of CAA's funding (75%) comes from passenger levies as provided for in the Civil Aviation (Safety) Levies Order 2002. Crown-funding (including MoT) is at \$3.179 million since 2003/04 for work on policy advice, rules development, and the administration of Health and Safety in Employment in the aviation sector.

OUTPUT CLASS	OUTPUT	SOURCE OF FUNDING
<b>POLICY ADVICE</b>	Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements	Crown funded (through MoT)
	Rules development	Contracted services (MoT)
<b>SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION</b>	Airlines sector safety risk management	Direct fees and charges and levy funding
	General Aviation sector safety risk management	Direct fees and charges and levy funding
	Personnel Licensing and Aviation Services sector safety risk management	Direct fees and charges and levy funding
	Health and Safety in Employment aviation community safety and health risk management	Crown funded (through the Department of Labour via MoT)
<b>SAFETY AND SECURITY INVESTIGATION ANALYSIS AND EDUCATION</b>	Investigation	Levy funded
	Analysis	Levy funded
	Information and education	Levy funded
<b>ENFORCEMENT</b>	Responses to regulatory breaches	Levy funded

Almost three quarters of CAA expenditure was spent in Output Class 2: Safety and security assessment and certification. (Refer to Part 3, Grouped Service Performance and Financial Statements 2006/07 for details.)

CAA REVENUE BY SOURCE	2005/06 ACTUAL	2006/07 ACTUAL	CAA EXPENDITURE BY OUTPUT CLASS	2005/06 ACTUAL	2006/07 ACTUAL
Levies	73.8%	75.0%	Output Class 2: Safety and security assessment and certification	67.9%	68.9%
Fees, charges	12.9%	11.8%	Output Class 3: Safety and security investigation analysis and education	17.4%	16.0%
Crown funding (including Ministry)	11.6%	11.6%	Output Class 1: Policy advice	11.6%	11.8%
Interest	1.7%	1.6%	Output Class 4: Enforcement	3.1%	3.3%
<b>TOTAL REVENUE (\$000)</b>	<b>\$27,304 (100.0%)</b>	<b>\$27,465 (100.0%)</b>	<b>TOTAL EXPENDITURE (\$000)</b>	<b>\$27,006 (100.0%)</b>	<b>\$28,475 (100.0%)</b>



## 6. OUR CAPABILITY AND RESOURCES REPORT

### 6.1 OUR ORGANISATIONAL STRUCTURE AND CAPABILITY

#### Our organisational structure

As discussed earlier in this report, the CAA recently implemented an organisational change focusing initially on streamlining the main business support groups. This followed on to some extent from

the recommendations from Phase 1 of the CAA Capability and Resources Review.

It is hoped that these changes will improve the achievement of the CAA's strategic goals and facilitate effective and efficient management. The new structure which took effect on 16 July 2007 is reflected in the succeeding table.

GROUPS	UNITS	FTE AS AT 30 JUNE 07
Office of the Director		2
Airlines	Flight Operations Flight Maintenance Aircraft Certification	25
General Aviation	Fixed Wing Rotary Wing Airworthiness Coordination Sport and Recreation Field Safety Advisers	27
Personnel Licensing and Aviation Services	Personnel Licensing Medical Certification Aeronautical Services Aviation Security Health and Safety	35
Government Relations, Planning and Strategy	Policy and International Relations Rules Development Business Planning and Reporting	17.6
Safety Information	Enforcement Safety Investigation Safety Analysis Communication	27
Business Support	Human Resources Professional Standards Management Information Systems Finance Administration	31.5
Legal Services	Legal Services (including Official information Act support)	6
<b>TOTAL FTE POSITIONS FILLED*</b>		<b>171.1</b>

\*Total FTE positions filled includes full-time permanent employees (162), part-time permanent employees (4.5), fixed term employees (2.2), temporary agency staff (1.8) and contractors (0.4).

### **Our capability and resources profile**

CAA staff members come from diverse cultural backgrounds and age-groups, with male staff comprising approximately 70% of total staff. Due to the nature of CAA's work, most have previous aviation industry experience either in New Zealand or overseas. Non-technical staff members with no previous aviation experience are encouraged to attend training in aviation-related fields.

Recruitment, retention and retirement are a constant challenge to the CAA. Because of increasing recruitment competition from overseas and global shortage of pilots and aircraft engineers, the CAA often finds it very difficult to attract and retain specialist aviation staff to best meet the organisation's needs.

Despite the current difficulty in recruiting suitably qualified and experienced staff, it is important to note that Phase 1 of the Capability and Resources Review concluded that:

- the functions the CAA undertakes align with its statutory mandate;
- all necessary regulatory tools for assessing entry, monitoring compliance and managing exit operators from the civil aviation system are at the CAA's disposal;
- the CAA has supporting initiatives around human resource management, business risk management, information management and work processes;
- CAA people have a strong technical competency, recognised and valued internationally and within New Zealand; and
- the CAA itself is held in high regard by the aviation sector within New Zealand and internationally.

### **Our Good Employer Programme**

The CAA has a "Good Employer Programme" and has numerous policies in place covering such areas as:

- bullying;
- Ka Awatea;
- relocation;
- eye examinations and spectacles;
- stress management;
- Code of Conduct;
- protected disclosure;
- complaints procedure;
- disputes resolution process; and
- Service Charter.

In addition, the CAA promotes a number of other activities which focus on being a "good employer" such as an annual 14-week Wellness Programme, complete Employee Assistance Programme, training and development opportunities, and regular monitoring and pro-active outlook in dealing with health and safety in employment issues.

### **Our Equal Employment Opportunities (EEO) Programme**

The CAA is an EEO employer and a member of the EEO Trust. The CAA was selected as finalist in two categories by the EEO Trust in 2005. The CAA's recruitment policy fully reflects its EEO status. The EEO Programme is monitored regularly to ensure full compliance. Every vacancy is advertised internally and externally (through newspapers, official New Zealand government job site [www.jobs.govt.nz](http://www.jobs.govt.nz) and the CAA website) to give everyone an equal chance to be included in the recruitment selection.

- The Director of Civil Aviation vacancy was advertised internationally and within New Zealand. There were 54 applications, including offshore applicants from Hong Kong, Australia, U.K., Canada and Namibia. The successful candidate

came from within the CAA.

- Vacancies for three new General Managers were advertised internally and externally. The recruitment consultancy short listed internal and external applicants. The two new General Managers were external appointees from within the public sector.
- The CAA is staffed with aviation specialists coming from diverse cultural backgrounds (e.g. New Zealand, Great Britain, Canada, Germany, Scotland, France, South Africa, Ireland, Philippines, Australia, Pacific Island States, Malaysia, and India). The major determinant in recruitment is that the person is best qualified and has the relevant skill, experience and/or aviation licence that the role requires.

## 6.2 PROGRESS WITH OUR ORGANISATIONAL AND PEOPLE OUTCOME

### **Outcome: More effective and efficient CAA.**

#### *Strategic Objectives:*

To ensure that:

- the CAA is capable, responsive, forward looking, credible, consultative, evidence-based and a good employer; and
- there is collaboration and cooperation, responsibility and accountability, integrity, fairness and consistency, and enjoyment at work.

#### *Impacts:*

Increased staff confidence in the CAA as an employer-of-choice, a well-managed Crown entity, and as benchmark for other States civil aviation authorities.

Increased confidence of the New Zealand public and Government in the CAA as a trusted transport Crown entity managed and staffed by efficient and effective professionals.

The following work plans were carried-out to meet our strategic outcome:

1. Established the CAA Superannuation Scheme based on KiwiSaver where the CAA is contributing 4% (of employee's gross salary or wages) from 1 July 2007.
2. Continued the development of staff through:
  - a. expansion of the 2006 Training and Development Program; and
  - b. structured approach to Training and Development.
3. Reviewed resources through the completion of Phases 1 and 2 of the Capability and Resources Review completed in December 2006 and June 2007 respectively.
4. Practical business continuation plans and capability through:
  - a. audit of the remuneration system;
  - b. implementation of the new Performance Management System; and
  - c. review of the Recruitment and Selection Process.
5. Upgraded the payroll system to Chris 21.

#### *Performance against target:*

In our 2006/09 SOI, the CAA performance measure for the organisational and people outcome was the achievement of our operational outcomes and output targets, as well as progress on projects and initiatives. So far, five out-of nine outcomes, six of eight projects and 52 of 55 outputs met their respective targets in 2006/07 (refer to the succeeding sections for details).

#### *Next steps:*

The CAA is committed to improving its organisational and capability outcome in the short to long term. With the completion of Phases 1 and 2 of the Capability and Resources Review, the CAA has started to implement agreed recommendations from both Reviews beginning on 16 July 2007.

## 7. OUR ACCOMPLISHMENTS AND RISK MITIGATION REPORT

### 7.1 OUR ACCOMPLISHMENTS

The aviation industry is dynamic and global. With global aviation safety standards and a harmonised approach by governments, regulators and operators, air transport is increasingly the safest way to travel.

With limited resources and capability, the CAA has managed to accomplish many tasks that impact positively on the global aviation industry and on the New Zealand civil aviation system. One of these is the CAA's participation in the Boeing 787 (B787) Maintenance Review Board, International Steering Committee and Structural Working Group. The CAA's technical contribution on the B787 will have a positive impact on global aviation.

Our linkages with international aviation authorities and the international safety oversight agreements the CAA is party to contribute to the Economic Transformation agenda of the Government, by constantly improving international aviation safety and security status of the New Zealand civil aviation system. The CAA's international reputation as civil aviation safety regulator and enforcer is an additional lever for the New Zealand Government in negotiating air traffic rights with other countries.

Following are some of our accomplishments for 2006/07 that are not included in our capability development projects (refer to section 8.3 – Progress with Our Capability Development Projects), but are essential in the safety and security of the New Zealand civil aviation system:

#### Airlines sector

Globally, airlines continue to respond to significantly changing market demands by restructuring and re-engineering their businesses, streamlining maintenance systems and re-equipment with fuel, and emission efficient aircraft.

##### *Boeing 787*

- The planned introduction by Air New Zealand (ANZ) of the B787 Dreamliner in 2010 has required CAA staff to become familiar with new technologies adopted in the B787. As such, CAA aviation technical experts have attended a number of training courses and participated in key working groups like the Boeing Maintenance Review Board (MRB), International Steering Committee and Structural Working Groups. The inclusion of CAA aviation specialists on these panels reflects the respect the global aviation industry has for the CAA.

##### *Other New Aircraft*

- The CAA closely monitored Air Nelson's fleet change from Saab 340 to Bombardier DHC-8 (Q300), and ANZ's introduction of the B777 aircraft. The B777 is being used on ANZ's long haul route between Auckland and Shanghai.

##### *Evolving Technology*

- The CAA participates in international forums to maintain the CAA's ability to regulate the application of rapidly evolving technology. Recent examples are the revision of the Extended Twin Engine Operations (ETOPS) and the development of standards for the assessment of Required Navigation Performance (RNP) approaches and participation in international standards development for synthetic training devices.

***Required Navigation Performance (RNP)******Approaches***

- The collaborative development of the new high precision approach with vertical and lateral guidance at Queenstown for ANZ's B737 has entered the third and final phase of the approval process. This phase involves flight in instrument conditions on curved flight paths into the Queenstown basin to 1200 feet above ground level. The assessment of approach will continue for 12 months and final approval is due to be completed in March 2008. A similar approval process commenced for the Airbus 320 (A320) aircraft in May of this year.

***Manufacturing: Alpha Aviation – Robin 2000 Series Type Certification***

- Recently the CAA issued Type Certificate A-15 to Alpha Aviation covering the Robin 2000 series of light aerobatic training aircraft. Alpha Aviation has purchased the existing Type Certificates and all rights to the Robin R2000 series and has assumed responsibility for all existing aircraft worldwide. Alpha constructed a new factory at Hamilton Airport and has placed three models into production. The New Zealand Type Certificate was issued following a certification validation exercise and has been subsequently validated by the FAA and EASA. This means that CAA has now taken over the responsibility of being the State of Design Authority for the aircraft, which was previously produced in France.

**General aviation sector**

The general aviation sector is experiencing fleet changes in New Zealand due to the appreciation of the New Zealand dollar over the past 12 months. There is a significant increase in microlight class 2 (41 added in 2006/07 from 591 in 2005/06) and helicopter (23 added in 2006/07 from 654 in 2005/06). The introduction of three new, first of type, large Italian Augusta helicopter reflects fleet changes

in the general aviation sector. The latest aeronautical technology pervades the sector with the import of very high performance microlight aircraft and the introduction of unmanned aerial vehicles (UAV) for civilian purposes.

***Technical Seminar on Unmanned Aerial Vehicles (UAV)***

- The CAA hosted a UAV technical seminar on 25 October 2006 to identify issues relating to the regulation, certification, flight operations and airworthiness of UAVs in New Zealand. The growing technical capacity of the local industry continues to be underscored by the rapid take-up of UAV technology and aircraft in the country, including a number of facilities scaling up or in the process of building both fixed wing and rotorcraft UAVs.

***Safety Education and Promotion***

- Over 1000 people attended 25 AvKiwi workshops which focused on common errors of judgment made by general aviation operations and on the development of best practice in visual flight rules (VFR) flight plan. Other seminars covered sport aviation (Sport Avex) and inspection authorisation.

***Sport and Recreational Aircraft (SR)***

- The CAA undertook a comprehensive review of Part 21, certification of aircraft in the special category. The review addressed issues in the Production built Non-type Certificated (PNC) or "warbird" aircraft, its continuing airworthiness and maintenance requirements applicable to new subcategories (primary, amateur built and light sport) and types of operation that special category aircraft are permitted to perform.

Work commenced on a proposed amendment to Rule Part 21, to include a new category of SR aircraft known as the light sport aircraft (LSA). The LSA category will provide a weight increase compared to the microlight category maximum of 1,300 lbs (or 682 kg) and will allow flight over congested area privileges that are currently not



permitted in the microlight category. With this rule, the CAA will be imposing stringent application of maintenance rules (e.g. flight and maintenance manual required) and the aircraft must comply with the American Society for Testing and Materials (ASTM) standards.

#### *Adventure Aviation Regulation*

- The CAA engaged with stakeholders in the development of proposed Rule Part 115, adventure aviation, to certificate operators of commercial adventure aviation operations, through the spectrum of tandem parachuting, gliding, ballooning, hang-gliding, para-gliding and vintage aircraft.

#### *Agricultural Aircraft Safety Review*

- On-going Agricultural Aircraft Safety Review. The objective of which is to gather information; authenticate concerns regarding defects and failures in undercarriage, tail fin/rudder structure, wing spar and engine mounts; and recommend action items pertaining to agricultural aircraft design, continuing airworthiness, maintenance, and operational practices and techniques that would improve safety performance of the industry.

#### *Night Vision Imaging Systems (NVIS)*

- NVIS is a comprehensive system which includes helicopter internal lighting that does not degrade the night vision goggles (NVG) image, additional external lighting, other required aircraft components and equipment, initial and recurrent crew training operating procedures and airworthiness requirements. Operators committing to this equipment have sought clearance from the CAA for its acceptance. Accordingly, CAA issued Advisory Circular (AC) 91-31 on 11 June 2007. It provides information about standards, practices and procedures for the safe use and operation of NVIS for use in the Night Visual Flight Rules (NVFR) environment.

### **International relations and co-operation**

#### *Collaborative Work with the Pacific Aviation Safety Office (PASO)*

- CAA's support of the Pacific Island States continued with regulatory services and advice being provided to Authorities in Niue, Samoa, Tonga and the Cook Islands. Significantly, the CAA continues to support the development of PASO as the future provider of regulatory services to Pacific Island States. In this regard it is increasingly likely that the operation of PASO will provide a better administrative conduit for CAA's technical support activities in the Pacific.

#### *Technical Arrangements Update*

- The CAA continues to facilitate bilateral technical arrangements with other regulatory authorities such as the United States Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA) and Civil Aviation Safety Authority of Australia (CASA).
  - With the FAA, a revised Implementation Procedures for Airworthiness (IPA) was signed in June 2006 and is currently a working document. The revised IPA has been utilised for FAA acceptance of New Zealand approved repairs on several end-of-lease aircraft that have been exported to the USA.
  - With EASA, a working arrangement (WA) and IPA were developed, drafted and discussed. Finalisation and sign-off of the WA is expected in September 2007.
  - With CASA, our relationship has benefited from the extensive work completed by the two Authorities in preparation for the introduction of Mutual Recognition of Part 121 (Air Operations – large aeroplanes) certification on 30 March 2007. This agreement is the first of its type between two Authorities that permits an operator certificated in the "home" state to operate in the "host" state.

In April 2007 New Zealand operator Airwork was issued with Australia-New Zealand Aviation (ANZA) privileges that entitled it to operate two B737s on freight operations in Australia. Since then there have been other applications from other operators from both sides of the Tasman that wish to take up this opportunity for reducing duplicated costs of certification.

- The CAA signed a full technical arrangement on maintenance with Transport Canada (TC) in June 2007. This covers maintenance activity under Part 145 (maintenance organisation) certificate and also certifications made by those organisations under the authority of a Part 145 certificate. This means that maintenance work on Canadian aircraft can be undertaken in New Zealand and vice-versa.

### **Aviation services**

#### *ICAO Universal Security Audit Program (USAP)*

- The CAA successfully facilitated the conduct of the ICAO USAP Audit of New Zealand and the preparation of a formal State Corrective Action Plan, which was accepted by ICAO. This plan was the culmination of a substantial project that involved consultation with a wide range of stakeholders including MoT, Police, the aviation industry and Avsec. Overall, the audit compliments the Aviation Security regulatory oversight activities of the CAA. The majority of substantive recommendations made related to matters already identified by the CAA as requiring attention. Corrective actions are underway through various Rule Projects and proposals contained within the Aviation Security Legislation Bill.

#### *Security Risk Assessment*

- The CAA's security risk assessment capability was significantly enhanced by the strengthening of direct relationships and communication channels

with the New Zealand Government Combined Threat Assessment Group (CTAG). This increased capability will be instrumental over the coming years in supporting key CAA security outputs including those with assessment, policy analysis or education focus.

#### *Liquids, Aerosols and Gels (LAGs)*

- The CAA was centrally involved in facilitating wider decision making processes concerning LAGs security measures in both the domestic and international aviation environments. This included providing input to ICAO on the development of relevant Guidance Material. The CAA provided regulatory oversight on the development and operational implementation of all relevant measures in New Zealand in March 2007 including screening and the supply chain security controls applied to duty free items sold to passengers after screening.
- The CAA was also responsible for initiating, managing, and conducting the processes that saw New Zealand obtain an equivalent agreement with Australia on the continued sale and carriage of duty-free LAGs on flights to Australia. All of these tasks, requiring diversion of resources to conduct substantial research, analysis and international benchmarking within short time frames, were performed successfully and in a manner that ensured the Director's regulatory independence was maintained.

#### *Support to the Development of the Aviation Security Legislation Bill*

- The CAA provided significant support to the development of the Aviation Security Legislation Bill throughout the year. This included providing expert technical advice, often at short notice and within critical time frames, on a wide range of security matters to inform Departmental, Ministerial, Government and Select Committee decision making. The Bill contains a number of proposals that will serve to further strengthen

New Zealand's aviation security system including provisions relating to the proportional screening of airport workers.

#### *Support to the Development of Part 109 (Regulated Cargo Agents)*

- The CAA committed significant resource to the development of the Notice of Proposed Rule Making (NPRM) for Part 109 by ensuring that a comprehensive draft Advisory Circular was prepared and available for industry review at the same time the NPRM was released. Crucial support and expert technical and policy advice were provided to government departments and other stakeholders in the development of this rule that breaks new ground by extending the coverage of New Zealand's aviation regulatory system into areas not previously contemplated. The measures in the new rule will interface with a range of existing supply chain security measures designed to mitigate other non-aviation security risks.

#### *Introduction of the Aviation English Language Proficiency Assessment*

- As a result of a number of global aviation accidents in which inadequate communication has been a contributing factor, ICAO is introducing a requirement for English Language proficiency testing for pilots and Air Traffic Controllers. The CAA has analysed the requirements and continues to work with stakeholders and contractors to develop a system that will meet New Zealand's international obligations when the ICAO requirement takes effect.

#### *Aeronautical Information Service*

- Five proposals for the operation of the New Zealand Aeronautical Information were received during the period in response to a CAA request. Only two of the proposals met the CAA criteria but both were expensive. As a result, the CAA has requested the two companies to review their financial projections and submit new proposals by end of August 2007.

#### *Health and Safety in Employment in the Aviation Sector*

- A collaboratively developed safety guideline on Farm Airstrips and Associated Fertiliser Cartage, Storage and Application was completed and published during the year.

The booklet is the culmination of three years of collaborative work with New Zealand Agricultural Aviation Association (NZAA), Federated Farmers, and other groups. The project was triggered by a recommendation from an inquest into a top-dressing accident that occurred as a result of a hung load. Accidents seldom have a single cause but have many contributing factors. When seeking to prevent accidents, a broad look across all of those industry sectors involved with top-dressing is necessary to prevent top-dressing accidents.

#### *International Volcanic Ash Mitigation*

- The CAA hosted the 4th International Workshop on Volcanic Ash in Aviation at Rotorua in March 2007. The meeting was attended by 38 international scientists, volcanologists, meteorologists and operations people. The meeting was opened by the Minister for Transport Safety. The work from the workshop will feed directly into further development of international standards and procedures in the provision of information and operational mitigation in the event of a volcanic ash.

#### **Rules development progress**

- The CAA has developed a range of rules under the rules programme agreed with the MoT. New projects have commenced based on the revised rules process developed as part of the Rules Review Implementation Project which identified four phases in the rules development process: the trigger, issue assessment, rule programme development and rule project phases.
- The CAA worked with the Aviation Community Advisory Group (ACAG) in the development and

monitoring of the rules programme with three joint CAA/ACAG meetings held.

- 81 rules issues were approved during the year: nine issues were raised by industry members, 49 were raised by the CAA operational groups, one was raised by the CAA's Policy unit and 22 were raised as a result of the ICAO safety oversight audit. Three Issue Assessment Groups were convened to assess issues related to Rule Parts 125, 137 and 139.
- Project Working Group meetings were convened to address technical aspects of Part 135 (air operations – helicopters and small aeroplanes) rules projects related to pilot experience levels, Part 135 Terrain Awareness Warning Systems (TAWS) and Part 115 Adventure Aviation.
- Final Rules and information documents developed by the CAA during the year and signed by the Minister:
  - Part 43/145 – General maintenance rules; and
  - Part 139 – Runway End Safety Area (RESA).
- Draft Final Rules forwarded to the MoT for review:
  - Omnibus 2;
  - Part 11 – Revocation;
  - Part 43/145 – General maintenance rules;
  - Part 91 – 406 MHz Emergency Locator Transmitters;
  - Part 135 – Air operations; and
  - Part 139 – Runway End Safety Area (RESA).
- Draft Notice of Proposed Rule Making (NPRMs) forwarded to the MoT for review:
  - Omnibus 2;
  - Part 11 – Revocation;
  - Part 21 – Certification of products and parts;
  - Part 61/141 – Pilot licences and ratings;
  - Part 91 – 406 MHz Emergency Locator Transmitters (ELT);
  - Part 109 – Regulated Air Cargo Agents;
  - Part 125 – Health and Usage Monitoring

Systems (HUMS);

- Part 125 – Air operations;
- Part 135 – Terrain Awareness Warning Systems (TAWS); and
- Part 135 – Pilot experience levels.
- Advisory Circulars (AC) review and production:
  - project completed to renumber all advisory circulars;
  - AC 43 series;
  - AC 61 series;
  - Aerodrome Design; and
  - AC 119-2 - Fatigue of flight crew.
- One emergency rule was signed by the Director of Civil Aviation relating to the establishment of an aeroplane's engine health and usage monitoring system (HUMS) baseline data for Part 125 single engine instrument flight rules (SEIFR) operations.

### Enforcement progress

The CAA as the safety regulator considers the appropriate use of all enforcement tools as being vital in the drive to improve aviation safety. In August 2006 a suite of enforcement tools was enhanced with the introduction of the Infringement Notices process. This cost effective and efficient method of taking punitive action for less serious offences is seen as vital in helping generate deterrent messages and has been actively promoted in the CAA's Vector magazine. Reports from aviators that have transgressed and are keen to accept responsibility genuinely welcome its introduction, in order to avoid costly and inconvenient court appearances. The CAA carries out in-depth reviews of complaints and concerns before generating investigations. This has reduced the number of investigations that are concluded where no offences have been determined and ensures that the resources are placed in areas where they are able to make the most safety improvement.

ENFORCEMENT ACTIVITY	2005/06	2006/07
<b>Unruly passenger infringement notices issued</b>	54	34
<b>Occurrences</b>	5,129	5,135
<b>Investigations commenced</b>	81	75
<b>Investigations closed</b>	91	59
Prosecutions commenced	25	16
Written warnings	21	17
No offences disclosed	21	8
No further action taken	22	10
Requests for infringement hearing	1	0
Closed, referred to other agencies	1	1
Infringement notice issued		6
Education letter sent		1

## 7.2 ADDRESSING OUR OPERATIONAL RISKS

During the financial year, the CAA had six major operational aviation risks, two in the airlines sector and four in the general aviation sector.

### Airlines sector

#### *Introduction of B787 in the New Zealand Fleet*

- Reviewed risks posed by the introduction of B787 in relation to design, certification and repair of composite structures.

ANZ is the launch customer of B787-9 model Dreamliner and has orders for eight aircraft with delivery of the first aircraft scheduled for December 2010. With the launch of B787, CAA has undertaken activities geared to improve and familiarise staff knowledge of the design, certification and repair of its composite structures. As such, CAA attended several FAA/Boeing Type Certification Conferences, Composite Materials Structures Courses and hosted the presentation of Boeing's Director of Government, International and Environment for B787 Project. The CAA also participated in the B787 MRB structural working

groups and international steering committee.

In the short-term, the CAA is looking at familiarisation courses on airworthiness and certification training opportunities with the FAA and Boeing to support the CAA's regulatory functions related to certification and airworthiness of the aircraft.

#### *Aging Aircraft*

- A growing number, estimated to be more than a thousand, of aging aircraft on the New Zealand register are being used on air transport air operations. These are specifically turbojet and turboprop powered aircraft that are being used beyond their originally planned life of typically 20 to 25 years and up to 90,000 flight hours. Aviation safety oversight authorities globally accept that aircraft that exceed 10, 20, or even 30 years of age can be safely operated if properly maintained.

The existing certification and monitoring programmes are no longer adequate to address issues related to the maintenance and use of aging aircraft. The CAA aims to develop policies and monitoring processes that harmonise with international standards on the

maintenance of aging aircraft and codification of its maintenance requirements into civil aviation rules.

The first task was to identify aircraft types.

Secondly, the CAA reviewed the Corrosion Control and Structures Inspection Programmes established by the type certificate holders and manufacturers.

Research was undertaken on Fokker 27 and Convair 580 to ascertain their corrosion status with regard to the New Zealand Corrosion Control and Structures Inspection Programme.

Aviation safety is to be enhanced by adopting international best-practice standards for the monitoring of aging aircraft maintenance standards. In particular, the CAA intends to:

- provide initial training for Airline Inspectors (Airworthiness personnel) to provide a sound understanding of aging aircraft issues;
- establish a database of applicable reference material;
- develop an aging aircraft recurrent training programme;
- develop an aging aircraft monitoring programme; and
- establish an industry forum aimed at promoting an awareness of aging aircraft issues.

### **General aviation sector**

#### *Unmanned Aerial Vehicles (UAV) or Pilotless Aircraft*

- There is an increasing usage of UAV, or pilotless aircraft, worldwide. UAV range from 500 gram model (capable of carrying role equipment to meet their specific mission) to full size aircraft. They may be rotary wing, fixed wing, powered parachutes or lighter than air machines. The aircraft is increasingly used in activities like: military operations, policing duties, traffic spotting, fisheries protection, pipeline survey, sports events film coverage, border patrol, agricultural operations, power line survey and aerial photography.

As regulator, the CAA needs to be pro-active in identifying issues relating to the regulation and operation of UAV. Thus, a technical seminar was conducted in October 2006 and was attended by the Ministry of Defence, Airways and aviation participants. A CAA Project Team was established to develop New Zealand's position on UAV and specifically address certification, flight operations and airworthiness of UAV.

#### *Shortage of Senior Pilots for Commercial Operations*

- The shortage of senior pilots for commercial operations is a global aviation industry problem. In New Zealand, senior pilots in the general aviation sector (specifically those from Part 119/135, charters, flying schools and to some extent Part 137) are heavily recruited. As a result, small operators are experiencing difficulty in maintaining satisfactory experience standards for Chief Pilot appointments. There are cases when applications for these positions are declined by the CAA. Once declined, the operator will either curtail or suspend their operations.

To address this problem, the General Aviation Group conducted training workshops for "Senior Persons Responsible for Air Operations" for organisations holding Part 119/135 or Part 137 certification, and Chief Flying Instructors in Part 141 certificated (and potential) organisations. Workshops were held in Queenstown and Rotorua in May 2007 with a total of 60 participants. Feedback was positive.

#### *Regulating Adventure Aviation*

- Use of sport and recreational aircraft for carriage of passengers for hire or reward has increased significantly. Applicable civil aviation rules for this sector were written for amateur, private and recreation activities only and were largely based on the self-administration of participants.

To protect the air safety of adventure aviation consumers, the CAA did a comprehensive review

and drafted Rule Part 21 (Certification of Aircraft in the Special Category) and proposed Rule Part 115 (Adventure Aviation) that will certificate operators of commercial adventure aviation operations.

*Mandatory Fitting of 406 MHz Distress Beacon in July 2008*

- The satellite system supporting the current generation of 121.5 MHz analogue distress beacon is degraded, will cease to operate in February 2009 and must be replaced with 406 MHz distress beacon (monitored by a digital 406 MHz satellite system is more capable, and if registered and operate correctly, will result in much faster rescue in case of emergency). In New Zealand 406 MHz Emergency Locator

Transmitter (ELT) beacons will become mandatory after July 2008 for all light aircraft and gliders, microlights and up to two seat aircraft that operate over 10 miles from the take-off airfield.

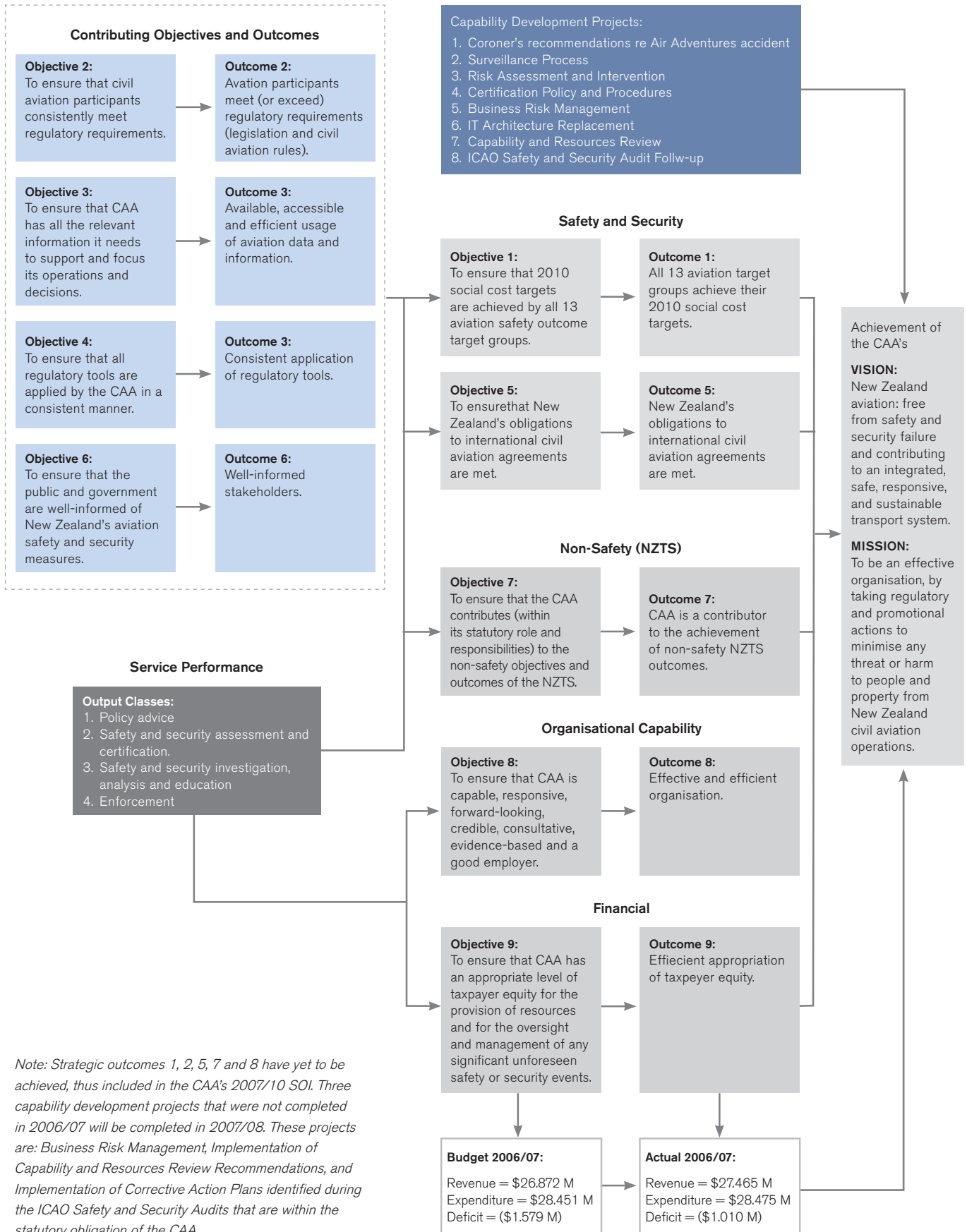
Appropriate Rule changes to Part 91 (406 MHz ELT) were initiated and completed by the CAA. The draft Final Rules to Part 91 was forwarded to the MoT for review. It is expected that Final Rules to Part 91 will be signed-off by the Minister in September 2007.

More than a thousand general aviation aircraft are yet to have 406 MHz beacons fitted. The CAA promoted the need for change in local aviation magazines and the CAA's Vector magazine especially the need for fitting by July 2008.



### CAA Intentions (outcomes, outputs, projects and budget) for 2006/07

(Reflected in the CAA's 2006/09 SOI)



Note: Strategic outcomes 1, 2, 5, 7 and 8 have yet to be achieved, thus included in the CAA's 2007/10 SOI. Three capability development projects that were not completed in 2006/07 will be completed in 2007/08. These projects are: Business Risk Management, Implementation of Capability and Resources Review Recommendations, and Implementation of Corrective Action Plans identified during the ICAO Safety and Security Audits that are within the statutory obligation of the CAA.



## 8. OUR PERFORMANCE AND ACCOUNTABILITY REPORT

### 8.1 PROGRESS WITH OUR SAFETY STRATEGIC OUTCOMES

#### 8.1.1 Outcome 1: Aviation safety target groups meet their safety targets.

##### *Strategic Objective 1:*

To ensure that 2010 social cost of aviation accidents per unit of passenger exposure targets of critical aviation safety target groups are achieved.

##### *Impacts:*

Increased trust and confidence of the New Zealand public and Government in the CAA as regulator and enforcer of civil aviation legislation, rules and standards and in the safety and security of New Zealand fleet certificated by the CAA.

To achieve outcome 1, the CAA implemented aviation risk initiatives (ARI) specifically to help reduce social cost of critical aviation safety target groups that were identified during 2006/07. Critical groups are defined as those with historically poor (lagging behind) or fluctuating social cost from July 2005 to June 2006. These critical groups were:

- agricultural operations – aeroplane (group 8);
- private operations – aeroplane (group 11);
- private operations – helicopter (group 12); and
- private operations – sport aircraft (group 13).

To reduce social cost of critical groups, the following ARI were implemented or enhanced:

1. raised standards through the review of Part 135 (Air Operations – helicopters and small aeroplanes) Rules regime and type rating;
2. introduced documented operational procedures;
3. required and implemented the Terrain Avoidance

Warning System (TAWS) or equivalent;

4. provided standardisation of operations by way of a generic agricultural operations manual or advisory circular material;
5. reviewed and improved the training syllabus;
6. formalised industry best practice guidelines;
7. reviewed the maintenance oversight policy, environment, and standards in commercial aircraft operations; and
8. increased level of surveillance oversight based on operator risk assessment with focus on training, competency and currency of crews.

##### *Performance against target:*

Social cost is the CAA's portfolio outcome measure to gauge whether the aviation sector is meeting its overall strategic safety outcome or not. The assumption is: if the social cost is lower than or equal to the 2010 targets, then the CAA and the aviation community are meeting its social cost targets.

Of the four critical groups identified in 2006/07, two improved markedly as at end of June 2007.

Social costs of aeroplane (group 8) and helicopters (group 12) used in private operations were on-target compared to their 2010 safety targets and reduced by 100% in June 2007 compared to June 2006. Whereas, aeroplane (group 11) and sport aircraft (group 13) used in private operations registered a social cost difference of more than \$80 and \$60 compared to their 2010 targets of \$10 and \$20 respectively.

## MEASURE: SOCIAL COST OF AVIATION ACCIDENTS PER UNIT OF PASSENGER EXPOSURE

AVIATION SAFETY TARGET GROUPS	JUN-06	SEP-06	DEC-06	MAR-07	JUN-07	CHANGE (JUN-07 VS. JUN-06)	2010 TARGET (LESS THAN OR EQUAL TO)	JUN-07 VS. 2010 TARGET
<b>PUBLIC AIR TRANSPORT</b>								
1. Airline operations – large aeroplanes	0.02	0.02	0.02	0.02	0.02	Unchanged	0.10	On-target
2. Airline operations – medium aeroplanes	1.24	1.22	1.21	1.14	1.12	Improved by \$0.12	0.10	Above target
3. Airline operations – small aeroplanes	0.0	0.0	0.0	0.0	0.0	Unchanged	6.50	On-target
4. Airline operations - helicopters	0.0	0.0	0.0	0.0	0.0	Unchanged	6.50	On-target
5. Sport aviation transport operations	34.23	40.45	64.53	48.6	22.49	Improved by \$11.74	13.00	Above target
<b>OTHER COMMERCIAL OPERATIONS</b>								
6. Other commercial operations – aeroplane	40.24	36.88	38.59	0.08	0.09	Improved by \$39.15	6.50	On-target
7. Other commercial operations – helicopter	0.43	0.41	6.24	38.92	37.15	Deteriorated by \$36.72	6.50	Above target
8. Agricultural operations – aeroplane	214.93	209.11	64.18	0.0	0.0	Improved by \$214.93	14.00	On-target
9. Agricultural operations – helicopter	0.0	0.11	0.12	0.12	32.63	Deteriorated by \$32.63	14.00	Above target
10. Agricultural operations – sport aircraft	0.12	0.0	0.0	0.0	0.0	Improved by \$0.12	28.00	On-target
<b>NON-COMMERCIAL OPERATIONS</b>								
11. Private operations – aeroplane	99.32	0.0	94.23	91.01	91.03	Improved by \$8.29	10.00	Above target
12. Private operations – helicopter	407.61	312.76	152.76	1.14	1.61	Improved by \$406.0	10.00	On-target
13. Private operations – sport aircraft	54.85	49.30	257.58	300.26	82.72	Deteriorated by \$27.67	20.00	Above target

Source: Safety Analysis Unit, CAA

## Notes:

1. Social cost per unit of passenger exposure is defined as an economic measure of the cost of accidents to the nation. It assigns a value of statistical life (VOSL) to any deaths, rehabilitation costs from injuries, cost of property damaged or lost in the accident, and other specific external costs. The gross social cost calculated from accidents 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 passenger exposure, is per seat flying hour. For target groups that are not predominantly passenger carrying, a surrogate of 500 kg of aircraft weight is assessed as being the equivalent of an occupied seat.
2. Estimates for large and medium aeroplane calculations use 10 years average, and 1 year is used for the rest of the target groups. For example, Jun 2006 means a 12 month average social cost calculation from June 2005 to June 2006.
3. A social cost of 0.0 means that no injury was recorded during the average period for that aviation target group.
4. For sport groups, calculation of target social cost is based on CAA estimates.

**Next steps:**

The achievement of 2010 safety targets is important to the CAA. For 2007/08 the CAA identified seven critical groups because of their historically poor (data used was until March 2007 only) and fluctuating social cost values. Group specific ARI are being implemented to reduce the social cost of these groups. These aviation safety target groups that the CAA considered critical in 2007/08 are:

- airline operations – medium aeroplanes (group 2);
- public air transport – sport aviation transport operations (group 5);
- other commercial operations – aeroplane (group 6);
- agricultural operations – aeroplane (group 8);
- private operations – aeroplane (group 11);
- private operations – helicopter (group 12); and
- private operations – sport aircraft (group 13).

Over the coming years, we expect the CAA's new Surveillance System to have a significant impact in the achievement of social cost targets.

### 8.1.2 Outcome 2: Clients meet or exceed regulatory requirements.

**Strategic Objective 2:**

To ensure that civil aviation community participants consistently meet regulatory requirements.

**Impact:**

Increased trust and confidence of the New Zealand public and Government in the CAA as regulator and enforcer of civil aviation rules and standards and in civil aviation participants that they operate in compliance with civil aviation standards and conditions of their documents.

The 2006/09 SOI sets out the intention to enhance CAA's regulatory oversight of aviation participants so that the public and the Government are confident that CAA delivers its statutory role and responsibilities. Work plans to achieve this strategic outcome 2 include:

1. increased enforcement of compliance to requirements of the CA Act 1990, civil aviation rules, and health and safety policies of the Employment Act;
2. stringent entry control of organisations and individuals;
3. introduction and maintenance of standards through the development and maintenance of legislation;
4. strict monitoring of aviation industry's safety and security performance through surveillance and remedial action;
5. improved safety and security performance through all forms of education and promotion;
6. carried-out exit control on non-performance through suspension and revocation of aviation documents where necessary;
7. consistent regulatory decisions in accordance with legal requirements set out in legislation and common law;
8. ensured New Zealand's obligations and responsibilities to international civil aviation and other international bodies to which New Zealand is signatory (as delegated by the Minister);
9. increased collaboration with the Minister of Transport, other sectors of the government and the aviation community and work to ensure that prevailing legislation and rules are current and appropriate; and
10. monitored the development of new aviation technology and ensured that regulations and responses on safety and security and other relevant risks are appropriate.

**Performance against target:**

The CAA has four measures and corresponding targets to determine whether civil aviation participants are meeting regulatory requirements. Targets and measures are:

- decreasing rate of accidents;
- decreasing non-compliance index (NCI);

- decreasing risk assessment level; and
- increasing rate of corrective action implementation.

*(a) Target: Decreasing rate of accidents*

The CAA desires safer skies for all in New Zealand

and others who are using the New Zealand air space. At any given time, the CAA prefers nil aviation accidents (refer to Glossary section) and a decreasing rate of incidents. However, incidents and accidents are inevitable. The CAA assumes that if accident rate is decreasing, it is meeting its target.

## MEASURE: RATE OF AIRCRAFT ACCIDENTS PER 100,000 FLIGHT HOURS

*Target: Decreasing trend over time*

AVIATION SAFETY TARGET GROUPS	JUN-06	SEP-06	DEC-06	MAR-07	JUN-07	% CHANGE (JUN-07 VS. JUN-06)
<b>PUBLIC AIR TRANSPORT</b>						
1. Airline operations – large aeroplanes	0.22	0.22	0.21	0.20	0.18	-18.18%
2. Airline operations – medium aeroplanes	1.86	1.70	1.83	1.21	1.26	-32.26%
3. Airline operations – small aeroplanes	4.40	0.00	1.28	0.00	1.09	-75.23%
4. Airline operations - helicopters	2.95	1.47	0.00	0.00	0.00	-100.00%
5. Sport aviation transport operations	Data not available					
<b>OTHER COMMERCIAL OPERATIONS</b>						
6. Other commercial operations – aeroplane	4.27	3.12	5.29	9.59	8.89	+108.20%
7. Other commercial operations – helicopter	11.72	8.75	13.43	20.93	17.12	+46.08%
8. Agricultural operations – aeroplane	12.05	9.60	3.70	3.29	7.60	-36.93%
9. Agricultural operations – helicopter	10.50	12.20	14.13	13.63	6.16	-41.33%
10. Agricultural operations – sport aircraft	Data not available					
<b>NON-COMMERCIAL OPERATIONS</b>						
11. Private operations – aeroplane	19.14	16.94	17.58	21.26	22.55	+ 17.82%
12. Private operations – helicopter	54.14	35.94	30.02	26.02	35.06	- 35.25%
13. Private operations – sport aircraft	Data not available					

Source: Safety Analysis Unit, CAA

Notes:

1. Target: June 2007 < or = June 2006 figures
2. Estimates for large and medium aeroplane calculations use 10 years average, and 1 year is used for the rest of the target groups. For example, Jun 2006 means a 12 month average from June 2005 to June 2006.
3. Rate of aircraft accidents per 100,000 flying hours is a parameter in the calculation of social cost.

Comparing June 2007 with June 2006, three groups registered an increase: other commercial operations – aeroplane (group 6), other commercial operations – helicopter (group 7) and private operations – aeroplane (group 11). Group specific ARI to reduce aircraft accident rates are being undertaken and are reflected in the CAA SOI 2007/10. Those aviation safety target groups that registered a decrease met their respective targets.

**(b) Target: Decreasing non-compliance index (NCI)**

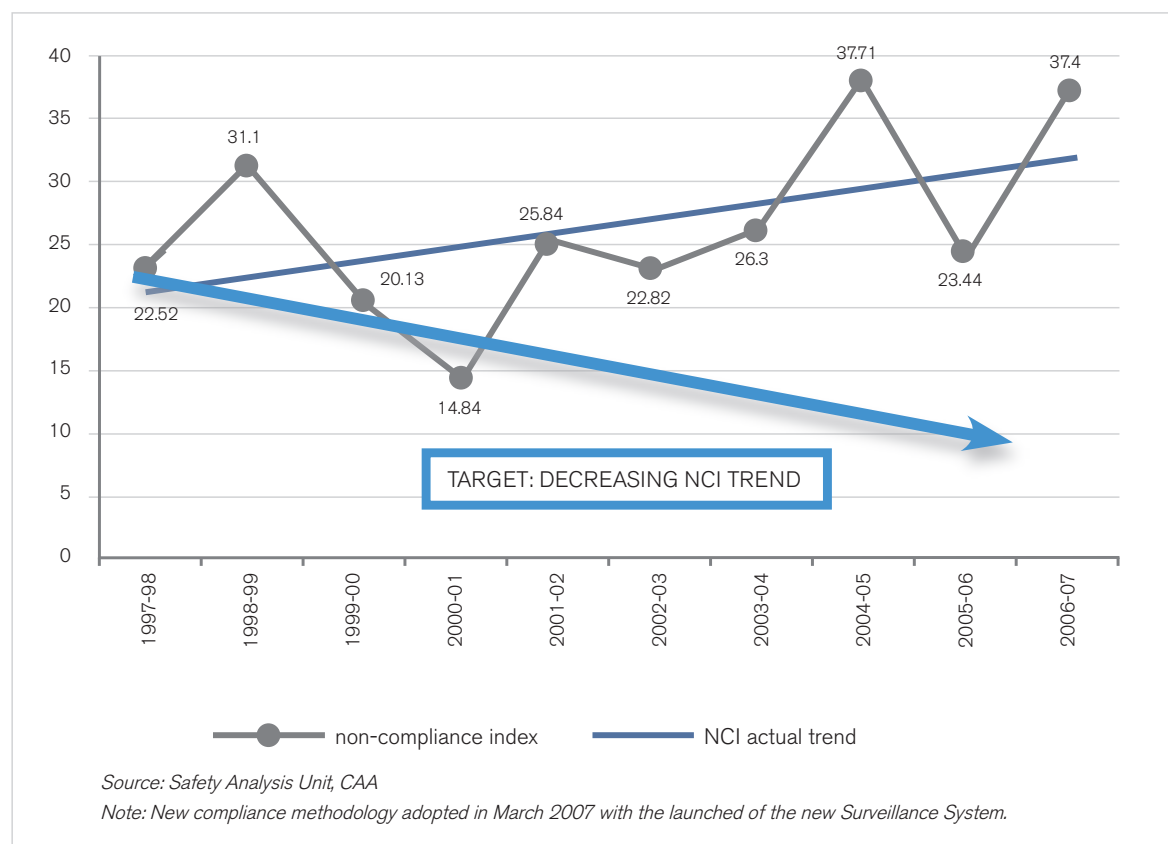
A surveillance finding is defined as “the act of identifying and concluding from objective evidence, a failure by a person or organisation to comply with a specified standard or a condition attached to an aviation document”. Non-compliance means failure to

comply with civil aviation rule, or a condition attached to an aviation document.

Since 1997/98, the CAA has targeted a decreasing non-compliance index trend over time. From 1998/99 to 2000/01 NCI had a decreasing trend, from 2001/02 to 2006/07 (except in 2005/06 when it dropped to 23.44) the NCI registered an increasing trend.

During the last quarter of 2006/07 the NCI was at 21.57, an improvement from 45.67 in the 3rd quarter, 34.11 in the 2nd quarter, and 30.17 in the 1st quarter. The improvement in the fourth quarter is attributed to the new compliance methodology adopted in March 2007 with the launch of the new Surveillance System.

### Non-compliance index



**(c) Target: Decreasing risk assessment level**

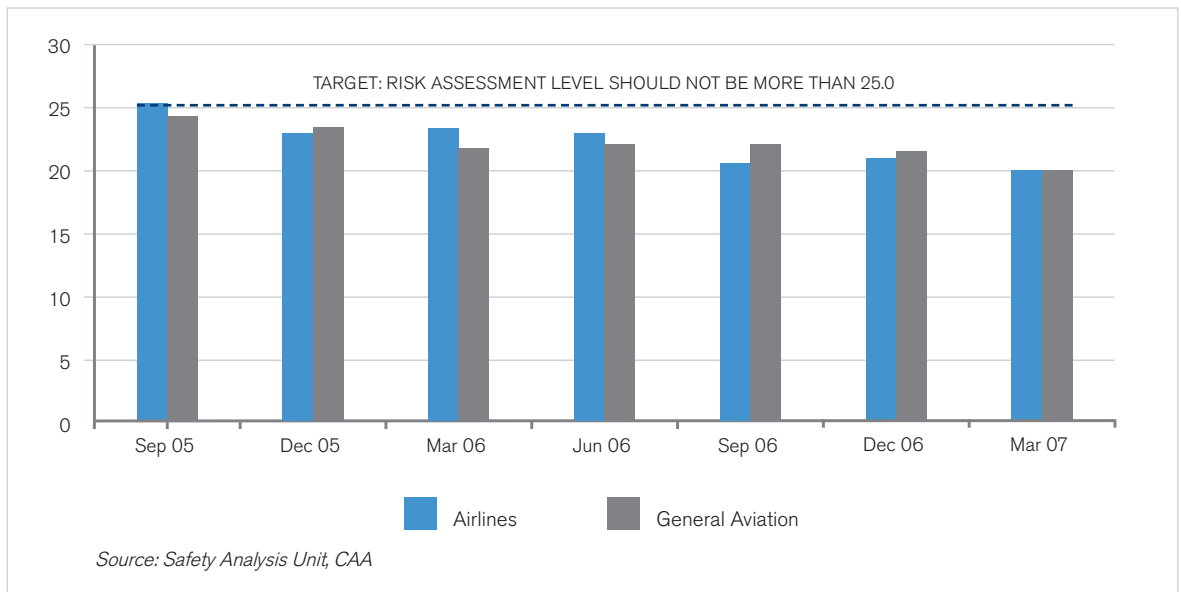
Risk assessment (the probability of failure associated with an aviation activity) profiles for airlines and general aviation sectors vary for each certificated organisation document holder.

The collective target risk assessment level was 25.0, but some individual document holders had a much higher level than the target. Spot checks and/or special purpose audits were carried-out on individual document holders with risk levels higher than the target.

Overall, risk assessment level for airlines and general aviation sectors were within the target level of less than or equal to 25.0. This means that, under normal circumstances, the cumulative risk posed by aviation document holders is below a probability of 0.25.

March 2007 is the last period that risk assessment level was monitored. A new measure will be developed as a result of the newly launched risk-based surveillance system. Risk assessment level until March 2007 is reflected in the following chart.

**Risk Assessment Level**



**(d) Target: Increasing rate of corrective action implementation**

The CAA conducts functional supervision of participants operating in the civil aviation system through the checking of their adherence to civil aviation rules. Corrective actions are identified during this process to bring the performance of particular aviation document holder up to the standards required.

The target is 100% implementation of corrective action by established due dates regardless of

severity of an associated finding. As at 30 June 2007, the percentage of corrective actions implemented at their respective due dates was 56%. This is significant progress compared to the previous period (refer to succeeding graph) but still below the set target of 100%.

If a particular participant does not implement the corrective action by agreed due date, the CAA warns the participant that they have ten (10) working days to implement the corrective action or face withdrawal of certification. With the implementation of the new

Surveillance System, this process will be tightened.

The corrective action implementation target improved markedly to 71% during the 4th quarter of the

financial year compared to 31% in 3rd, 54% in 2nd and 51% in 1st. The improvement in the 4th quarter is attributed to the new Surveillance System that was launched in March 2007.

FINDING	CORRECTIVE ACTIONS AS AT 30 JUNE 2007						CLOSED EXTERNAL ACTION AS AT 30 JUNE 2007		
	IDENTIFIED DURING 2006/07		CLOSED DURING 2006/07		PENDING * AS AT 30 JUNE 2007		DUE IN PERIOD	CLOSED BY DUE DATE	
	NUMBER	%	NUMBER	%	NUMBER	%		NUMBER	%
<b>Critical</b>	24	1.51%	24	100.0%	0	0.00%	23	6	26%
<b>Major</b>	677	42.58%	598	88.33%	79	11.67%	580	293	51%
<b>Minor</b>	889	55.91%	810	91.11%	79	8.89%	839	503	60%
<b>Total</b>	1,590	100.0%	1,432	90.13%	158	9.94%	1,442	802	56%

Sources: Airlines, GA, PLAS, and Business Planning of the CAA

Notes:

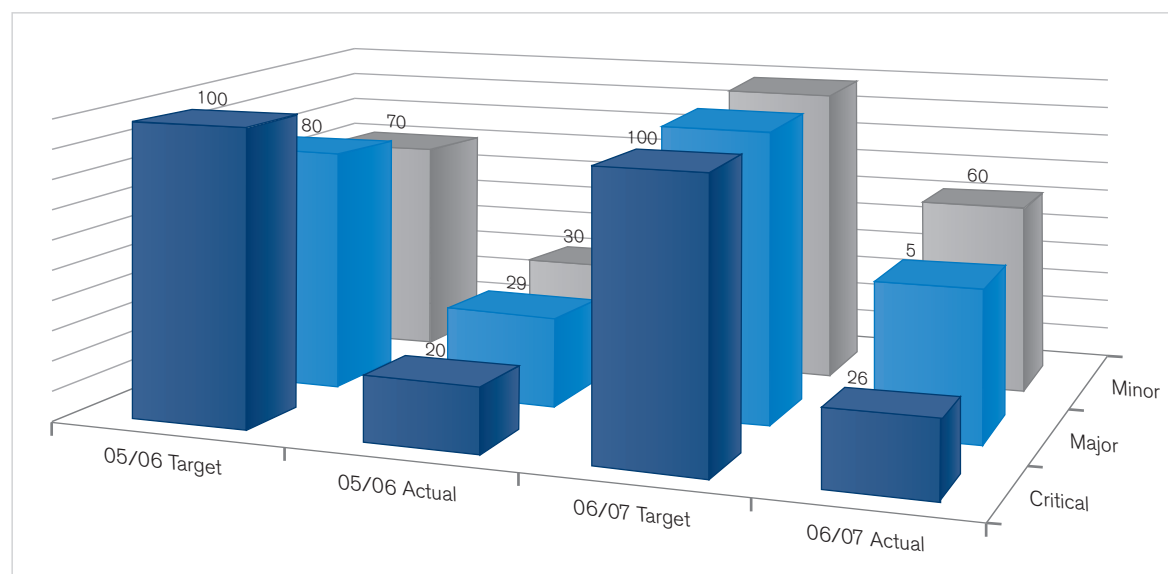
1) Surveillance findings are identified according to their severity; viz. critical, major or minor. The finding is:

- Critical: if an occurrence or deficiency that caused, or on its own had the potential
- Major: if an occurrence or deficiency involving a major system that caused, or had the potential to cause, significant problems to the function or effectiveness of that system; and
- Minor: if an isolated occurrence or deficiency not indicative of a significant system problem.

2) Corrective actions that were not closed as at 30 June 2007 remain outstanding in 2007/08.

3) 90% (1,432) of total corrective actions identified (1,590) in 2006/07 were implemented during the financial year.

#### % corrective actions implemented by due date



*Next steps:*

Because the performance of civil aviation participants in meeting regulatory requirements still needs improvement and is very critical in meeting safety and security standards, the CAA will continue to evaluate and implement initiatives to enhance regulatory oversight of aviation participants. Outcome 2 is pursued in the CAA's 2007/10 SOI to address continuity of the outcome and achieve all targets.

In addition, the CAA is expecting a positive impact (achievement of our targets) due to the newly developed and implemented risk-based surveillance system which will assess the aviation safety risk of each certificated holder.

### **8.1.3 Outcome 3: Available, accessible and efficient usage of aviation data and information.**

*Strategic Objective 3:*

To ensure that the CAA has all the relevant information it needs to focus its operations and decisions.

*Impact:*

Increased trust and confidence of the New Zealand public and Government in the CAA that civil aviation rules, standards and initiatives reflect New Zealand's civil aviation requirements.

The CA Act 1990 mandates the Authority to maintain and preserve records and documents relating to activities within the civil aviation system, the New Zealand Register of Aircraft and the Civil Aviation Registry. Part 12 of civil aviation rules mandates the Authority to gather information related to accidents, incidents and statistics. The consolidation of this information enabled the CAA to:

1. identify factual and traceable aviation problem areas that were not identified in regulatory oversight activities;
2. identify measures for improvement wherein valid measures were identified and monitored during the evaluation of a problem; and

3. ensure that Rules are current, applicable and provided demonstrable impact on aviation safety risks.

The CAA contracted Imperial College London to undertake a white paper on a comprehensive research analysis of aeroplane and helicopter accidents in general aviation. It compares New Zealand environment and that of the United Kingdom. The first of a series of papers were completed last year. The research is expected to assist the CAA on how to better address its initiatives on general aviation.

*Performance against target:*

The CAA has sufficient aviation safety data on accidents, incidents and other aviation statistics gathered through Civil Aviation Rule Part 12. 100% of safety analysis procedures meet the specified accuracy and completeness requirements in CAA procedures. It is agreed that there is still much work to be done.

*Next steps:*

The CAA is working towards enhancing its in-depth analysis as a tool to reduce aviation safety accidents, or incidents. The data should provide information such that topics and tasks will be woven together into an annual plan of action and a determinant to strategy formulation, development of policies, initiatives and work plans. In addition, it will guide our managers to prioritise their initiatives into a cohesive and efficient group annual plans that contribute to the success of our overall outcomes.

### **8.1.4 Outcome 4: Consistent application of regulatory tools.**

*Strategic Objective 4:*

To ensure that all regulatory tools are applied by the CAA in a consistent manner.

*Impact:*

Increased trust and confidence of the New Zealand public and Government in the CAA that



safety decisions are upheld and not vulnerable to challenge.

The CAA is committed to complying with all applicable legislation in carrying-out its functions and activities. A closely monitored CAA Legislative Compliance Programme is aimed to:

1. ensure that staff members are aware of legislative requirements that apply to their work;
2. reduce the likelihood of staff not complying with legislation in their work; and
3. ensure that, where significant non-compliance with legislation occurs, action is taken to minimise the consequences to the CAA.

For consistency of application, the Legal Services of the CAA has ensured that regular training of staff is conducted on natural justice and administration, and regulatory and oversight procedures.

*Performance against target:*

The target measure was achieved during the year where 100% of processes meet the specified accuracy and completeness requirements in CAA procedures to ensure that regulatory tools were consistently applied.

*Next steps:*

The CAA will continue to conduct regular training on natural justice and administration and regulatory and oversight procedures so that everyone at the CAA will have a consistent understanding and approach to the correct use of regulatory tools.

**8.1.5 Outcome 5: NZ obligations under international civil aviation safety and security agreements are met.**

*Strategic Objective 5:*

To ensure that New Zealand's obligations with regard to civil aviation safety and security oversight under international civil aviation agreements are met.

*Impacts:*

Increased trust and confidence of the New Zealand public and Government in the CAA, as a responsible regulatory authority, standards of aviation safety and security oversight are consistent with best international practice, and New Zealand civil aviation safety and security rules and standards are compliant with international standards.

As stated previously in section 5 (Overview of the CAA), the CAA is the Crown's delegated Authority in respect of a number of Annexes to the Chicago Convention (ICAO). The CAA's work plans to achieve the strategic outcome are as follows:

1. carried-out New Zealand's international civil aviation obligations with regard to civil aviation safety and security oversight;
2. reviewed and developed policies with regard to the CAA's preferred future role in its relationship with foreign regulatory authorities;
3. worked collaboratively with ICAO and other States to enhance New Zealand's civil aviation safety and security;
4. coordinated New Zealand's response to ICAO regarding matters arising from the work of the ICAO Air Navigation Bureau (excluding search and rescue); and
5. administered New Zealand's participation in ICAO where the CAA is the designated State Authority.

*Performance against target:*

In 2006, New Zealand was audited by ICAO as part of their Universal Safety Oversight Audit Program (USOAP) and Universal Security Audit Program (USAP).

The objective of the ICAO USOAP audit was to determine New Zealand's capability for safety oversight by assessing the effective implementation of the critical elements of a safety oversight system. The eight critical elements are:

1. Primary Aviation Legislation;

2. Specific Operating Regulations;
3. Civil Aviation System and Safety Oversight Functions;
4. Qualification and Training of Technical Staff;
5. Procedures and Technical Guidance;
6. Licensing and Certification Obligations;
7. Surveillance Obligations; and
8. Resolution of Safety Concerns.

New Zealand demonstrated that its safety oversight system was uniformly effective across all eight critical elements and 84% effective overall, approximately 25% better than the global average at the time.

The objective of the USAP is to promote global aviation security through the auditing of the 190 ICAO Member States, specifically to determine the degree of compliance in implementing the Standards of Annex 17, Security. The results of the audit will assist New Zealand in its efforts to fulfil its aviation security responsibilities. While the audit identified areas for improvement within New Zealand's aviation security system it served to substantially re-enforce the robustness of the New Zealand system and in general was very complimentary of CAA's regulatory oversight role and processes. The majority of what can be considered as substantive recommendations related to matters previously identified by CAA as requiring attention. Actions were already underway via various processes on most of these recommendations.

*Next steps:*

The CAA will continue to ensure that its obligations to international civil aviation agreements are met. Implementation of corrective actions following ICAO's 14-24 March 2006 USOAP and 18-28 September USAP audits of New Zealand are on-going until all deficiencies identified by ICAO that are within the CAA's control (excluding those that are beyond CAA control, e.g. those requiring primary legislation development and enactment are responsibilities of

the MoT) are completely resolved not later than 31 December 2009. This strategic outcome is included in our 2007/10 SOI.

**8.1.6 Outcome 6: Well-informed stakeholders.**

*Strategic Objective 6:*

To ensure that the public and Government are well-informed about New Zealand's aviation safety and security measures.

*Impact:*

Increased trust and confidence of the New Zealand public and Government in the CAA that stakeholders in the civil aviation system are well-informed on safety and security issues.

To meet our strategic outcome, the CAA:

1. ensured that all promotional and education materials are delivered in a timely and relevant manner;
2. continuously engaged (media releases, television and radio interviews so that New Zealand is updated on the status of civil aviation safety and security) with the aviation community, the public and other stakeholders; and
3. promoted new policies and rules to external stakeholders and CAA staff.

*Performance against target:*

A second survey of the CAA's Safety and Education Products Survey conducted in November 2005 will be followed-up towards end of 2009. Other measures are reflected in the Forecast Service Performance section (Output 3.3).

*Next steps:*

The CAA will continue to enhance its safety and security education and information such that the New Zealand public and Government are well-informed and confident that the CAA is achieving its vision of delivering a safer and more secure civil aviation system.

## 8.2 PROGRESS WITH OUR NON-SAFETY STRATEGIC OUTCOME

### Outcome:

**The CAA contributes to the achievement of non-safety NZTS outcomes.**

### Strategic Objective:

To ensure that the CAA contributes (within its statutory role and responsibilities) to the NZTS objectives and Transport Sector Strategic Directions (TSSD) outcomes.

### Impact:

Increased trust and confidence of the New Zealand Government in the CAA that it is working towards a responsive New Zealand civil aviation system that is sustainable and integrated with the rest of the New Zealand transport modes.

The CAA actively participates in the TSSD working groups, including working on associated research and review documents. Senior managers work proactively on the Planning Task Force (PTF) charged with the managerial oversight of the overall TSSD programme. The Authority is represented on the Board Reference Group (BRG) which is charged with ensuring the proper governance of the whole NZTS development process.

The CAA also considers the TSSD and NZTS objectives in the matters to be taken into account in developing New Zealand civil aviation rules (section 33, CA Act 1990).

### Performance against target:

The CAA's target is to progressively integrate the NZTS objectives and TSSD work programmes appropriately into policies and civil aviation rules. That effort is currently constrained by the absence of implementation policies in the aviation sector that are expected to be developed by MoT in collaboration with the CAA. MoT is still working on finalising the "Implementation of NZTS" document for the transport sector.

### Next steps:

In 2007/08, the New Zealand transport sector's NZTS working groups (Strategic Transport Futures, Integrated Approach to Planning, Research and Information, Cross-modal Approach to Safety, Influencing Demand for Transport, Managing Environmental and Public Health Impacts, Monitoring and Evaluation) will be releasing series of papers to further the objectives of the NZTS. A revised TSSD document outlining progress on the TSSD projects will be released. In 2007/08 implementation guidelines will be collaboratively developed between the MoT and stakeholders.



NZTS OBJECTIVES	AVIATION OUTCOMES BASED ON TSSD DIRECTIONAL STATEMENTS OR DESIRED TRENDS
<b>ASSISTING ECONOMIC DEVELOPMENT</b>	<ol style="list-style-type: none"> <li>1. Growth and development in the civil aviation system are increasingly integrated with other transport modes.</li> <li>2. Civil aviation participants increasingly understand and meet the costs they create.</li> <li>3. New Zealand's civil aviation system is improving its international and domestic linkages including inter-modal transfers.</li> <li>4. The effectiveness of the civil aviation system is being maintained or improved.</li> <li>5. The efficiency of civil aviation is continuing to improve.</li> <li>6. The negative impacts of land-use developments from civil aviation are reducing.</li> </ol>
<b>ASSISTING SAFETY AND PERSONAL SECURITY</b>	<ol style="list-style-type: none"> <li>7. New Zealand's civil aviation system is increasingly safe and secure.</li> <li>8. The civil aviation system is improving its ability to recover quickly and effectively from adverse events.</li> </ol>
<b>IMPROVING ACCESS AND MOBILITY</b>	<ol style="list-style-type: none"> <li>9. New Zealand civil aviation system is increasingly providing affordable and reliable community access.</li> </ol>
<b>PROTECTING AND PROMOTING PUBLIC HEALTH</b>	<ol style="list-style-type: none"> <li>10. Negative impacts of civil aviation are reducing in terms of fatalities, injuries and harm to health.</li> </ol>
<b>ENSURING ENVIRONMENTAL SUSTAINABILITY</b>	<ol style="list-style-type: none"> <li>11. The civil aviation system is actively moving towards reducing the use of non-renewable sources and their replacement with renewable resources.</li> <li>12. Negative impacts of civil aviation system are reducing in terms of the human and natural environments.</li> </ol>

### 8.3 PROGRESS WITH OUR CAPABILITY DEVELOPMENT PROJECTS

In 2006/09 SOI, the CAA had a series of important Capability Development Projects that supported the overall advancement of the organisation through contribution to the various strategic objectives and initiatives. These projects enhanced the CAA's service delivery for the benefit of the travelling public and aviation industry. Progress with these projects as follows:

#### 8.3.1 Progress Report following the Coroner's Recommendations regarding the Air Adventures accident

##### *Description:*

Following the 6 June 2003 Air Adventures accident, Piper Chieftain with ZK-NCA registration number, the Coroner made 30 recommendations to be implemented in the

New Zealand civil aviation system. The Coroner's findings were released on 30 May 2006.

##### *Impact:*

Increased public and Government trust and confidence in the CAA that it is committed to its role as regulator and enforcer of New Zealand civil aviation safety and security.

##### *Progress:*

Of the 30 recommendations, 24 are managed by the CAA of which 20 (83%) are completed or closed as at 30 May 2007. Of the six that are project managed by the MoT, three are completed or closed. Overall, 75% (23 of the 30) were completed during the financial year. A detailed status report, including actions done, can be accessed from the CAA website at [www.caa.govt.nz](http://www.caa.govt.nz). Completion of outstanding items will be in the first quarter of 2007/08. Audit New Zealand will assess the CAA's progress on these recommendations.

### 8.3.2 Surveillance Process

#### *Description:*

Development and implementation of software and hardware that supported the earlier phase of the surveillance procedures and enhanced the efficiency of the CAA's monitoring and surveillance functions. This project started in late 2004 and was a result of a management review and recommendations made by the Office of the Controller and Auditor General.

The new Surveillance System was launched by the CAA in March 2007 after three years of extensive collaboration and innovation work with aviation stakeholders. This system links directly to the newly developed risk assessment and intervention system.

The system allows every certificated participant in the New Zealand civil aviation system to be scored in relation to each type of aviation certificate they hold. The scoring is based on a methodically assessed level of their aviation safety risk. It has some 30 specific indicators that will affect an operator's score (e.g. changes to what the business does, who does the work, safety performance, implementation of corrective actions, and adherence to aviation legislation).

#### *Impact:*

It yielded improvement on auditor productivity and effectiveness, streamlined the process implementation both on and off-line, and increased the quality of information on audits and clients. The surveillance system allows every aviation operator to be scored based on the level of safety risk they pose to New Zealanders.

#### *Progress:*

Completed (launched in March 2007) but there are still minor technical issues that need to be resolved.

### 8.3.3 Risk Assessment and Intervention

#### *Description:*

Developed systems and procedures established client specific safety risk measuring methodologies. The project was started in 2005.

#### *Impact:*

Increased the ability of the CAA to assess both the sector and client safety risk. It provided robust decision information for the CAA management on the surveillance programme, development and specific safety risk assessment initiative.

#### *Progress:*

Completed (launched in March 2007) in conjunction with the new Surveillance System.

### 8.3.4 Certification Policy and Procedures

#### *Description:*

Systems and procedures designed and developed to achieve a high level of entry certification standard that are consistent with CAA's delivery standards in the exercise of entry control functions. The certification process determines the initial risk profile of a particular client. This project started in 2005.

#### *Impact:*

Achieved a satisfactory solution in the exercise of entry control functions. The system developed is user-friendly with improved automated solutions, rule-based, interfaces with the surveillance system and delivered, improved management, and integrated quality assurance system.

#### *Progress:*

Overall the project is about 45% complete as at June 2007. Most of the certification process for the Airlines Group has been completed and deployed through a semi-automated application system using the CAA's intranet "Cirrus".

### 8.3.5 Business Risk Management

*Description:*

A project to establish a new business risk management framework that clearly supports business risk management policies by establishing a process of identifying, assessing and monitoring operational business and strategic risks.

*Impact:*

Access to real-time computer-based decision information for management covering the guided assessment of risk in terms of likelihood and consequence, and identification of mitigation options, residual risks and corresponding management.

*Progress:*

Almost (80%) complete.

*Target date:*

30 June 2008

### 8.3.6 IT Architecture Replacement

*Description:*

Replaced the CAA's IT computing platform with a new architecture. The project encompassed the adoption of MS Office 2007 through participation in MS Technology Adoption Programme and a Rapid Deployment Programme.

*Impact:*

Enhanced work-flow management, on and off-line synchronisation of content and workflow, enhanced document and records repository, lateral search across multiple repositories, and business intelligence capabilities.

*Progress:*

Completed (launched in March 2007) in conjunction with the new Surveillance System.

### 8.3.7 Capability and Resources Review

*Description:*

The review identified capability and resources

needed to enable the CAA to fulfil its statutory objectives and functions efficiently and effectively.

*Impact:*

The review assessed the extent to which the CAA is focused on its statutory responsibilities, whether the CAA has the right level and mix of capabilities and resources to discharge its responsibilities, and the investment in capability and resource that is required, if any, to enable the CAA to operate efficiently and effectively.

*Progress:*

Phases 1 and 2 of the Review were completed in December 2006 and June 2007 respectively. Implementation of recommendations started in June 2007 and will be completed in 2010.

### 8.3.8 ICAO Safety and Security Audit Follow-up

*Description:*

A project to implement corrective actions identified following the ICAO USAOP and USAP audits of New Zealand on 14-24 March 2006 and 18-28 September 2006 respectively.

*Impact:*

Adherence by the CAA and the New Zealand civil aviation rules system to the technical annexes of the Chicago Convention, such that New Zealand complies with international aviation safety and security standards.

*Progress:*

Implementation of corrective actions that are within the statutory role and responsibilities of the CAA have started in early 2007 and will be completely resolved no later than 2009.

There are deficiencies identified by ICAO that are beyond CAA control. For instance, those deficiencies requiring primary legislation development and enactment are responsibilities of the MoT.

# APPENDIX: CAA SENIOR MANAGEMENT TEAM AND DIRECTORY

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## Senior Management from 16 July 2007:

Director of Civil Aviation	Steve Douglas
General Manager, Airlines	Tim Allen
General Manager, General Aviation	John Lanham
General Manager, Personnel Licensing and Aviation Services	Graeme Harris
General Manager, Government Relations, Planning and Strategy	(Vacant)
General Manager, Safety Information	John Kay
General Manager, Business Support	Tim Bowron
Chief Legal Counsel	Leslie MacIntosh

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## Senior Management 2006/07:

Director of Civil Aviation	Russell Kilvington (Nov 2006 – Jun 2007) John Jones (2001 – Nov 2006)
General Manager, Government Relations	Steve Douglas
General Manager, Airlines	Tim Allen
General Manager, General Aviation	John Lanham
General Manager, Personnel Licensing and Aviation Services	Graeme Harris
Chief Legal Counsel	Leslie MacIntosh
Head of Professional Standards	Rick Bulger
Head of Business Planning and Reporting	Peter Lechner
Chief Finance Officer	David Hyland
Chief Information Technology	Arthur Devitt
Manager of Human Resources	Mel White

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## Head Office

Aviation House, 10 Hutt Road, Petone  
PO Box 31 441, Lower Hutt, New Zealand  
Tel: +64-4-560 9400  
Fax: +64-4-569 2024  
E-mail: [info@caa.govt.nz](mailto:info@caa.govt.nz)  
Web: [www.caa.govt.nz](http://www.caa.govt.nz)

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## Airport offices

Auckland and Christchurch

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## Auditor

Audit New Zealand on behalf of the Auditor  
General

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## Solicitors

Crown Law Office

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## Bankers

Westpac Banking Corporation

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## Insurance Brokers

Marsh Limited

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## **PART 2:**

# **AVIATION SECURITY SERVICE**

**KAIWHAKAMARU RERERANGI**

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## 9. FOREWORD FROM THE GENERAL MANAGER OF AVSEC

I acknowledge the considerable input that management and staff have made to the Avsec over the past twelve months.

As a team, and an organisation, we operate in a rapidly changing and increasingly complex environment with important stakeholders who have an interest in civil aviation safety and security.

The flying public requires an increasingly safe and secure air transportation system. The Minister and Government require good advice, value for money and our support and contribution to achieving the government transport sector themes, NZTS objectives, and the development goals for the State Sector. They also require the comfort that Avsec is fulfilling its statutory objectives. Commercial enterprises depend on reliable, secure and efficient air transport; the civil aviation community wants appropriate and equitable security services; and our employees want meaningful employment.

The ongoing rapid staff increase over the last twelve months has again placed pressure on all facets of people management. I am very appreciative of the dedicated and committed team of approximately 870 people across the organisation that have responded in meeting the expectations of our stakeholders and undertaking their tasks in a very professional and focused manner.

### A YEAR IN HIGHLIGHTS

During the year we placed a considerable focus on planning for the development of the organisation over the next five years and beyond as well as furthering the strategic goals set out in the Statement of Intent 2006/09. In particular, significant areas where those

strategic goals have been progressed include:

- A strong contribution to the development of new aviation security legislation which is due for enactment in September 2007. All operational staff are currently being trained to implement this legislation;
- Scenario planning in preparation for the pending introduction of enhanced aviation security measures that Avsec is expected to embrace following the enactment of the Aviation Security Legislation Bill during the 2007/08 financial year:
  - Development of policies and procedures for an enhanced background checking process for airport identity cards;
  - Development of an implementation plan for proportional screening of airport workers; and
  - Development of scenario plans for new regional airport activity, full screening of all domestic flights, and air cargo security.
- Implementation of the new LAGs aviation security measures at all New Zealand international airports, commencing 31 March 2007, necessitating the recruitment and training of an additional 184 full-time and part-time staff. The implementation was subject to an intensive communications programme with the aviation industry and international passengers. Avsec continues to assist departing passengers at the point of check-in to ensure they are familiar with the new security requirements. Avsec's existing complement of staff will be commencing Explosive Trace Detection (ETD) security screening at international airports during the first 6 months of 2007/08;
- Implementation of Avsec's strategic learning model to ensure Avsec staff are trained and

- competent to deliver Avsec's business;
- Assisting Pacific countries in the development and enhancement of their aviation security functions. Such activity, which includes training, equipment provision and strategic assistance, is funded through the MFAT Pacific Security Fund;
  - With the assistance of the Ministry of Transport, completing a scoping phase for the review of the international and domestic passenger security charges. The review process involved analysis, consultation and regulation setting phases. It is anticipated the Regulations for the revised charges will take effect from December 2007;
  - Re-negotiating the combined collective agreement with three Unions, effective from 1 July 2006 to 30 June 2008. As part of the collective negotiations, Avsec committed to working parties to address issues associated with health and safety, employment relationships, employment issues involving Senior Aviation Security Officers (SASOs), remuneration systems, uniforms and superannuation;
  - Reviewing superannuation options for our employees and deciding the KiwiSaver option, with the benefits offered in the May 2007 budget, provided a simple solution in assisting employees to provide for their retirement. Avsec appointed AMP as preferred KiwiSaver provider (through a RFP process) and all staff have been provided with information to aid them in understanding the options available to them through in-house communications and workshops provided by AMP;
  - Initiating a reciprocal relationship with our Canadian counterpart, the Canadian Air Transport Security Authority (CATSA). Both organisations acknowledge that the exchanging

of knowledge and benchmarking information is to our mutual benefit and this will be cemented further in the next financial year with Avsec and CATSA being involved in workshops related to performance management and performance measurement;

- Development of a communications strategy which will foster an improved communication strategy across the organisation and with our stakeholders; and
- Continued participation in the Inter-sectoral pandemic planning group and border working group and directly involved in the operation "Cruickshank" pandemic exercise during the year.

## THE YEAR AHEAD

During the next twelve months Avsec will focus principally on enhancing the organisation's current capability and meeting the demands of the major airport companies that are in expansion mode as they progress the implementation of their long term development plans.

We will also be enhancing our capability and assistance to the South Pacific region. Any underperformance or failure of foreign aviation security agencies and airlines in the South Pacific region represents a very real threat to the management of New Zealand aviation security risk because of their proximity to New Zealand and direct links to New Zealand airports.

While we cannot reliably foresee what may arise in the future Avsec remains firmly committed to and focused on working with its key stakeholders and aviation and security partners in fulfilling our important mandated and critical role of providing

security in the air transportation system. In fulfilling this mandate Avsec will also be aligned to the key objectives of the New Zealand Transport Strategy, the Government's transport sector theme of "economic transformation" and embracing the State Sector Development Goals (SSDG).

A handwritten signature in black ink, appearing to read 'ms. everitt', with a large, stylized loop at the top.

MARK EVERITT  
General Manager Avsec

# 10. OVERVIEW OF THE AVIATION SECURITY SERVICE

## 10.1 WHO WE ARE

Aviation Security Service (Avsec) is a separate Crown Entity service of the Civil Aviation Authority (the Authority). It provides specialised aviation security services at eight designated airports, including international and domestic operations.

Avsec's primary responsibility is to enhance the security of the travelling public by preventing the unlawful interference with an aircraft and ensuring that threat items are not carried onto the aircraft.

The organisation is the public face of aviation security in New Zealand and its activities and mandate provide confidence and security to the travelling public and the aviation transportation industry.

Avsec has experienced substantial growth in the last five years as it has responded to real and emerging threats against the aviation industry, and now has a complement of approximately 870 employees at 30 June 2007. It operates at eight New Zealand airports and has a small National Office based in Wellington.

Avsec's principal source of revenue is from the regulated passenger security charges levied on airlines for departing international and domestic passengers.

## 10.2 OUR AVIATION SECURITY MANDATE

In order to fulfil our regulatory mandate, Avsec's aviation security activities consist of five principle programmes:

- **Screening passengers and their carry-on baggage**

Avsec is responsible for pre-board screening at eight designated airports<sup>2</sup>. In the screening process, passengers and their carry-on baggage are inspected to ensure that prohibited items such as knives, firearms, incendiary devices, weapons, dangerous goods, explosives, or any other threat items are not carried onto the aircraft. The screening process in the international environment also ensures passengers do not take more than the allowed quantity of LAGs into the cabin of the aircraft.

- **Screening checked baggage**

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

- **Airport access controls**

Avsec undertakes perimeter patrols at security designated aerodromes, together with guarding of aircraft and aircraft searches, to ensure the prompt interception of persons unlawfully in security areas and increased safety for the flying public.

- **Screening airport workers accessing security enhanced areas at airports**

Screening of airport workers with access to, and within enhanced security areas<sup>3</sup>.

<sup>2</sup> All departing international passengers and their carry-on baggage are screened. All departing domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more regular and charter air passengers.

<sup>3</sup> Screening of airport workers is anticipated to commence during 2007/08 after the passing of the Aviation Security Legislation Bill.

- **Managing and enhancing the airport ID Card system for access to restricted airside areas**

By delegated authority from the Director of Civil Aviation, Avsec issues airport identity cards.

### 10.3 OUR QUALITY MANAGEMENT PHILOSOPHY

The quality management philosophy is a significant driver of Avsec’s business. It is a culture and principle that is embedded in the way we conduct our business, our approach to aviation security, staff training and our operational policies and procedures. Reflecting its commitment to quality management, Avsec has:

- Certification to ISO 9001:2000 (the first aviation security organisation to achieve this standard);
- Full internal audit capability within the organisation, both at national and regional level;
- Developed an exposition document (Policy and Procedures Manual), which meets CAR140 requirements and is approved and audited by the CAA;
- Established systems for reviewing and amending procedures; and
- An established Quality Council, which consists of Avsec’s Executive Management team and Senior Operations Managers.

Avsec’s quality management policies and procedures are under constant review and are tested on a continuous basis against well-defined and measurable performance measures.

The organisation’s quality management is also subject to an intensive annual recurrent audit regime, both internal and externally. Each airport that Avsec operates from is subject to two quality audits and each National management function is

subject to one annual internal audit. These audits are also supplemented by the monthly audits undertaken by Regional Quality Officers at each airport. External audits of airports and key aviation security processes are also undertaken on a recurrent basis by the CAA.

During 2006/07 Avsec was subject to an annual Verification surveillance audit against the ISO specifications and was also subject to an ICAO Universal Security Audit<sup>4</sup> of the New Zealand aviation security system. In March 2007 Avsec’s Manager Quality and Audit was part of an international team that carried out an ICAO Universal Audit of the Solomon Islands. Avsec will continue to provide assistance in the development of quality systems and training in the South Pacific to ensure those nations can enhance their quality management and audit capability.

### 10.4 OUR MISSION

To improve the safety of aviation by application of specific security measures.

### 10.5 OUR VISION

The Aviation Security Service will be a recognised leader in the provision of aviation security expertise, with the capability to provide other specialist security services as required by government.

### 10.6 OUR KEY VALUES

- People matter
- Quality
- Strategic
- Risk management
- Responsiveness
- Innovation

4 Programmed five-yearly ICAO Universal Security Audit undertaken on each Member State.



## 10.7 OUR STAKEHOLDERS

Avsec is mindful that in undertaking our activities there are important stakeholders who have an interest in civil aviation safety and security:

- The Minister and Government who require good advice, value for money, support and contribution to achieving the government transport sector theme and sub-themes, the NZTS objectives and development goals for the State Service sector, and the comfort that Avsec is fulfilling its statutory functions;
- The flying public who want safe and secure air transport;
- The public at large who want to have confidence in New Zealand civil aviation;
- Our employees who want meaningful employment;
- Commercial enterprises that depend on reliable and efficient air transport;
- The civil aviation community, which wants appropriate and equitable regulation and security services; and
- International organisations and State aviation authorities (especially those in the Pacific) who want responsible technical and regulatory interaction and, in the case of some South Pacific Countries, assistance with coordination and capability building.

## 10.8 OUR FUNDING

### 10.8.1 Our sources of funding by output class:

OUTPUT CLASS	OUTPUT	SOURCE OF FUNDING
<b>AVIATION SECURITY SERVICES</b>	Prevention of in-flight security incidents (including dangerous goods screening); and Prevention of airside security incidents.	Regulated aviation passenger security charges on airlines based on passenger numbers <sup>5</sup> ; and charges for additional aviation security activities that are outside the core function.
<b>MARITIME SECURITY SERVICES</b>	Maritime security.	Crown appropriation – Vote Transport (Non-departmental Output Class “Maritime Security”).

### 10.8.2 Our revenue and expenditure (summary):

AVSEC REVENUE BY SOURCE	2006/07 ACTUAL (\$000)	%	AVSEC EXPENDITURE BY OUTPUT CLASS	2006/07 ACTUAL (\$000)	%
Passenger security charges	51,000	91.4	Aviation security services	57,438	99.7
Fees, charges and other contracted services	3,530	6.3	Maritime security services	165	0.3
Crown funding	165	0.3			
Interest	1,105	2.0			
<b>Total Revenue</b>	<b>55,900</b>	<b>100.0</b>	<b>Total Expenditure</b>	<b>57,603</b>	<b>100</b>

5 A review of the international and domestic passenger security charges is currently in progress and the change is expected to be regulated late 2007.

## 10.9 OUR OPERATING ENVIRONMENT

### 10.9.1 Statutory environment

Under the Crown Entities Act 2004, the Civil Aviation Authority (the Authority) is designated a Crown Entity and is required to give effect to government policy when directed by the responsible Minister:

Avsec carries out the Authority's obligations to provide an aviation security service pursuant to the CA Act 1990. Avsec is required to perform its functions separate from the CAA organisation, through its own General Manager, including the maintenance of separate accounts, records and reports.

The functions and duties of Avsec are set out in Section 80 of the CA Act 1990. In addition, the Maritime Security Act 2004 provides the Minister with the power to designate Avsec as a Maritime Security Organisation.

Other key legislation and regulations that Avsec works to include the Civil Aviation Rules, Aviation Crimes Act 1972, Crimes Act 1961 and the Bill of Rights Act 1990.

### 10.9.2 International environment

New Zealand is a signatory to the International Civil Aviation Organisation (ICAO) Annex 17 to the Chicago Convention – Standards of Recommended Practices – Security – Safeguarding Civil Aviation against Acts of Unlawful Interference.

ICAO, the United Nations specialist aviation agency, has a significant impact on the development of aviation standards and practices within New Zealand. ICAO expects the 190 member States to adopt its standards and encourages them to adopt its recommended practices.

For New Zealand to continue to participate in international air transport it is essential that it meets the requirements imposed on States by Annex 17.

The security obligations under the annex fall into three categories:

- Government administrative procedures, policy development, legislative and regulatory actions;
- Implementation of security procedures, practices and requirements by airline operators, air service providers, cargo, courier and mail agencies and other sections of the industry; and
- Direct preventative measures, incident prevention and response, and legal enforcement action.

The mandatory and recommended practices set by ICAO are reflected in New Zealand's National Aviation Security Programme administered by the CAA. Under this regime each contracting State is required to establish and implement a written national civil aviation security programme and make the appropriate parts of it available to all airports, aircraft operators and other entities with a role to play in the implementation of the programme.

The objective of the National Civil Aviation Security Programme is to protect the safety, regulation and efficiency of international civil aviation by providing, through regulations, practices and procedures, safeguards against acts of unlawful interference.

In addition, some States, such as the United States and Australia, periodically set higher levels of security on airlines entering their airspace. This impacts on New Zealand, as additional security measures need to be applied at airports from which flights to those destinations depart.

It is through the co-ordinated operational discharge of all of the above obligations and requirements that Avsec safeguards civil aviation against acts of unlawful interference.

### 10.9.3 Global aviation security industry

The international aviation security industry continues to remain a potential target for terrorists. The nature

of the threat environment is continually changing and aviation security organisations around the world continue to adapt to counter the ever-changing threat. There is no room for complacency. The global aviation industry is firmly committed to working with key stakeholders and security partners in fulfilling their important mandated and critical roles of providing security in the international air transportation system.

ICAO continues to develop and recommend new international standards and when adopted by member States they are reflected in enhanced global aviation security practices.

The aviation security industry must be resilient and proactive, and capable of not only detecting and deterring threats to aviation, but also responding effectively and efficiently to an event and recovering quickly afterwards.

#### **10.9.4 New Zealand aviation security industry operating environment**

In recent years Avsec and the New Zealand model for the delivery of aviation security services has attracted considerable favourable international attention. Avsec is regularly requested by ICAO, the TSA, and governments to provide information on its functions and processes and to provide advice on improving aviation security systems in other countries, including the South Pacific.

Within New Zealand the primary responsibility for operational aviation security is with Avsec. In undertaking its function Avsec works closely with the Police, Customs, MAF, the CAA, the Ministry of Transport, airports, international airlines and key overseas regulatory bodies.

Avsec is responsible for undertaking a set of duties listed in Section 80 of the CA Act 1990. These activities are mainly the screening of departing

international passengers and their hand and hold baggage for prohibited items, screening of domestic passengers and their hand baggage on aircraft of 90 seats or more, access control, aircraft searches and the patrolling of security designated areas of airports.

The National Aviation Security Programme and Rule Part 140 of the Civil Aviation Rules are the two key domestic regulatory documents governing the activities of Avsec.

#### **10.9.5 Airlines**

Avsec will continue to deliver its services in a most cost effective and efficient manner and to consult with the airlines, particularly BARNZ, on any proposed changes in the extent, quality and price of its services and on developments in aviation security services in New Zealand.

During the early part of 2007 Avsec consulted BARNZ on the increased international aviation security charge arising from the implementation of the liquids, aerosols and gels regime and Explosive Trace Detection security measures and is currently consulting with BARNZ on the increased domestic and passenger security charges expected to be effective from December 2007.

Avsec will also continue to deal directly with specific airlines as required on procedural, operational and relationship matters. Avsec prides itself on the relationship it enjoys with airlines, is very focused and committed to fostering goodwill with the travelling public and in ensuring that departing flights are not delayed as a result of the aviation security process.

#### **10.9.6 Airports**

Over the last five years airports have accommodated the significant impact of new and improved security arrangements and procedures that have had to be implemented. Some of these measures have had a major impact on airport infrastructure, involving

substantial capital expenditure by airport businesses on improving their physical configurations, and accommodating the new security regimes, especially hold baggage screening.

Over the coming years the airports, both at existing and new airport locations, will be subject to additional security measures that will impact on their configurations. In addition, certain airports, particularly Auckland, will be undergoing substantial development work to accommodate its growth requirements for the next two decades. Avsec is already working with Auckland airport and undertaking strategic planning to ensure the aviation security requirements are scheduled into the various stages of the phased development.

Avsec's recent and forecast growth also impacts on its need for accommodation at the various airport and managers are in ongoing dialogue with airport companies to facilitate these needs.

Avsec will continue to foster its very close working relationship with airport owners in the changing aviation environment.

#### **10.9.7 Flying public**

The travelling public has a very high expectation of aviation safety and security commensurate with a clear expectation of ease of travel. Travellers are also generally very accommodating of a more active and robust aviation security environment, and this requires Avsec to be very customer-focused in dealing with airline passengers. Aviation Security Officers at airports are at the fore in having to deal with passengers who are subject to new, and in some cases challenging, security measures.

Avsec's front-line staff are trained to interact with passengers in a friendly, professional, culturally-sensitive and diplomatic manner. To support this process Avsec is very proactive in implementing

communication strategies and education programmes that assist the travelling public in understanding the impact of existing and new aviation security measures before they embark on their journey.

Avsec is also mindful that most of the cost of running the organisation is borne by the airline industry, which in turn generally on-charges these costs to fare-paying passengers. This requires Avsec to operate a very cost-efficient organisation without compromising a highly effective aviation security service.

#### **10.9.8 Commercial enterprises**

Commercial enterprises are significant stakeholders in Avsec. Businesses rely heavily on the aviation industry for the safe and reliable transportation of air cargo, both domestically and internationally.

Avsec is mindful of the importance of ensuring departing aircraft are secure and that the security service provided ensures that air cargo arrives safely at its destination.

The service currently provided by Avsec is expected to increase considerably in the near future with the anticipated increase in air cargo security requirements. During 2007/08 Avsec will be an important part of the consultative group working with the CAA in the development of a new Rule (Part 109) relating to international air cargo security. Avsec will also be actively involved in developing an in-depth model to identify the process, resources, and potential costs in possibly undertaking air cargo security on international flights at various percentages or levels of screening.

#### **10.9.9 Pacific activity**

An element of Avsec's approach to the management of New Zealand's aviation security risks involves aviation security assistance to the South Pacific. Such activity is generally funded through the Ministry of Foreign Affairs and Trade (MFAT) Pacific Security Fund.

Any under-performance or failure of aviation security agencies and airlines in the South Pacific represents a very real threat to the management of New Zealand's aviation security risk because of their proximity to New Zealand and direct links to New Zealand's three main airports.

Avsec services assist South Pacific countries to achieve compliance with the aviation security requirements set by ICAO and regulators, particularly the TSA, CAA and the Australian Department of Transportation and Regional Services.

Avsec also makes a useful contribution to ICAO and APEC initiatives in the Asia / Pacific region, usually in conjunction with the CAA and the Ministry of Transport. Avsec's Auckland training facility is an approved ICAO, sub-regional aviation security training centre. It is the only approved ICAO training centre in the Pacific region and is well respected for complementing and enhancing training initiatives in the area.

Following a recent review of its Pacific programme,

Avsec has decided, where practicable, to focus its future activities on coordination and capability building, for example, by enhancing quality systems which in turn will enhance training and provide sustainability and a longer term impact.

#### 10.9.10 Maritime security

In 2002, the International Maritime Organisation, of which New Zealand is a member State, mandated a new international maritime security regime, effective 1 July 2004. It was recognised that the international maritime industry was vulnerable to a terrorist incident that could have a major impact on particular countries. The impact on New Zealand has been significant, given the number of ports and the country's reliance on shipping trade and the cruise ship industry.

The Maritime Security Act (MSA 2004) was introduced in 2004 and this provided scope for the Minister of Transport to designate Avsec as one of three Maritime Security Organisations along with NZ Customs and MAF.



# 11. OUR CAPABILITY AND RESOURCES REPORT

## 11.1 OUR ORGANISATIONAL HEALTH AND CAPABILITY

### Our capability profile

Avsec's capability requirements have increased significantly since the implementation of hold baggage screening, domestic screening, explosive trace detection and the security measures associated with liquids, aerosols and gels.

The implementation of the above security measures has resulted in an increase in staff of over fifty percent to around 870 since 2005. During 2006/07 alone Avsec's staff complement increased by approximately 220.

This rapid growth has challenged the organisation's capability in several areas, particularly related to management structure, staff resourcing, training, communications and the operational planning and implementation of the new security measures.

Since 2001 Avsec has experienced three significant growth phases (September 11, hold baggage screening and the new requirements for liquids, aerosols and gels), each arising principally from Avsec's response to international aviation security events or threats.

Each of these responses has added to the organisation's knowledge base and the development of a culture of responsiveness, professionalism and innovation. As a result Avsec is now an established and mature aviation security organisation with well-developed capabilities including:

- A skilled and professionally focused management and workforce;
- A disciplined culture with a high standard of

integrity and credibility that is respected by stakeholders and the international aviation industry;

- An established organisation with a proven ability and expertise to respond to new, urgent or phased, security demands;
- An organisation structure that is responsive, accessible and with clearly defined responsibilities and reporting lines;
- Highly-rated quality systems and procedures that are subject to robust external and internal audits by different agencies and internal management;
- Well-developed risk management system that identifies risk, assesses the likelihood and severity of the risk, and implements processes to mitigate the risk occurrence;
- State of the art aviation security equipment and technology and an effective explosive detector dog unit;
- Well-developed research and development capability embracing new and emerging technology;
- Highly-rated staff training facilities and programmes;
- Established international and local engagement with other enforcement agencies and international fora for developing best practice;
- Strong operational relationships with a significant number of the organisation's key stakeholders; and
- Continued policy engagement with government agencies and other Crown organisations.

## 11.2 PROGRESS WITH OUR ORGANISATIONAL HEALTH AND CAPABILITY DEVELOPMENT

### Outcome:

To ensure Avsec's provision of the New Zealand aviation security function is world class and improves the safety of civil aviation.

### Strategies:

- Develop people with skills to deliver Avsec responsibilities; and
- Implement the results of Avsec's training

review, with particular attention to frontline management.

### Impact:

Avsec is recognised and respected for the value it adds to the transport sector.

### Initiatives and work plans:

Avsec's principle health and capability strategies are underpinned by the following four key project activities that were identified for the 2006/07 financial year. Progress in undertaking the activities during 2006/07 is also highlighted.

KEY PROJECT ACTIVITY	PROGRESS DURING 2006/07
1. Develop and implement people management strategies based on a future paced competency framework.	Work is well advanced with the first stage of the implementation. Payroll and HR phase due for completion by 31 December 2007.
2. Develop an HRMIS that captures all human resources activity.	Work in progress.
3. Develop strategies to underpin the prioritised implementation of the training review.	Strategy developed.
4. Cascade training strategy into policy, planning and practice.	Implementation phase commenced in first quarter of 2007/08.

## 11.3 OUR GOOD EMPLOYER PROGRAMME

Avsec has a "Good Employer Programme" and has numerous policies in place including such areas as:

- EEO policy;
- Harassment policy;
- Relocation / transfer / secondment;
- Eye examinations and spectacles, hearing examinations;
- Employee participation agreement, health and safety;
- Code of conduct;
- Protected disclosure;

- Disputes resolution process;
- Complaints procedure; and
- Employer / Combined Union Working Parties in health and safety, relationship issues, remuneration, superannuation, uniforms, SASO and rosters.

In addition, Avsec promotes a number of other activities which focus on being a "good employer" such as a Wellness Programme, complete Employee Assistance Programme, training and development opportunities, and regular monitoring and a proactive stance in dealing with health and safety in employment issues.

#### 11.4 OUR EQUAL EMPLOYMENT OPPORTUNITIES (EEO) PROGRAMME

Avsec is an EEO employer and our recruitment policy fully reflects its EEO status. Every vacancy is advertised internally and externally (through newspapers and Avsec website) to give everyone an equal chance to be included in the recruitment selection.

Avsec is staffed with personnel from diverse cultural backgrounds. Colour, age, gender, or physical disabilities are not a determinant in recruitment selection. The major determinant is that the person is best qualified and capable, and has the relevant skill and experience that the role requires.

Avsec develops its Equal Employment Opportunities Plan every year. An EEO Plan contains major goals, objectives, actions, responsibilities, time frames and performance indicators. Avsec's EEO Plan reflects specific needs. Progress on the EEO Plan is monitored regularly and progress against objectives is included in the Annual Report.

In order to determine the applicant who is best suited for the position the following test is added to the "criteria for appointment":

*"Who best meets the overall criteria for appointment and can be considered as best in meeting the current EEO policies in being the preferred applicant?"*





## 12. OUR ORGANISATIONAL RISKS AND MITIGATIONS

### 12.1 ENTERPRISE RISK MANAGEMENT

The identification and management of risk forms both an essential part of Avsec's day to day activities and a key component of the organisation's strategic and business planning processes. The mitigation of the identified risk is also integrated in specific work programmes during the next three years.

Avsec has a comprehensive formal risk management plan, modelled on Risk Management Standard AS/NZS 4360:2004. The risk management plan focuses on both external (operations and regulatory) and internal (predominantly personnel-related) risks. The key objectives of the risk plan are:

- Identification of the key risks that the organisation is exposed to;
- Analysis and evaluation of the identified risks and their impact on the organisation in the context of:
  - Operational activity;
  - Financial impact;

- Regulatory compliance;
- Human resources;
- Public relations; and
- Technology and systems.
- Assessment of the risks in terms of severity and likelihood;
- Identification and implementation of strategy to manage and mitigate the risks; and
- Identification of any residual risks and determining if the residual risks will be managed in the normal course of business.

### 12.2 ADDRESSING OPERATIONAL RISKS

In the 2006/07 Statement of Intent Avsec highlighted key risk mitigation strategies that had been identified by the organisation for the 2006/07 planning period. The table below shows the risk mitigation strategies that were identified and the progress in implementing them in the 2006/07.

KEY RISK MITIGATION STRATEGIES	IMPLEMENTATION PROGRESS 2006/07
1. Development of scenario and contingency planning and risk management and readiness planning.	During the year Avsec has proactively prepared contingency plans associated with air cargo security, non-passenger security screening, airport identity cards, new regional airport activity and full screening of domestic flights.
2. Ensuring the consistent application of risk management principles in accordance with the regulatory framework.	Avsec's Enterprise Risk Management profile is updated on a regular, ongoing, basis and reviewed twice a year by Avsec's Quality Council.
3. Development of people with skills and capability to deliver our responsibilities and ensuring Avsec people are trained and competent to deliver our business to a consistently high standard, including the proposed implementation of results from the current training review.	Avsec's strategic learning model is in the process of implementation. An RFP has been generated to source a suitable Provider for generic components of the management training review.
4. Continued compliance with legislative requirements and international aviation safety and security standards.	Avsec continues to respond with urgency in meeting international aviation security standards and in being fully compliant with all legislative and rule requirements.

KEY RISK MITIGATION STRATEGIES	IMPLEMENTATION PROGRESS 2006/07
5. Ongoing development and improvement to the organisation's quality management system, documented policies and procedures, and internal audit processes.	Avsec's policy and procedures manual reviewed and updated during the year and is subject to ongoing revision.
6. Development of an implementation strategy around the forthcoming cargo rule and a contingency scenario for full cargo screening.	Scenario / base modelling of cargo screening operations was completed. Development of the associated CAA Cargo Rule, Part 109, is dependent on legislation expected to be enacted September 2007.
7. Contributing to Government legislation and rules activities.	During the year Avsec was actively involved in the working party (Ministry of Transport, Ministry of Justice, Civil Aviation Authority, New Zealand Police and Avsec) in developing the Aviation Security Legislation Bill which is expected to be enacted September 2007. The new legislation will provide Avsec with enhanced aviation security capability.
8. Contributing to international fora, as appropriate, and as required by Government; and	Avsec is regularly represented at international fora involved in aviation security, enhancing R&D capability, and appraising emerging technology.
9. Continuing to provide aviation security support, training and advice to the Pacific.	Avsec has completed most of its 2006/07 Pacific projects to plan. The projects, which are all funded through the Pacific Security Fund, include Pacific training, maintenance audits of equipment, the Solomon Islands assistance, a series of Pacific aviation security summits and the Pacific co-ordination project.

High level internal and external risk areas to which Avsec is currently exposed are highlighted in the table below, together with specific mitigation strategies that are in place, or in the process of being

developed, to address those risks. This risk profile has also been incorporated into Avsec's 2007/10 Statement of Intent.

HIGH LEVEL RISK EXPOSURE	SPECIFIC MITIGATION STRATEGIES
1. Non-airside security incident or damage to airport infrastructure, at an overseas or local airport, could impact on airport operations and cause disruption to air travel.	Airport company awareness; scenario planning; intelligence gathering.
2. Ongoing international terrorist threat against the aviation industry and other modes of transportation.	Planning for the implementation of new and enhanced security measures (including proportional screening of airport workers, rule change for ID cards and the introduction of air cargo security); capability development; intelligence gathering and dissemination of quality information to key business units; research, development and procurement of new and emerging aviation security technology and equipment, including the phased replacement of Avsec's x-ray baggage systems.
3. Decline in passenger numbers caused by natural disaster, recession, pandemic, changes in preferred passenger destination or disinclination to travel due to terrorist activity or environmental policies.	Established contingency planning; ongoing monitoring; reserve funds policy; scenario and business continuity planning.
4. Current instability and under-resourcing in the South Pacific increases the aviation security risk in the South Pacific.	Multiple South Pacific project activities that will contribute to New Zealand's aviation security and assist aviation security development in these countries. The support is principally in the form of capability development, training and advice to the South Pacific.

HIGH LEVEL RISK EXPOSURE	SPECIFIC MITIGATION STRATEGIES
5. Legislative changes, major redevelopments at airports and new international aviation security requirements significantly increase the role and security activities to be undertaken by Avsec.	Strategic awareness planning and scenario planning during lead-up process; capability development, especially involving capital equipment, staff recruitment, training and development of appropriate policies and procedures; strategic risk identification through enhancement of Avsec's formal risk management plan (modelled on Risk Management Standard AS/NZS 4360:2004).
6. Security risk associated with airport workers.	Proportional screening of airport workers will commence in 2007/08 following the passing of the Aviation Security Legislation Bill.
7. Loss of key staff, staff recruitment and retention issues.	Capability development, in particular the development of an, "organisation of choice" brand; implementation of recommendations from the training review; implementation of an employee recognition and reward programme; implementation of enhanced communication strategies.
8. Failure of contingency or business continuity plan.	Continual review and update of the plans as part of Avsec's quality management philosophy, which also involves extensive internal audit regimes.
9. Financial and operational impacts of the extra week's annual leave entitlement (pursuant to the Holidays Act 2003) which is impacting on the organisation's annual leave liability.	Review of Avsec's roster system including consideration of an electronic solution.
10. Essential equipment failure.	Dedicated research, development and procurement function that considers new and emerging aviation security technology and equipment; phased replacement of Avsec's major capital equipment.



# 13. OUR PERFORMANCE AND ACCOUNTABILITY REPORT

## PROGRESS WITH OUR AVIATION SECURITY STRATEGIC OUTCOMES

### *Outcome:*

- To ensure Avsec's provision of the New Zealand aviation security function is world-class and improves the safety of civil aviation.

### *Strategies:*

For 2006/07 the following principle operational strategies were identified:

- Develop an implementation strategy around the forthcoming cargo rule and a contingency scenario for full cargo screening;
- Document and improve on current processes for the transparent setting of Avsec charges including the industry consultation process;
- Contribute to and implement government legislation and rules;
- Contribute to international fora as appropriate and as required by government;
- Develop scenario and contingency planning, risk management and readiness planning;
- Research and inquire into new and developing aviation security systems and equipment;
- Develop a broader aviation security strategy for Avsec activity in the Pacific;
- Maintain and implement New Zealand compliance with international safety and security standards;
- Build and communicate awareness of New Zealand's aviation security activities and system;
- Contribute to whole government planning;
- Emission outcomes are factored into Avsec fleet and equipment purchasing; and

- Avsec activities contribute to aircraft On Time Performance thereby assisting fuel, terminal and traffic efficiencies.

### *Impacts:*

To contribute to achieving the desired outcome and the identified strategies, Avsec has created the following impacts, which are aligned to the respective goals of the NZTS:

- Avsec enhances economic growth, tourism and trade by providing a robust and effective aviation security system;
- Avsec ensures that the users of aviation security services are familiar with the cost of providing the service and that the levies are fair, reasonable and transparent;
- Avsec ensures the aviation security regime is aligned with international regulatory and treaty requirements;
- The aviation security sector is increasingly co-ordinated and resilient in terms of significant and external security events;
- Avsec action prevents acts of unlawful interference against aircraft at security designated airports and aviation installations;
- Avsec has a highly rated international reputation of providing New Zealand's aviation security system;
- Avsec activities reduce real and perceived aviation security risks for aviation;
- Avsec ensures the aviation security function facilitates lawful access by passengers, crew and airport staff to appropriate areas of the airport;
- Avsec applies best practice health and safety standards in the selection and operation of security equipment to protect public and

staff health;

- Avsec is prepared for a pandemic response; and
- Avsec contributes to reducing the negative impacts on the human and natural environments.

#### *Initiatives and work plans:*

Avsec's principal operational strategies are underpinned by the following twelve key project activities that were identified for the 2006/07 financial year. Progress in undertaking the activities during 2006/07 is also highlighted.

KEY PROJECT ACTIVITY	PROGRESS DURING 2006/07
1. Develop scenario plans for cargo rule and full cargo screening by Avsec.	Initial scenario plans completed. Now dependent on legislation.
2. Formalise process for determining and setting regulated charges.	Process determined. Passenger security charge resetting will be completed in December 2007.
3. Implement enhanced background checking processes for Airport Identity Cards, pending legislation.	Completed.
4. Develop an implementation plan for proportional screening of airport workers, pending legislation.	Completed. Now dependent on legislation.
5. Develop scenario plans for 100% screening of airport workers, new regional airport activity and full screening of domestic commercial flights.	Completed.
6. Review and develop Avsec's role as a Maritime Security Organisation.	Initial review completed. Subject to ongoing review for 2007/08.
7. Implement current Pacific projects and develop new projects and activities as appropriate.	2006/07 project activity completed. Further projects to be implemented in 2007/08.
8. Implement Avsec communication strategy.	Scoping of requirements completed. Implementation will occur in 2007/08.
9. Implement aviation security benchmarking against the Canadian Air Transport Security Authority (CATSA).	Benchmarking and long-term relationship development is ongoing.
10. Plan and implement (if needed) Avsec's part of any emergency response.	Ongoing participation in Inter-sectoral Pandemic Planning Group and pandemic planning exercises.
11. Review Avsec's fleet purchasing options.	Completed and subject to ongoing review.
12. Continue working with other government departments and industry on the Standard Processing Time project.	Initial review completed. Subject to ongoing review for 2007/08.

**Performance against impact measures**

The table below show's Avsec's performance against the three high-level target impact measures that were set in the 2006/09 Statement of Intent:

SAFETY & SECURITY IMPACT	PERFORMANCE TARGET	PERFORMANCE ACHIEVED
<b>In-flight security incidents</b>	To achieve a nil rate of in-flight security incidents involving offences against the Aviation Crimes Act 1972, on board aircraft which have been screened by the Aviation Security Service.	Achieved. No in-flight security incidents.
<b>Airside security incidents</b>	To achieve a nil rate of airside incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where Aviation Security Service operates.	Achieved. No airside security incidents.
<b>Dangerous goods introduced into aircraft</b>	To achieve a nil rate of airside incidents involving the introduction of dangerous goods into aircraft that has been screened by the Aviation Security Service.	Achieved. No dangerous goods introduced into aircraft.



# APPENDIX: AVSEC SENIOR MANAGEMENT TEAM AND DIRECTORY

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## Senior Management

General Manager	Mark Everitt
Chief Operating Officer	Chris Tosswill
National Manager, Government Relations	Helen Hanify
Manager People	Lisa Ternent
Chief Finance and Information Officer	Jeffery Bull
Executive Project Manager	Noel Sundgren
Manager, Quality and Audit	Warren Tatham

---

## National Office

Level 5, 109 Featherston St.  
 PO Box 2165 Wellington, New Zealand  
 Tel: +64-4-495 2430  
 Fax: +64-4-495 2432  
 E-mail: [reception@avsec.govt.nz](mailto:reception@avsec.govt.nz)  
 Web: [www.avsec.govt.nz](http://www.avsec.govt.nz)

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## Airport offices

Auckland, Christchurch, Dunedin, Hamilton,  
 Palmerston North, Queenstown, Rotorua and  
 Wellington

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## Auditor

Audit New Zealand on behalf of the Auditor  
 General

---

## Solicitors

Crown Law Office

---

## Bankers

Westpac Banking Corporation

---

## Insurance Brokers

Marsh Limited

---







**PART 3:**

**GROUPED OUTPUT  
PERFORMANCE AND  
FINANCIAL STATEMENTS  
2006/07**

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## GROUPED FINANCIAL STATEMENTS, 01 July 2006 to 30 June 2007

These Financial Statements have been prepared pursuant to the requirements contained in section 150 of the CEA 2004.

The Financial Statements provide the financial performance of the Civil Aviation Authority of New Zealand in respect of the responsibilities for:

- 1) the regulation of civil aviation safety in New Zealand (the Civil Aviation Authority or CAA); and
- 2) the provision of aviation security services in New Zealand (Aviation Security Service or Avsec).

## STATEMENT OF RESPONSIBILITY

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

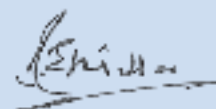
- 1) The preparation of the financial statements and the statement of service performance for the judgements used therein.
- 2) The establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
- 3) In the opinion of the Civil Aviation Authority, the financial statements and statement of service performance for the year ended 30 June 2007 set out on pages 84 to 123 fairly reflect the financial position and operations of the Civil Aviation Authority.



RICK BETTLE  
Chairman  
Date: 19 October 2007



STEVE DOUGLAS  
Director of Civil Aviation  
Date: 19 October 2007



ERROL MILLAR  
Deputy Chairman, CAA  
Date: 19 October 2007



MARK EVERITT  
General Manager  
Aviation Security Service  
Date: 19 October 2007



DARRYLL PARK  
Deputy Chairman, Avsec  
Date: 19 October 2007

# MINISTERIAL DIRECTIONS

There were no ministerial directions to the CAA and Avsec during the financial year.

# GROUPED STATEMENT OF OUTPUT PERFORMANCE

The grouped financial statements comprise the following Output Classes:

<b>Civil Aviation Authority</b>	<i>Output Class 1:</i> Policy advice
	<i>Output Class 2:</i> Safety and security assessment and certification
	<i>Output Class 3:</i> Safety and security investigation, analysis and education
	<i>Output Class 4:</i> Enforcement
<b>Aviation Security Service</b>	<i>Output Class 1:</i> Aviation security services
	<i>Output Class 2:</i> Maritime security services

Our performance during 2006/07 in each output class is set out in the succeeding pages:

# CIVIL AVIATION AUTHORITY

## OUTPUT CLASS 1: POLICY ADVICE

### Description

Output Class 1, covers the following outputs, and associated activities and services:

1. administration of New Zealand's participation in the work of the ICAO Air Navigation Bureau and of New Zealand's compliance with the safety and security standards and recommended practices set out in the Annexes to the Chicago Convention;
2. for those aspects of the work of ICAO where the CAA is the designated State authority, administration of New Zealand's participation in associated forums;
3. coordination of New Zealand's response to ICAO regarding matters arising from the work of the ICAO Air Navigation Bureau excluding search and rescue;
4. administration of aviation security matters arising from the work of the ICAO Aviation Security and Facilitation Branch;
5. provision of statistical returns regarding aircraft on the New Zealand register to the ICAO Economic Analysis and Database Section;
6. coordination of New Zealand's response to air navigation issues arising from the work of ICAO Regional Offices;
7. administration of New Zealand's participation in APANPIRG;
8. coordination of New Zealand's response to regional civil aviation authorities' matters originated by the ICAO Regional Office;
9. development and administration of bilateral agreements with the civil aviation safety regulatory authorities of other countries;

10. provision of advice to Government;
11. development and review of legislation;
12. ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister; and
13. rules development services under contract to the MoT.

### Impacts and consequences

The impacts and consequences of advice provided by the CAA to the government are to ensure that government policies and decisions are developed and implemented in an informed manner, and that reasons for these policies and decisions are clear by:

1. keeping the Minister fully informed of the present state of the aviation participants in terms of safety and security levels and overall levels of operation, including developments within the aviation sector, the external security environment where these are relevant to aviation security and the actual or potential impacts of these developments;
2. providing the Minister and other government agencies, particularly the MoT, with advice to allow government policies affecting aviation safety and security to be developed within the transport sector in a collaborative and informed manner;
3. keeping the Minister fully advised on the operation of the CAA and progress on the achievement of its statutory functions, including matters affecting or likely to affect operations or achievement of these functions; and
4. enabling the Minister to answer correspondence and queries, including Parliamentary Questions, on matters relating to aviation safety and the operation of the CAA.

The impacts and consequences to international obligations are to ensure that:

1. the Government's obligations in respect of international aviation safety and security agreements and protocols assigned to the CAA are developed and administered in a competent manner;
2. international requirements relating to civil aviation safety and security are reflected in the New Zealand environment where applicable; and

3. potential for accidents or incidents is reduced by ensuring that a safer and more secure interface is achieved between international and domestic aviation operations.

Impacts and consequences of the Rules Development services is to ensure that the provision of rules development services to the MoT contributes to the achievement of the CAA objectives as stipulated in the CA Act 1990.

### Performance measure against target

OUTPUT CLASS 1: POLICY ADVICE			
OUTPUTS	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	1. Draft responses to Ministerial correspondence (demand-driven number)	33 (05/06 = 23)	20-50 estimated range
	2. Provide reports and briefings to the Minister (demand-driven number)	59 (05/06 = 65)	30-50 estimated range
	3. Provide responses to Parliamentary Questions (demand-driven number)	16 (05/06 = 7)	15-50 estimated range
	4. Provide reports and responses to Select Committees (demand-driven number)	3 (05/06 = 7)	4-8 estimated range
	5. Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters (demand-driven number)	Provided as required, 100% of the time (05/06 = 100%)	Provided as required, 100% of the time
	6. Provision of advice and comment on government policy initiatives that impact on the aviation community and travelling public or any matter connected with aviation		
	7. Provide support and advice to the development or amendment of civil aviation related legislation, such as the Civil Aviation Act 1990, Civil Aviation Charges Regulations 1991, Civil Aviation (Aeronautical Information Service) Levies Order 2001 and the Civil Aviation Safety Levies Order 2002		
	8. Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptance or differences as necessary	Provided as required, 100% of the time (05/06 = 100%)	Provided as required, 100% of the time
	9. Liaison with other international civil aviation authorities on matters of mutual interests		
	10. Provide advice and representation in support of international agreements, projects and other forums		
	11. Promote the development of technical arrangements and agreements with other aviation authorities where this will have demonstrable benefits for the New Zealand aviation system		
<b>QUALITY</b>	12. Draft responses to Ministerial correspondence and to Parliamentary questions accepted by the Minister's advisers	100% acceptance (05/06 = 97%)	Minimum of 95% acceptance



OUTPUTS	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>TIMELINESS</b>	13. Completion of agreed programme set-out in "Policy and International Work Programme"	100% completion by due dates	100% completion by due dates
	14. Percentage of draft replies to Parliamentary questions supplied within the required time frame	(05/06 = 100%)	
	15. Percentage of draft replies to Ministerial correspondence forwarded to the MoT within 10 working days of receipt by the CAA		

### Rules development

MEASURES	DESCRIPTION	TARGET 2006/07
Rules development services	<p>The Authority undertakes Rules Development services under a separate contract to the MOT. This includes:</p> <ul style="list-style-type: none"> <li>• reviewing international standards, aviation community petitions for rule amendment, and all existing legislation and rules relating to the regulation of New Zealand civil aviation safety and security including the evaluation of effectiveness and requirements;</li> <li>• research and development of appropriate safety standards;</li> <li>• publishing notices of intention to make or amend ordinary rules;</li> <li>• giving interested parties a reasonable time to make submissions on the proposed rules or amendments;</li> <li>• consulting with such persons as in each case is considered appropriate on the proposed rules or amendments; and</li> <li>• drafting and publishing rules and rule amendments required by the Minister.</li> </ul>	<p>Final Rules and information documents developed by the CAA during the year and signed by the Minister:</p> <ul style="list-style-type: none"> <li>• Part 43/145 – General maintenance rules, and</li> <li>• Part 139 – Runway End Safety Area (RESA).</li> </ul> <p>(Refer to section 9.1 for comprehensive Rules Development Progress report.)</p>

## Progress with our policy and international work programme

DESCRIPTION	TARGET COMPLETION DATE	PROGRESS STATUS
Policy input to rules programme – as required	30 June 2007	Provided as required
Airspace policy issues – stage 2		Delayed
Review of structure and content of key CAA safety policy documents		Input provided as required
Review of requirements for operator of Security Management Systems		Delayed – pending completion of safety management systems policy
Drugs and Alcohol substance impairment (on-going policy work)		Led by MoT – input provided as required
Policy support for CAA Funding Review (renamed Capability and Resources Review)		None required at this stage
Collection and use of safety information (this project has a number of elements such as Just Culture and responsibility of accident investigations)		Initial paper completed. Further policy development pending approval of the initial paper.
<b>LEGISLATION DEVELOPMENT</b>		
Review of Civil Aviation Act 1990 – development of CAA proposals including: 1. Just Culture; 2. threshold for proof of hire and reward operations; 3. review of Director's powers; and 4. other issues as required.	30 June 2009	Review of CA Act 1990 – On-going 1. Just Culture - on-going 2. Threshold for proof of hire and reward operations – on-going 3. Review of Director's powers – delayed
<b>ICAO OBLIGATIONS</b>		
ICAO audit – corrective actions implementation plan (implement decision from review of ICAO)	2007 to 30 June 2009	On-going
<b>INTERNATIONAL SAFETY AGREEMENTS</b>		
USA: Bilateral Aviation Safety Agreement (BASA)/ Maintenance Implementation Procedures (MIP) and Implementation Procedures for Airworthiness (IPA)	30 June 2007	IPA – Completed MIP – On-going
Canada: Technical arrangement	30 June 2007	Completed
Australia: Mutual Recognition project covering the acceptance of airline Air Operator Certificates	30 June 2007	Completed
Europe: Mutual recognition agreement/ technical arrangement (design and production approvals)	30 June 2007	On-going
NZ representation on the council of the Pacific Aviation Safety Office (PASO)	30 June 2009	On-going
Oversight of safety support agreements with Pacific Island Countries	30 June 2009	On-going
<b>TRANSPORT SECTOR STRATEGIC DIRECTIONS COLLABORATIVE PLANNING PROJECTS COVERING</b>		
Strategic Transport Futures	30 June 2007	On-going The CAA continues to work collaboratively with MoT and transport Crown entities in the scoping and finalisation of documents necessary to implement the objectives and outcomes of the TSSD.
Integrated Approach to Planning		
Research and Information		
Cross-Modal Approach to Safety		
Influencing Demand for Transport Services		
Managing Environmental and Public Health Impacts		
Monitoring and Evaluation		

### Financial performance of Output Class 1: Policy Advice

2005/06 ACTUAL (\$000)		2006/07 ACTUAL (\$000)	2006/07 BUDGET (\$000)
1,321	Crown revenue	1,321	1,320
1,418	Ministry	1,417	1,418
-	Other revenue	-	-
<b>2,739</b>	<b>Total output revenue</b>	<b>2,738</b>	<b>2,738</b>
<b>3,132</b>	<b>Total output expenses</b>	<b>3,351</b>	<b>2,738</b>
<b>(393)</b>	<b>Output surplus / (deficit)</b>	<b>(613)</b>	<b>-</b>

## OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION

### Description

Output Class 2 covers the following outputs and associated activities and services:

1. exercise of control over entry into the New Zealand civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products (refer to section 7 of the CA Act 1990);
2. exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions on documents where such action is necessary in the interests of safety and security;
3. monitoring of adherence to safety and security standards by participants in the civil aviation system including the carrying out or requiring of inspections and audits;
4. identification and follow-up of corrective actions that need to be taken by participants and holders of aviation documents to ensure adherence to safety and security standards and compliance with the conditions of their documents;
5. updating of entry, exit and monitoring information in the CAA database, including maintenance of the New Zealand Register of Aircraft;
6. provision of information and advice to applicants for aviation documents and approvals, plus support and advice to participants to assist them achieve compliance with the Civil Aviation Rules;
7. maintenance of an effective Field Safety Advisor presence;
8. assessment of overseas information such as airworthiness directives and manufacturer's service information, and adoption in New Zealand if applicable;
9. development and review of New Zealand

airworthiness directives;

10. assessment and approval of alternative means of compliance with airworthiness directives;
11. assessment of petitions for and the granting of exemptions from requirements prescribed in the Civil Aviation Rules pursuant to the CA Act 1990 and rule making procedures; and
12. management of inspections and audits under the HSE Act 1992.

### Impacts and consequences

The impacts and consequences of activities under this output are to minimise the risk of accident and incidents, ensure combined compliance with civil aviation rules and standards, and improve overall performance within the context of the CAA legislative mandate. These include:

1. participants who wish to enter the civil aviation system comply with the required standards for the type of activities and operations concerned as set out in the civil aviation legislation and rules;
2. that when participants in the civil aviation system no longer meet the necessary standards or cease operations, they either exit voluntarily or be required to cease aviation activities for which they no longer meet the relevant standards;
3. certificated organisations are required to re-qualify for continued operation within the system after a period of 5 years to ensure appropriate standards are maintained;
4. random spot checks of persons, certificated organisations and equipment that have been allowed entry in the civil aviation system;
5. focus, where appropriate, on the management systems that control certificated organisations' day-to-day operations;
6. identification of instances and areas of non-compliance and safety risk through data analysis, requiring consequent corrective action to be taken, and checking that it has been taken;

7. adjustment of surveillance methods, frequency and focus on the basis of data analysis to concentrate on problem areas or individuals; requested and granted is expected to be used in the development and maintenance of civil aviation rules; and
8. the “exemption process” is expected to ensure that overall safety levels are maintained while any exemptions that may be granted are exercised. Information on the nature of exemptions
9. work in the Health and Safety in Employment area is expected to mitigate safety and health risks for personnel employed in the aviation community.

### Performance measure against target

OUTPUT CLASS 2: SAFETY AND SECURITY ASSESSMENT AND CERTIFICATION			
OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	<b>AIRLINE SECTOR</b>	The Airlines Group intensified their work in 06/07, thus the following increases in actual against target.	
	16. Routine audits and inspections (number of hours)	7,511 hours (05/06 = 6,577)	4,000 hours
	17. Spot checks (number of hours, issue-driven)	155 hours (05/06) = 35	200 hours
	18. Airworthiness directives developed and published (demand-driven number)	323 (05/06) = 327	120-150 estimated range
	19. Airline certification work requests (demand-driven number)	904 (05/06) = 663	200-500 estimated range
	20. Aircraft certification work requests (demand-driven number)	1,053 (05/06 = 925)	800-1,000 estimated range
	21. Aircraft registration work requests (demand-driven number)	1,740 (05/06 = 1,782)	1,000-2,000 estimated range
	<b>GENERAL AVIATION</b>		
	22. Routine audits and inspections (number of hours)	2,821 hours (05/06 = 3,291)	5,450 hours
		Target and 05/06 data included travel time to/from an audit or inspection. 06/07 actual data excluded travel time.	
	23. Spot checks (number of hours, issue-driven)	1,058 hours (05/06 = 1,483)	2,320 hours
		Target and 05/06 data included travel time to/from an audit or inspection. 06/07 actual data excluded travel time.	
	24. Operator certification work requests (issue-driven number)	1,518 (05/06 = 1,141)	1,000-1,100 estimated range
	<b>PERSONNEL LICENSING AND AERONAUTICAL SERVICES</b>		
	25. Routine audits and inspections (number of hours)	1,123 hours (05/06 = 1,367)	1,014 hours
	26. Spot checks (number of hours, issue-driven)	160 hours (05/06 = 128)	150-200 hours estimated range
	27. Personnel licensing work requests (demand-driven number)	5,733 (05/06 = 4,822)	2,500-3,000 estimated range

OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
	28. Release General Directions for consultation (demand-driven number)	2 (05/06 = 4)	4
	29. Petitions for rule exemptions processed – all sectors (demand-driven number)	124 (05/06 = 104)	100-200 estimated range
<b>AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT</b>			
	30. HSE inspections of selected clients (number)	3 (05/06 = 11)	60
		Target not met due to lack of resources. Only 2 FTEs in HSE unit.	
	31. Provision of information and education to clients and stakeholders (number)	13 (05/06 = 9)	25
<b>QUALITY (all groups)</b>	32. Internal audit findings related to the process of safety assessment and certification detected through an internal audit programme. (number) (new)	Nil	Decreasing number (trend over time)
<b>TIMELINESS</b>	<b>AIRLINES</b>		
	33. Percentage of scheduled audit and inspection modules completed by due date set in the audit programme	91% (05/06 = 99%)	80% completed by due date
<b>GENERAL AVIATION</b>			
	34. Percentage of scheduled audit and inspection modules completed by due date set in the audit programme	91% (05/06 = 63%)	80% completed by due date
<b>PERSONNEL LICENSING AND AVIATION SERVICES</b>			
	35. Percentage of scheduled audit and inspection modules completed by due date set in the audit programme	93% (05/06 = 91%)	80% completed by due date
<b>AVIATION COMMUNITY HEALTH AND SAFETY IN EMPLOYMENT</b>			
	36. Respond to HSE concerns, enquiries and complaints within 5 working days	98% (05/06 = 100%)	100% completed by due date
	37. Respond to accidents within 2 working days	100% (05/06 = 92%)	80% completed by due date

### Financial Performance of Output Class 2: Safety and Security Assessment and Certification

2005/06 ACTUAL \$000		2006/07 ACTUAL \$000	2006/07 BUDGET \$000
440	Crown revenue	440	440
18,515	Other revenue	18,731	17,521
<b>18,955</b>	<b>Total output revenue</b>	<b>19,171</b>	<b>17,961</b>
<b>18,349</b>	<b>Total output expenses</b>	<b>19,627</b>	<b>19,930</b>
<b>606</b>	<b>Output surplus / (deficit)</b>	<b>(456)</b>	<b>(1,969)</b>

## OUTPUT CLASS 3: SAFETY AND SECURITY INVESTIGATION, ANALYSIS AND EDUCATION

### Description

Output Class 3, covers the following outputs and activities:

1. investigation and identification of causes of civil aviation safety and security occurrences, received by way of occurrence information and complaints;
2. publishing of feedback information to the industry in the form of accident briefs, defect summaries, and accident and incident trends;
3. investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety authority (subject to the limitations stipulated in section 14, paragraph 3 of the Transport Accident and Investigation Commission Act);
4. notification to the TAIC of accidents and incidents reported to the Authority in accordance with section 27 of the CA Act 1990;
5. responses to safety and security recommendations made by the TAIC and Coroner's inquests, and taking appropriate actions, tracking and reporting progress on a quarterly basis;
6. advice on the safety and security performance of the civil aviation system;
7. assessment and solution of any problems that may arise regarding overseas information, aircraft reliability data and flight operations information;
8. monitoring and assessment of intelligence and information concerning short and long term security threats and risks to the New Zealand aviation system and developments in the international aviation security environment;
9. establishment of safety and security planning to clearly describe the CAA's intended safety and security actions and priorities;

10. promotion of safety and security by providing educational information and advice, and fostering safety and security programmes, including public awareness on transport of dangerous goods by air;
11. provision and maintenance of an internet website; and
12. provision of information for the New Zealand Aeronautical Information Service.

### Impacts and consequences

It is expected that work on investigations into specific accidents and incidents will ensure associated safety and security issues are quickly identified and remedied.

Work on the analysis of data on accident, injury and incident, trends, causal factors, aviation community safety and security levels and the results of the CAA's monitoring activities is intended to minimise the future risk of accidents or incidents and maximise compliance with civil aviation rules. The work will identify whether:

1. a greater focus is needed on the management systems that control certificated organisations' day-to-day operations;
2. civil aviation policies, rules and standards be adjusted to where data on trends, risk and causal factors indicate that this is necessary or desirable;
3. entry control and/or monitoring activities be adjusted to concentrate on problem areas or sectors, or be relaxed where appropriate;
4. surveillance and enforcement activities be targeted; and
5. specific safety programmes or research be initiated.

The impacts and consequences of the information services and educational programmes to be provided under this output are to reduce risk of accidents and incidents and increase compliance with the Civil Aviation Rules by:

1. increasing aviation community knowledge and

- understanding of civil aviation safety and security;
- 2. compliance with aviation safety and security standards and requirements through sound knowledge of the relevant legislation and rules, and their purpose;
- 3. targeting issues and sectors indicated as problems from the results of the CAA's monitoring activities, accident and incident trends, risk and causal factors, and enforcement activities;
- 4. instilling compliance by publishing significant enforcement actions; and
- 5. assisting the public and persons within the aviation community and wider transport sector to make informed choices.

**Performance measure against target**

OUTPUT 3.1: SAFETY AND SECURITY INVESTIGATION			
OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	38. Number of investigations carried out (demand-driven number)	2,582 (05/06 = 2,296)	1,700 – 2,200 estimated range
<b>QUALITY</b>	39. Percentage of investigations closed that meet the specified accuracy and completeness requirements in CAA procedures	95% (05/06 = 95%)	90% of all investigations closed
<b>TIMELINESS</b>	40. Percentage of all investigations of occurrences completed within 6 months of registration	88% (05/06 = 74%)	70% completed by due date
	41. Percentage of all investigations of occurrences completed within 12 months of registration	97% (05/06 = 95%)	90% completed by due date
	42. Percentage of all investigations of occurrences completed within 2 years of registration	99% (05/06 = 99%)	100% completed by due date

OUTPUT 3.2: SAFETY ANALYSIS			
OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	43. Number of Aviation Safety summary reports	4 (05/06 = 4)	4 quarterly reports
<b>QUALITY</b>	44. Accurate and robust analysis of safety data is used to draft recommendations for safety initiatives (new)	usage increasing but not 100% of the time	100% (always) of the time
<b>TIMELINESS</b>	45. Safety reports disseminated within 30 working days at the end of the quarter to which the report relates to (new)	Nil	100% completed by due date



## OUTPUT 3.3: SAFETY EDUCATION AND INFORMATION

OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	46. Number of Vector Periodicals released	6 (05/06 = 6)	Minimum of 6
	47. Number of CAA Safety videos released	1 (05/06 = 2)	2
	48. Number of Safety Seminars conducted	28 (05/06 = 25)	Minimum of 10
<b>QUALITY</b>	49. Feedback received during seminars conducted (new)	83% (899 of total 1079 attendees) Benefited from rating: 4.5 rating out of 5.0 Overall rating of seminar = 4.7 out of 5.0	Minimum of 30% of total attendees
<b>TIMELINESS</b>	50. Vector periodicals released and safety seminars conducted by due date (new)	99%	100% completed by due date

## Financial Performance of Output Class 3: Safety and Security Investigation, Analysis and Education

2005/06 ACTUAL \$000		2006/07 ACTUAL \$000	2006/07 BUDGET \$000
4,541	Other revenue	4,227	4,962
<b>4,514</b>	<b>Total output revenue</b>	<b>4,227</b>	<b>4,962</b>
<b>4,703</b>	<b>Total output expenses</b>	<b>4,560</b>	<b>4,962</b>
<b>(162)</b>	<b>Output surplus / (deficit)</b>	<b>(333)</b>	<b>-</b>

## OUTPUT CLASS 4: ENFORCEMENT

## Description

Output Class 4 covers the appropriate follow-up of actions in the interest of the public, including:

1. recording of complaints of alleged or suspected offences;
2. investigation of allegations of breaches of CA Act 1990; and
3. taking appropriate action such as providing education, issuance of warning letter, issuance of infringement notice, or commencing summary proceedings.

## Impacts and consequences

The Authority's enforcement policy recognises that preventive action to minimise the risk of accidents and incidents plus voluntary compliance with civil aviation rules and standards are better means of achieving aviation safety and security than retrospective punitive action.

The Authority's primary concern is not to secure prosecution but to promote a high standard of aviation safety and security. However, when voluntary compliance is not achieved the Authority will instigate enforcement action when required.

The impacts and consequences of the Authority's enforcement activities are to:

1. attempt to modify aviation participants' behaviour, and/or generate an improvement of safety management systems, and/or generate greater understanding of the civil aviation rules;
2. ensure fair and consistent treatment of all participants in the civil aviation system; and
3. deter future incidents of non-compliance.

**Performance measure against target**

OUTPUT CLASS 4: ENFORCEMENT			
OUTPUT	PERFORMANCE MEASURES 2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>QUANTITY</b>	51. Number of occurrences reviewed by the Law Enforcement Unit in order to consider enforcement action (demand-driven number)  <small>*Note: Previously worded as "Number of alleged offences reported / recorded". The Enforcement Unit reworded Output 51 for clarification.</small>	335 (05/06 = 231)	200-400 estimated range
	52. Number of detailed investigations undertaken (demand-driven number)	75 (05/06 = 81)	130-160 estimated range
<b>QUALITY</b>	53. Internal audit findings related to enforcement processes detected during an internal audit. (new)	2 minor	Decreasing (trend over time) number
<b>TIMELINESS</b>	54. Percentage of detailed investigations completed in the period within 6 months of commencement	96% (05/06 = 96%)	90% completed by due date
	55. Percentage of detailed investigations completed in the period within 12 months of commencement	100% (05/06 = 100%)	100% completed by due date

**Financial performance of Output Class 4: Enforcement**

2005/06 ACTUAL \$000		2006/07 ACTUAL \$000	2006/07 BUDGET \$000
593	Other revenue	774	820
<b>593</b>	<b>Total output revenue</b>	<b>774</b>	<b>820</b>
<b>822</b>	<b>Total output expenses</b>	<b>937</b>	<b>820</b>
<b>(229)</b>	<b>Output surplus / (deficit)</b>	<b>(163)</b>	<b>-</b>

# AVIATION SECURITY SERVICE

## OUTPUT CLASS 1: AVIATION SECURITY SERVICE

### Description

The output class covers the following key aviation security services provided by Avsec:

- i. All departing international passengers and baggage will be screened at all international airports in New Zealand, to the standards laid down in the relevant legislation, regulations or rules;
- ii. All departing domestic passengers and baggage will be screened at airports within New Zealand, where the passenger and baggage are travelling on aircraft with seats for 90 plus regular air passengers, to the standards laid down in the relevant legislation, regulations or rules;
- iii. The security screening process will ensure that no unlawful interference takes place in-flight, while at the same time creating no flight delays or passenger complaints. Any complaints received will be handled in accordance with the Avsec's procedures;
- iv. The provision of perimeter patrols at security designated aerodromes, together with aircraft guards and searches, will result in the prompt interception of persons unlawfully in security areas and an increased level of safety for the flying public; and
- v. By delegated authority from the Director of Civil Aviation, Avsec will issue Airport Identity Cards.

### Aviation Security Service Outputs

*Output (a) Prevention of in-flight security incidents (including dangerous goods screening)*

PERFORMANCE MEASURE	2006/07	2006/07 ACTUAL	2006/07 TARGET
<b>GENERAL PERFORMANCE MEASURES</b>			
1.	Forecast numbers of screened international passengers.	4,412,432	4,347,000
2.	Forecast numbers of screened domestic passengers on aircraft of 90+ seats.	4,974,446	4,944,000
3.	Percentage of international hold baggage screened.	100%	100%
4.	Number of verified unauthorised or prohibited items discovered post screening points (system failure).	5	Nil
5.	Number of flight delays attributable to screening activities (due to an Avsec system failure).	8	Nil
6.	Number of flight delays attributable to aircraft search activities.	Nil	Nil
7.	Number of verified unauthorised dangerous goods discovered post screening points (system failure).	1	Nil
<b>WAITING TIME PERFORMANCE MEASURES</b>			
8.	Average passenger wait times at international departure screening points (tested 6 monthly at Auckland & Christchurch international airports; also note that airport infrastructure can have a direct impact on wait times).	1 minute 20 seconds Auckland; 1 minute 36 seconds Christchurch.	No more than 5 minutes.

PERFORMANCE MEASURE 2006/07		2006/07 ACTUAL	2006/07 TARGET
9.	Average passenger wait times at domestic departure screening points (tested 6 monthly at Auckland & Christchurch international airports; also note that airport infrastructure can have a direct impact on wait times).	48 seconds Auckland; 41 seconds Christchurch.	No more than 10 minutes.
<b>TRAINING AND TESTING PERFORMANCE MEASURES</b>			
10.	Percentage of Aviation Security Officers involved in the screening function trained in key aviation security functions (searching, wandng, and X-ray proficiency).	100%	100%
11.	Percentage of all Aviation Security Officers involved in the screening function covertly tested every 150 working days against key aviation security functions (searching, wandng, X-ray proficiency).	100%	100%
12.	Percentage of practicing Aviation Security Officers who pass recurrent testing for proficiency in screening functions.	99.01%	100%
13.	Percentage of practicing Aviation Security Officers who pass recurrent testing for proficiency in the aircraft search function.	99.06%	100%
<b>COMPLAINTS AND AUDIT PERFORMANCE MEASURES</b>			
14.	Number of complaints against Aviation Security Officers involved in the screening function (includes 'free riders'). <sup>6</sup>	One complaint per 419,907 passengers.	No more than one formal complaint per 250,000 passengers.
15.	Number of complaints against Aviation Security Officers pertaining to aircraft search.	Nil airline complaints.	No more than five airline complaints per annum.
16.	Number of corrective action requests issued pertaining to the aircraft search function issued by external auditors during any programmed audit.	Nil	Nil
17.	Number of corrective requests issued pertaining to screening functions issued by external auditors during any programmed audit.	4	Nil

*Output (b): Prevention of airside security incidents*

PERFORMANCE MEASURE 2006/07		2006/07 ACTUAL	2006/07 TARGET
1.	Number of corrective action requests pertaining to access control issued by external auditors.	Nil	Nil
2.	Percentage of responses to any security-related emergency within 5 minutes of being requested.	100%	100%
3.	Forecast number of Airport Identity Cards issued: Permanent: 7,500 Temporary: 42,000	7,313 51,138	7,500 (+/- 5%) 42,000 (+/- 5%)
4.	Percentage compliance by Aviation Identity Cardholders per CAA Rule 19.357. <sup>7</sup>	96.53%	100%

6 "Free riders" refers to some screened domestic passengers for which no levy is recovered from airlines. The situation arises due to infrastructural configurations at certain airports.

7 CAA Rule 19.237 sets out the requirement for which Airport Identity Cards are required to be worn in a designated security area.

## Financial performance of output class 1: Aviation security service

### Output (a): Prevention of in-flight security incidents

2005/06 ACTUAL (\$000)		2006/07 ACTUAL (\$000)	2006/07 BUDGET (\$000)
2,024	Contracted services	1,708	784
40,911	Levies/passenger security charges	51,100	47,799
998	Other income	916	459
<b>43,933</b>	<b>Total output revenue</b>	<b>53,724</b>	<b>49,042</b>
<b>35,718</b>	<b>Total output expenses</b>	<b>44,888</b>	<b>38,809</b>
<b>8,215</b>	<b>Output surplus</b>	<b>8,836</b>	<b>10,233</b>

### Output (b): Prevention of air-side security incidents

2005/06 ACTUAL (\$000)		2006/07 ACTUAL (\$000)	2006/07 BUDGET (\$000)
1,765	Contracted services	1,758	1,743
323	Other income	253	131
<b>2,088</b>	<b>Total output revenue</b>	<b>2,011</b>	<b>1,874</b>
<b>11,015</b>	<b>Total output expenses</b>	<b>12,550</b>	<b>11,441</b>
<b>(8,927)</b>	<b>Output (deficit)</b>	<b>(10,539)</b>	<b>(9,567)</b>

### Output 1: Total Output Revenue

2005/06 ACTUAL (\$000)		2006/07 ACTUAL (\$000)	2006/07 BUDGET (\$000)
3,789	Contracted services	3,466	2,527
40,911	Levies	51,100	47,799
1,321	Other income	1,169	590
<b>46,021</b>	<b>Total output revenue</b>	<b>55,735</b>	<b>50,916</b>
<b>46,733</b>	<b>Total output expenses</b>	<b>57,438</b>	<b>50,250</b>
<b>(712)</b>	<b>Output surplus / (deficit)</b>	<b>(1,703)</b>	<b>666</b>

## OUTPUT CLASS 2: MARITIME SECURITY SERVICES

### Description

The output class covers the provision of maritime security services following the declaration of a high level threat situation at the port of Auckland, affecting cruise ships or their passengers.

### Output (c): Maritime Security Services

PERFORMANCE MEASURE 2006/07		2006/07 ACTUAL	2006/07 TARGET
1.	Percentage of Avsec responses within 4 hours to any request from the Minister of Transport or the Director of Maritime New Zealand to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.	Not applicable	Nil

### Financial performance of output class 2: Maritime security services

2005/06 ACTUAL (\$000)		2006/07 ACTUAL (\$000)	2006/07 BUDGET (\$000)
132	Crown	165	145
<b>132</b>	<b>Total output revenue</b>	<b>165</b>	<b>145</b>
<b>137</b>	<b>Total output expenses</b>	<b>165</b>	<b>145</b>
<b>(5)</b>	<b>Output surplus / (deficit)</b>	<b>-</b>	<b>-</b>

# GROUPED STATEMENT OF ACCOUNTING POLICIES

## REPORTING ENTITY, STATUTORY BASE

These are the financial statements of the Civil Aviation Authority (the Authority), a Crown entity in terms of the Crown Entities Act 2004 (CEA 2004).

The financial statements provide the grouped financial performance of the Civil Aviation Authority of New Zealand in respect of the responsibilities for:

- the regulation of Civil Aviation Safety in New Zealand (the Civil Aviation Authority or CAA); and
- the provision of Aviation Security Services in New Zealand (Aviation Security Services or Avsec).

The grouped financial statement for the year ended 30 June 2007 had been prepared to comply with section 150 of the CEA 2004.

In accordance with the CA Act 1990, certain functions are performed by persons outside the Authority operating under Delegated Authority. The financial statements exclude external transactions performed by these persons operating under delegated authority.

## MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis, modified by the revaluation of an Auckland building.

## BASIS OF GROUPING

The financial statements for the Authority have been grouped. All inter-entity transactions have been eliminated in the preparation of the grouped financial statements.

## ACCOUNTING POLICIES

### Budget Figures

The budget figures were approved by the Authority at the beginning of the financial year and disclosed in the Statement of Intent 2006/09. The budget figures were prepared in accordance with New Zealand's Generally Accepted Accounting Principles (NZ GAAP).

### Revenue and Expenditure

The CAA earns revenue from direct fees and charges, regulated levies based on domestic and international airline departures, interest income and Crown revenue.

Avsec earns revenue from regulated passenger security charges based on domestic and international airline departures, charges for additional aviation security activities that are outside its core function, interest income and Crown funding.

Revenue is recognised when earned and reported in the financial period to which it relates.

Operating expenditure is recognised in the period to which it relates.

### Output Costing

#### *Criteria for Direct and Indirect Costs:*

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

Direct costs account for 88% of the Authority's costs (2006: 88%).

**Cost Drivers for the Allocation of Indirect Costs:**

Indirect personnel, property and other occupancy costs are charged on the basis of budgeted staff numbers attributable to an output. Computer costs are charged on the basis of actual PCs in use. Depreciation and capital charges are charged on the basis of asset utilisation.

Other indirect costs are allocated to business units on the proportion of direct costs to each output.

**Goods and Services Tax**

All items in the financial statements are stated exclusive of Goods and Service Tax (GST), except for Receivables and Payables, which are GST inclusive. The amount of GST owing at balance date, being the difference between output/input taxes, are included as either a Payable or a Receivable (as appropriate).

**Income Tax**

The Authority is a public authority and is therefore exempt from the payment of income tax under the Income Tax Act 2004. Accordingly no charge for income tax has been provided for.

**Receivables**

Receivables are stated at their estimated realisable

value after providing for doubtful and uncollectible debts.

**Fixed Assets**

Fixed assets are capitalised and recorded at historical cost. Any write-down of a fixed asset to its recoverable amount is recognised in the Statement of Financial Performance.

A building in Auckland is stated at net current value as determined by an independent registered valuer as at 30 June 2006. The building is re-valued every three years. Additions between revaluations are recorded at cost.

Revaluations of buildings are either credited or debited, as appropriate, to the appropriate asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is recognised as an expense in the Statement of Financial Performance.

**Depreciation**

Depreciation is provided on a straight-line basis on all fixed assets at rates that write-off the cost or valuation of the assets over their estimated useful lives.

The useful lives and associated depreciation rates of the major classes of assets have been estimated as follows:

ASSET CLASS	ESTIMATED LIFE	DEPRECIATION RATE
Buildings	10-14 years	10% - 7%
Leasehold improvements	10 years or life of the 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 years	33%
Leased equipment	4-5 years	20% - 25%



### **Payment of Any Surplus to the Crown**

The Authority is specifically excluded from returning surpluses to the Crown under section 165 of the CEA 2004. Any operating surpluses are utilised on ongoing civil aviation safety and aviation security services and activities.

### **Employee Entitlements**

Provision is made in respect of the Authority's liability for annual leave, long service leave and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of remuneration. Long service leave and retirement leave were calculated on an actuarial basis.

### **Leases**

#### *Operating leases*

The Authority leases office premises and office equipment. As all risks and benefits of ownership are retained by the lessor, these leases are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

#### *Financial leases*

The CAA has entered into finance leases for telephone and photocopier, while Avsec has finance leases for security screening equipment. Substantially all the risks and benefits of ownership belong to the CAA and Avsec respectively as leasees and therefore these leases are classified as finance leases. The obligations under these leases are capitalised at the lower of the fair value of the asset or the present value of minimum lease payments. The capitalised leased assets and the corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are amortised over the shorter of the lease term or the estimated period that benefits are expected to be received for their use.

### **Financial Instruments**

The Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, receivables and payables. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

### **Statement of Cash Flows**

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other liquid investments in which the Authority invests as part of its day-to-day cash management.

*Operating activities* include all activities other than investing and financing activities. The cash inflows include all receipts from the Crown, airlines and aviation operators and participants. The cash outflows include payments made to employees, supplies of goods and services, and for taxes.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* are those activities relating to changes in equity and the debt capital structure of the Authority.

### **Changes in Accounting Policies**

There have been no changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a consistent basis to the prior year.

# GROUPED FINANCIAL STATEMENTS

## GROUPED STATEMENT SPECIFYING FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

SPECIFIED FINANCIAL PERFORMANCE		ACHIEVEMENT	TARGET
To achieve the budgeted deficit (\$000)	(a)(b)	<b>(2,713)</b>	<b>(913)</b>
Expenditure to be within budget (\$000)	(b)	<b>86,067</b>	<b>78,845</b>
To maintain net current assets at budgeted levels (\$000)	(c)	<b>14,790</b>	<b>10,685</b>
To achieve the budgeted current ratio	(c)	<b>32.3</b>	<b>22.9</b>
To achieve the budgeted average debtors ratio: days		<b>32</b>	<b>32</b>
To achieve the budgeted average creditors ratio: days		<b>45</b>	<b>50</b>
To maintain physical assets at budgeted levels (\$000)	(d)	<b>16,332</b>	<b>18,175</b>
Capital expenditure to be within budget (\$000)	(d)	<b>3,032</b>	<b>3,150</b>
To achieve the budgeted ratio of capital additions to physical assets	(d)	<b>19%</b>	<b>17%</b>
To achieve the budgeted ratio of physical assets to total assets	(d)	<b>36%</b>	<b>47%</b>
To maintain public equity at budgeted levels (\$000)		<b>24,987</b>	<b>22,220</b>
To achieve the budgeted ratio of public equity to total assets		<b>54%</b>	<b>58%</b>

### *Explanation of significant variances in financial performance:*

- (a) The net operating deficit for the year was higher than expected due to increased costs (see (b)), which were partially offset by increases in reserve from levies, fees, charges and interest.
- (b) Expenditure for the year was higher than expected due primarily to increased costs for Avsec in the areas of personnel, leasing, and plant and equipment maintenance costs. This was a direct result of the implementation of passenger screening for liquid, aerosols and gels initiated on 31 March 2007.
- (c) The higher current ratio was due to higher than expected net current assets arising from delays in capital expenditure (see (d)).
- (d) Delays in capital expenditure programmes were incurred by both the CAA and Avsec.

## GROUPED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL \$000	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000
61,059	Levies / passenger security charges revenue	71,689	68,005
1,893	Crown revenue	1,926	1,905
8,858	Other revenue	8,203	7,092
1,625	Interest income	1,536	930
<b>73,435</b>	<b>Total operating revenue</b>	<b>83,354</b>	<b>77,932</b>
73,854	Cost of services	86,067	78,845
<b>(419)</b>	<b>Net deficit</b>	<b>(2,713)</b>	<b>(913)</b>

## GROUPED STATEMENT OF MOVEMENTS IN PUBLIC EQUITY FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
(419)	Net deficit	(2,713)	(913)
(2)	Decrease in asset revaluation reserve	-	-
<b>(421)</b>	<b>Total recognised revenues and expenses</b>	<b>(2,713)</b>	<b>(913)</b>
10,000	Capital injection	1,848	-
(11,639)	Capital repayment	-	-
<b>(2,060)</b>	<b>Movements in public equity for the year</b>	<b>(865)</b>	<b>(913)</b>
<b>27,912</b>	<b>Public equity as at 1 July</b>	<b>25,852</b>	<b>23,133</b>
<b>25,852</b>	<b>Public equity as at 30 June</b>	<b>24,987</b>	<b>22,220</b>

*The accompanying accounting policies and notes form part of the Grouped Financial Statements.*

## GROUPED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

2006 ACTUAL \$000	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000
<b>Public equity</b>			
25,228	General funds 3	24,363	21,596
624	Asset revaluation reserve 3	624	624
<b>25,852</b>	<b>Total public equity</b>	<b>24,987</b>	<b>22,220</b>
Represented by:			
<b>Current assets</b>			
20,232	Cash	19,481	13,741
7,819	Receivables and other assets 4	10,099	6,600
<b>28,051</b>	<b>Total current assets</b>	<b>29,580</b>	<b>20,341</b>
<b>Non-current assets</b>			
18,798	Fixed assets 5	16,332	18,175
<b>46,849</b>	<b>Total assets</b>	<b>45,912</b>	<b>38,516</b>
<b>Current liabilities</b>			
5,385	Payables	6,244	3,042
4,316	Employee entitlements 6	5,839	3,907
2,492	Current portion of finance lease liabilities 7	2,707	2,707
<b>12,193</b>	<b>Total current liabilities</b>	<b>14,790</b>	<b>9,656</b>
<b>Non-current liabilities</b>			
6,972	Finance lease liabilities 7	4,266	4,266
1,832	Employee entitlements 6	1,869	2,374
<b>8,804</b>	<b>Total non-current liabilities</b>	<b>6,135</b>	<b>6,640</b>
<b>20,997</b>	<b>Total liabilities</b>	<b>20,925</b>	<b>16,296</b>
<b>25,852</b>	<b>Net assets</b>	<b>24,987</b>	<b>22,220</b>

*The accompanying accounting policies and notes form part of the Grouped Financial Statements.*

## GROUPED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

2006 ACTUAL \$000	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000
<b>Cash flow from operating activities</b>			
<b>Cash was provided from:</b>			
59,617	Levies /passenger security charges	69,803	66,953
1,908	Crown revenue	1,906	1,905
1,418	Ministry of Transport revenue	1,300	1,418
7,400	Fees, charges and other	6,751	5,676
1,767	Interest	1,451	940
72,110		81,211	76,892
<b>Cash was applied to:</b>			
(47,836)	Payments to employees	(56,013)	(50,854)
(18,262)	Payments to suppliers	(19,686)	(18,951)
(231)	Interest paid	(663)	(650)
200	Net goods and services tax	(117)	84
(2,167)	Payments of capital charge to the Crown	(1,908)	(1,850)
(68,296)		(78,387)	(72,221)
<b>3,814</b>	<b>Net cash flow from operating activities</b>	<b>2,824</b>	<b>4,671</b>
<b>Cash flow from investing activities</b>			
<b>Cash was provided from:</b>			
11,813	Sale of assets	102	50
<b>Cash was applied to:</b>			
(21,911)	Purchase of assets	(3,032)	(3,150)
<b>(10,098)</b>	<b>Net cash flow from investing activities</b>	<b>(2,930)</b>	<b>(3,100)</b>
<b>Cash flow from financing activities</b>			
<b>Cash was provided from:</b>			
10,000	Capital injection	1,848	-
10,674	External borrowings	-	-
<b>Cash was applied to:</b>			
(11,639)	Capital repayment	-	-
(1,473)	Repayment of external borrowings	(2,493)	(2,502)
<b>7,562</b>	<b>Net cash flow from financing activities</b>	<b>(645)</b>	<b>(2,502)</b>

*The accompanying accounting policies and notes form part of the Grouped Financial Statements.*

**GROUPED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2007**  
*(continued from previous page)*

2006 ACTUAL \$000	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000
1,278	Net increase/(decrease) in cash held	(751)	(931)
18,954	Plus opening cash	20,232	14,672
<b>20,232</b>	<b>Total cash balance at end of year</b>	<b>19,481</b>	<b>13,741</b>
	Represented by:		
519	Cash and bank balances	261	(378)
19,713	Short term deposits	19,220	14,119
<b>20,232</b>	<b>Total cash balance at end of year</b>	<b>19,481</b>	<b>13,741</b>

*The accompanying accounting policies and notes form part of the Grouped Financial Statements.*

## GROUPED STATEMENT OF COMMITMENTS AS AT 30 JUNE 2007

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. The CAA and Avsec have operational commitments in relation to term leases on buildings and operational leases such as for office equipment, building services and other contracts for services.

2006 ACTUAL \$000		2007 ACTUAL \$000
<b>Capital commitments</b>		
132	Purchase of capital equipment	-
<b>132</b>	<b>Total capital commitments</b>	<b>-</b>
<b>Operating commitments</b>		
5,725	Non cancellable leases	8,466
867	Non-cancellable contracts – supply of goods and services	306
<b>6,592</b>	<b>Total operating commitments</b>	<b>8,772</b>
<b>6,724</b>	<b>Total commitments</b>	<b>8,772</b>
<b>Commitments by term</b>		
2,363	Less than one year	2,426
1,513	One year but less than two years	2,038
2,193	Two years but less than five years	3,232
655	Longer than five years	1,076
<b>6,724</b>	<b>Total commitments</b>	<b>8,772</b>

## GROUPED STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2007

2006 ACTUAL \$000		2007 ACTUAL \$000
150	Legal claims	35
<b>150</b>	<b>Total contingent liabilities</b>	<b>35</b>

*The accompanying accounting policies and notes form part of the Grouped Financial Statements.*

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## NOTE 1: OTHER REVENUE

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
7,299	Fees and charges	6,727	5,624
1,418	Ministry of Transport	1,417	1,418
141	Gain on disposal of assets	59	50
<b>8,858</b>	<b>Total other revenue</b>	<b>8,203</b>	<b>7,092</b>

## NOTE 2: COST OF SERVICES

2006 ACTUAL \$000		NOTES	2007 ACTUAL \$000	2007 BUDGET \$000
49,700	Employee remuneration	9	58,630	53,752
1,480	Training		1,635	1,808
771	Recruitment		1,355	168
231	Finance charges on finance leases		663	663
1,821	Rental expenses on operating leases		2,296	2,129
2,167	Capital charge	10	1,908	1,850
148	Authority members' fees	11	166	169
3	Bad debts written off		38	-
(1)	Provision for doubtful debts		(5)	-
79	Fees paid to Auditors		105	68
13,466	Other operating		13,665	12,401
	Depreciation:			
1,008	Plant & equipment		1,062	1,246
687	Computer equipment		816	880
453	Motor vehicles		480	492
72	Buildings		78	74
74	Furniture & fittings		96	87
140	Leasehold improvements		270	239
1,499	Leased office/screening equipment		2,742	2,737
56	Office equipment		67	82
3,989	Total depreciation for the year		5,611	5,837
<b>73,854</b>	<b>Total cost of services</b>		<b>86,067</b>	<b>78,845</b>



**NOTE 3: PUBLIC EQUITY**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
	Net Surplus/(deficit) for the year:		
298	Aviation Safety	(1,010)	(1,579)
(717)	Security Service	(1,703)	666
<b>(419)</b>	<b>Total recognised revenues and expenses</b>	<b>(2,713)</b>	<b>(913)</b>
	Capital movements:		
10,000	Security Service - capital injection from Crown	1,848	-
(11,639)	Security Service - capital repayment to Crown	-	-
<b>(1,639)</b>	<b>Total capital movements</b>	<b>1,848</b>	<b>-</b>
<b>(2,058)</b>	<b>Movements in public equity for the year</b>	<b>(865)</b>	<b>(913)</b>
<b>27,286</b>	<b>Public equity as at 1 July</b>	<b>25,228</b>	<b>22,509</b>
<b>25,228</b>	<b>Public equity as at 30 June</b>	<b>24,363</b>	<b>21,596</b>

**Asset Revaluation Reserve Building**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
626	Opening balance	624	624
(2)	Revaluation of building	-	-
<b>624</b>	<b>Total asset revaluation reserve</b>	<b>624</b>	<b>624</b>

**NOTE 4: RECEIVABLES AND OTHER ASSETS**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
7,138	Trade debtors	9,461	5,988
(6)	Less provision for doubtful debts	(1)	(10)
252	Prepayments	221	182
400	Work in progress	381	400
35	Inventories	37	40
<b>7,819</b>	<b>Total receivables and other assets</b>	<b>10,099</b>	<b>6,600</b>

**NOTE 5: FIXED ASSETS**

2006 COST OR VALUATION \$000	2006 ACCUMULATED DEPRECIATION \$000	2006 CARRYING VALUE \$000	GROUPED	2007 COST OR VALUATION \$000	2007 ACCUMULATED DEPRECIATION \$000	2007 CARRYING VALUE \$000	2007 BUDGET VALUE \$000
7,310	4,576	2,734	Plant and equipment	8,149	5,399	2,750	3,707
4,786	3,512	1,274	Computer equipment	6,328	4,222	2,106	2,973
2,174	1,015	1,159	Motor vehicles	2,351	1,302	1,049	1,125
900	-	900	Auckland building*	924	102	822	827
902	210	692	Furniture and fittings	1,059	299	760	932
1,817	366	1,451	Leasehold improvements	2,284	636	1,648	1,336
11,040	1,605	9,435	Leased equipment	11,040	4,347	6,693	6,698
471	266	205	Office equipment	547	333	214	156
948	-	948	Work in progress	290	-	290	421
<b>30,348</b>	<b>11,550</b>	<b>18,798</b>	<b>Total fixed assets</b>	<b>32,972</b>	<b>16,640</b>	<b>16,332</b>	<b>18,175</b>

\*The Auckland building was re-valued to net current value as determined by Registered Valuers as at 30 June 2006.

**NOTE 6: EMPLOYEE ENTITLEMENTS**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
	Comprising:		
4,316	Current	5,839	3,907
1,832	Non-current	1,869	2,374
<b>6,148</b>	<b>Total employee entitlements</b>	<b>7,708</b>	<b>6,281</b>
3,435	Annual leave	4,938	3,148
418	Performance based pay	451	338
405	Salaries and wages	350	500
739	Long service leave	790	1,152
1,151	Retirement leave	1,179	1,143
<b>6,148</b>	<b>Total employee entitlements</b>	<b>7,708</b>	<b>6,281</b>

**NOTE 7: FINANCE LEASE LIABILITY**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
2,492	Current	2,707	2,707
6,972	Non-current	4,266	4,266
<b>9,464</b>	<b>Total finance lease liability</b>	<b>6,973</b>	<b>6,973</b>
	Repayable as follows:		
3,156	Less than one year	3,170	3,170
3,170	One to two years	4,557	4,557
4,556	Two to five years	-	-
10,882		7,727	7,727
(1,418)	Future finance charges	(754)	(754)
<b>9,464</b>	<b>Total finance lease liability</b>	<b>6,973</b>	<b>6,973</b>

The effective interest rate on the finance leases is 7.78% (2006: 7.79%).

**NOTE 8: RECONCILIATION OF NET SURPLUS FROM OPERATIONS WITH THE NET CASH FLOW FROM OPERATING ACTIVITIES**

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
(419)	<b>Net deficit</b>	(2,713)	(913)
	Add non-cash items:		
2	Bad and doubtful debts	3	-
3,989	Depreciation	5,611	5,837
<b>3,991</b>	<b>Total of non-cash items</b>	<b>5,614</b>	<b>5,837</b>
	<b>Movements in working capital</b>		
(1,468)	Decrease/(increase) in receivables	(2,424)	(1,000)
(11)	Decrease/(increase) in inventories	(2)	(5)
(21)	Decrease/(increase) in work in progress	19	(19)
(12)	Decrease/(increase) in prepayments	30	58
1,902	(Decrease)/increase in payables	326	46
923	(Decrease)/increase in employee entitlements	2,186	717
<b>1,313</b>	<b>Net movement in working capital items</b>	<b>135</b>	<b>(203)</b>
	<b>Movements in investing activities</b>		
(930)	Decrease/(increase) in payables - assets	(153)	-
(141)	Gain on sale of assets	(59)	(50)
<b>(1,071)</b>	<b>Net movement in investing activities</b>	<b>(212)</b>	<b>(50)</b>
<b>3,814</b>	<b>Net cash flow from operating activities</b>	<b>2,824</b>	<b>4,671</b>

**NOTE 9: EMPLOYEE REMUNERATION**

The remuneration of employees who received remuneration and other benefits of \$100,000 or more per annum, in \$10,000 bands are as follows:

2006 NUMBER OF EMPLOYEES	TOTAL REMUNERATION AND OTHER BENEFITS	2007 NUMBER OF EMPLOYEES
4	\$100,000 to \$109,999	12
14	\$110,000 to \$119,999	6
7	\$120,000 to \$129,999	2
5	\$130,000 to \$139,999	17
4	\$140,000 to \$149,999	5
1	\$150,000 to \$159,999	2
1	\$160,000 to \$169,999	2
3	\$170,000 to \$179,999	3
2	\$180,000 to \$189,999	2
-	\$190,000 to \$199,999	3
-	\$200,000 to \$209,999	1
1	\$220,000 to \$229,999	-
1	\$250,000 to \$259,999	-
-	\$260,000 to \$269,999	-
-	\$300,000 to \$309,999	1
<b>43</b>		<b>56</b>

The remuneration of the previous Director of Civil Aviation, who resigned in November 2006, lies in the \$170,000 to \$179,999 band (2006: \$220,000 to \$229,999 band). The interim Director of Civil Aviation, appointed till May 2007, received remuneration in the \$150,000 to \$159,999 band. The remuneration of the current Director of Civil Aviation, who is an internal appointment from June 2007, lies in the \$180,000 to \$189,999 band.

The remuneration of the General Manager of Aviation Security Service lies in the \$300,000 to \$309,999 band (2006: \$250,000 to \$259,999 band), which includes the one-off payment of accumulated annual leave.

## NOTE 10: CAPITAL CHARGE AND RELATED PARTY DISCLOSURES

As a Crown entity, the Government significantly influences the role of the Authority as well as being a major source of revenue.

The Authority pays a capital charge to the Crown based on its public equity at 30 June and 31 December each year. The capital charge for 2006/07 was \$1,908,000 or 7.5% (2005/06: \$2,167,000 or 8.0%).

The Authority has entered into a number of transactions with Government departments, Crown entities and State-Owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Authority, related party disclosures have not been made.

The Authority has entered into a number of insignificant transactions with entities, of which members of the Authority are non-executive directors, on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Authority, related party disclosures have not been made for transactions of this nature.

## NOTE 11: AUTHORITY MEMBERS' FEES

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
50	R Tannock (Chair until September 2006)	30	57
26	H Armstrong (Deputy Chair until March 2007)	22	31
24	D Park (appointed November 2003)	24	27
24	S Hughes (appointed November 2004)	24	27
24	R Reid (until March 2007)	17	27
-	R Bettle (Chair – appointed October 2006)	36	-
-	R Crawford (appointed April 2007)	6	-
-	E Millar (Deputy Chair - appointed April 2007)	7	-
<b>148</b>	<b>Total Authority Members' fees</b>	<b>166</b>	<b>169</b>

## NOTE 12: CESSATION PAYMENTS

Compensation or other benefits paid or payable to Board Members or staff during the year ended 30 June 2007 were \$47,500 (2006: nil).

## NOTE 13: FINANCIAL INSTRUMENTS

The Authority is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable, accounts payable, loans and foreign currency forward contracts. The Authority is risk averse and seeks to minimise its exposure from its treasury activities.

**Credit risk**

Credit risk is the risk that a third party will default on its obligation to the Authority, causing the Authority to incur a loss. Financial instruments, which potentially subject the Authority to risk, consist primarily of cash, deposits, receivables and payables.

The Authority has minimal credit risk in its holdings of various financial instruments; which include cash, bank deposits and accounts receivable.

The Authority places its investments with financial institutions that meet the credit rating requirements of section 158 of the Crown Entities Act 2004. This reduces the risk of any loss that could arise from its investment activities. The Authority does not require any collateral or security to support financial instruments.

There is no significant credit risk. The maximum amount of credit risk is the carrying amount disclosed in the Statement of Financial Position.

**Currency risk**

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

At balance date, the Authority had USD \$470,000 worth of foreign currency forward exchange contracts (2006: nil). The fair value of these forward exchange contracts at 30 June 2007 is NZD \$631,975.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2007 (2006: nil). The interest rates on the Authority's investments ranged from 3.75% to 8.34% per annum (2006: 2.8% to 7.6% per annum).

**NOTE 14: AUTHORITY MEMBERS AND EMPLOYEE INSURANCE**

The Authority has taken insurance cover for Authority members and employees for personal loss caused by wrongful acts in the course of their duties where indemnity is not available from the organisation. The Authority has also taken insurance cover covering personal accident and travel risk for Authority members and employees where injury or loss occurs while on CAA business.

## NOTE 15: STATEMENT OF MEMORANDUM ACCOUNTS

2006 ACTUAL \$000		2007 ACTUAL \$000	2007 BUDGET \$000
<b>Aviation Safety:</b>			
<b>Revenue</b>			
15,469	Domestic levy	15,808	15,482
3,783	International levy	3,891	3,869
896	Other levies	890	855
3,501	Fees and charges	3,174	3,077
<b>23,649</b>		<b>23,763</b>	<b>23,283</b>
<b>Expenditure</b>			
18,349	Safety assessment and certification	19,627	19,930
4,703	Safety analysis and information	4,560	4,962
822	Enforcement	937	820
<b>23,874</b>		<b>25,124</b>	<b>25,712</b>
(225)	Net deficit	(1,361)	(2,429)
(993)	Opening balance	(1,218)	(1,218)
<b>(1,218)</b>	<b>Closing balance Aviation Safety</b>	<b>(2,579)</b>	<b>(3,647)</b>

2006 ACTUAL \$000		INTERNATIONAL PASSENGER SECURITY CHARGES \$000	DOMESTIC PASSENGER SECURITY CHARGES	OTHER FEES / CHARGES \$000	2007 ACTUAL \$000	2007 BUDGET \$000
<b>Aviation Security:</b>						
44,810	Revenue	35,171	15,949	3,611	54,731	50,471
45,527	Expenditure	36,660	15,993	3,781	56,434	49,805
(717)	Net surplus/(deficit)	(1,489)	(44)	(170)	(1,703)	666
2,423	Opening balance	2,813	(516)	(591)	1,706	620
<b>1,706</b>	<b>Closing balance Aviation Security</b>	<b>1,324</b>	<b>(560)</b>	<b>(761)</b>	<b>3</b>	<b>1,286</b>

**NOTE 16: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Authority will be adopting New Zealand Equivalents to International Reporting Standards (NZ IFRS) for the first time in its financial statements for the year ending 30 June 2008. This is consistent with the timeline for adoption in the New Zealand public sector.

Both the CAA and Avsec have been evaluating the differences, if any, between NZ IFRS and current policies in establishing NZ IFRS comparative information for the June 2006 financial year. From this analysis, no significant differences have been identified, other than the calculation of sick leave. However, it is possible the actual impact of adopting NZ IFRS may vary from this assessment and this variation may be material.



# ADDITIONAL FINANCIAL INFORMATION

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 CAA and Avsec.

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

GROUPED 2006 ACTUAL \$000	AVIATION SAFETY		SECURITY SERVICE		ELIMINATION		GROUPED	
	2006 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000
	<b>Revenue</b>							
61,059	20,589	20,206	51,100	47,799	-	-	71,689	68,005
1,893	1,761	1,760	165	145	-	-	1,926	1,905
1,418	1,417	1,418	-	-	-	-	1,417	1,418
7,299	3,261	3,097	3,466	2,527	-	-	6,727	5,624
1,625	431	390	1,105	540	-	-	1,536	930
141	(5)	-	64	50	-	-	59	50
-	11	-	-	-	(11)	-	-	-
<b>73,435</b>	<b>27,465</b>	<b>26,871</b>	<b>55,900</b>	<b>51,061</b>	<b>(11)</b>	<b>-</b>	<b>83,354</b>	<b>77,932</b>
	<b>Expenditure</b>							
51,952	17,853	18,265	43,767	37,463	-	-	61,620	55,728
13,298	8,088	7,338	5,929	5,309	-	-	14,017	12,647
3,989	731	850	4,880	4,987	-	-	5,611	5,837
2,167	560	626	1,348	1,224	-	-	1,908	1,850
2,219	1,048	1,234	1,559	1,312	-	-	2,607	2,546
148	116	104	50	65	-	-	166	169
3	37	-	1	-	-	-	38	-
(1)	(5)	-	-	-	-	-	(5)	-
79	47	33	58	35	-	-	105	68
-	-	-	11	-	(11)	-	-	-
<b>73,854</b>	<b>28,475</b>	<b>28,450</b>	<b>57,603</b>	<b>50,395</b>	<b>(11)</b>	<b>-</b>	<b>86,067</b>	<b>78,845</b>
<b>(419)</b>	<b>(1,010)</b>	<b>(1,579)</b>	<b>(1,703)</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>(2,713)</b>	<b>(913)</b>

## STATEMENT OF MOVEMENTS IN PUBLIC EQUITY FOR THE YEAR ENDED 30 JUNE 2007

GROUPED 2006 ACTUAL \$'000	AVIATION SAFETY		SECURITY SERVICE		GROUPED	
	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000
(419)	(1,010)	(1,579)	(1,703)	666	(2,713)	(913)
(2)	-	-	-	-	-	-
<b>(421)</b>	<b>(1,010)</b>	<b>(1,579)</b>	<b>(1,703)</b>	<b>666</b>	<b>(2,713)</b>	<b>(913)</b>
10,000	-	-	1,848	-	1,848	-
(11,639)	-	-	-	-	-	-
<b>(2,060)</b>	<b>(1,010)</b>	<b>(1,579)</b>	<b>145</b>	<b>666</b>	<b>(865)</b>	<b>(913)</b>
<b>27,912</b>	<b>7,464</b>	<b>7,830</b>	<b>18,388</b>	<b>15,303</b>	<b>25,852</b>	<b>23,133</b>
<b>25,852</b>	<b>6,454</b>	<b>6,251</b>	<b>18,533</b>	<b>15,969</b>	<b>24,987</b>	<b>22,220</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

GROUPED 2006 ACTUAL \$'000	AVIATION SAFETY		SECURITY SERVICE		ELIMINATION		GROUPED	
	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000
<b>25,852</b>	<b>6,454</b>	<b>6,251</b>	<b>18,533</b>	<b>15,969</b>	-	-	<b>24,987</b>	<b>22,220</b>
	Represented by:							
	<b>Current assets</b>							
20,232	4,546	4,562	14,935	9,179	-	-	19,481	13,741
7,132	2,522	2,139	6,938	3,839	-	-	9,460	5,978
35	-	-	37	40	-	-	37	40
400	381	400	-	-	-	-	381	400
252	101	2	120	180	-	-	221	182
<b>28,051</b>	<b>7,550</b>	<b>7,103</b>	<b>22,030</b>	<b>13,238</b>	-	-	<b>29,580</b>	<b>20,341</b>
18,798	2,299	2,348	14,033	15,827	-	-	16,332	18,175
<b>46,849</b>	<b>9,849</b>	<b>9,451</b>	<b>36,063</b>	<b>29,065</b>	-	-	<b>45,912</b>	<b>38,516</b>
	<b>Current liabilities</b>							
5,385	1,776	1,600	4,468	1,442	-	-	6,244	3,042
2,492	93	93	2,614	2,614	-	-	2,707	2,707
	<b>Provisions</b>							
4,316	1,107	907	4,732	3,000	-	-	5,839	3,907
<b>12,193</b>	<b>2,976</b>	<b>2,600</b>	<b>11,814</b>	<b>7,056</b>	-	-	<b>14,790</b>	<b>9,656</b>
	<b>Non-current liabilities</b>							
6,972	26	26	4,240	4,240	-	-	4,266	4,266
1,832	393	574	1,476	1,800	-	-	1,869	2,374
<b>8,804</b>	<b>419</b>	<b>600</b>	<b>5,716</b>	<b>6,040</b>	-	-	<b>6,135</b>	<b>6,640</b>
<b>20,997</b>	<b>3,395</b>	<b>3,200</b>	<b>17,530</b>	<b>13,096</b>	-	-	<b>20,925</b>	<b>16,296</b>
<b>25,852</b>	<b>6,454</b>	<b>6,251</b>	<b>18,533</b>	<b>15,969</b>	-	-	<b>24,987</b>	<b>22,220</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

GROUPED 2006 ACTUAL \$'000	AVIATION SAFETY		SECURITY SERVICE		ELIMINATION		GROUPED	
	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000	2007 ACTUAL \$'000	2007 BUDGET \$'000
	<b>Cash flow from operating activities</b>							
	<b>Cash was provided from:</b>							
59,617	20,570	19,964	49,233	46,989	-	-	69,803	66,953
1,908	1,761	1,760	145	145	-	-	1,906	1,905
1,418	1,300	1,418	-	-	-	-	1,300	1,418
7,400	3,296	3,149	3,466	2,527	(11)	-	6,751	5,676
1,767	442	390	1,009	550	-	-	1,451	940
72,110	27,369	26,681	53,853	50,211	(11)	-	81,211	76,892
	<b>Cash was applied to:</b>							
(47,836)	(16,720)	(15,793)	(39,293)	(35,061)	-	-	(56,013)	(50,854)
(18,262)	(10,647)	(11,062)	(9,050)	(7,889)	11	-	(19,686)	(18,951)
(231)	(13)	-	(650)	(650)	-	-	(663)	(650)
200	29	-	(146)	84	-	-	(117)	84
(2,167)	(560)	(626)	(1,348)	(1,224)	-	-	(1,908)	(1,850)
(68,296)	(27,911)	(27,481)	(50,487)	(44,740)	11	-	(78,387)	(72,221)
<b>3,814</b>	<b>(542)</b>	<b>(800)</b>	<b>3,366</b>	<b>5,471</b>	<b>-</b>	<b>-</b>	<b>2,824</b>	<b>4,671</b>
	<b>Cash flow from investing activities</b>							
	<b>Cash was provided from:</b>							
11,813	38	-	64	50	-	-	102	50
	<b>Cash was applied to:</b>							
(21,911)	(662)	(750)	(2,370)	(2,400)	-	-	(3,032)	(3,150)
<b>(10,098)</b>	<b>(624)</b>	<b>(750)</b>	<b>(2,306)</b>	<b>(2,350)</b>	<b>-</b>	<b>-</b>	<b>(2,930)</b>	<b>(3,100)</b>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007  
(continued from previous page)

GROUPED 2006 ACTUAL \$000	AVIATION SAFETY		SECURITY SERVICE		ELIMINATION		GROUPED	
	2007 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000	2007 ACTUAL \$000	2007 BUDGET \$000
	<b>Cash flow from financing activities</b>							
	<b>Cash was provided from:</b>							
10,000	-	-	1,848	-	-	-	1,848	-
10,674	-	-	-	-	-	-	-	-
	<b>Cash was applied to:</b>							
(11,639)	-	-	-	-	-	-	-	-
(1,473)	(73)	(82)	(2,420)	(2,420)	-	-	(2,493)	(2,502)
<b>7,562</b>	<b>(73)</b>	<b>(82)</b>	<b>(572)</b>	<b>(2,420)</b>	<b>-</b>	<b>-</b>	<b>(645)</b>	<b>(2,502)</b>
1,278	(1,239)	(1,632)	488	701	-	-	(751)	(931)
18,954	5,785	6,194	14,447	8,478	-	-	20,232	14,672
<b>20,232</b>	<b>4,546</b>	<b>4,562</b>	<b>14,935</b>	<b>9,179</b>	<b>-</b>	<b>-</b>	<b>19,481</b>	<b>13,741</b>





**PART 4:**

**REPORT OF THE  
AUDITOR GENERAL**

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# REPORT OF THE AUDITOR GENERAL

## AUDIT REPORT TO THE READERS OF THE CIVIL AVIATION AUTHORITY'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Civil Aviation Authority (the Authority). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Authority for the year ended 30 June 2007.

### Unqualified Opinion

In our opinion:

- The financial statements of the Authority on pages 101 to 123:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Authority's financial position as at 30 June 2007; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Authority on pages 84 to 100:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 19 October 2007, and 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 the Auditor, and explain our independence.

### Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.



Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion. Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Authority as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Authority's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

**Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Authority.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

**Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of Civil Aviation Authority for the year ended 30 June 2007 included on Civil Aviation Authority's web site. The Authority is responsible for the maintenance and integrity of the Civil Aviation Authority's web site. We have not been engaged to report on the integrity of the Civil Aviation Authority's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 19 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# GLOSSARY

## ABBREVIATIONS

<b>ACAG</b>	Aviation Community Advisory Group
<b>ANZ</b>	Air New Zealand
<b>ANZA</b>	Australia New Zealand Aviation
<b>APANPIRG</b>	Asia-Pacific Air Navigation Planning and Implementation Regional Group
<b>ARI</b>	Aviation Risk Initiatives
<b>ASTM</b>	American Society for Testing and Materials
<b>Authority</b>	Civil Aviation Authority of New Zealand, headed by a 5-member "Board"
<b>Avsec</b>	Aviation Security Service
<b>B787</b>	Boeing 787
<b>BARNZ</b>	Board of Airline Representatives in New Zealand
<b>BASA</b>	Bilateral Aviation Safety Agreement
<b>CAA</b>	Civil Aviation Authority of New Zealand (the organisation)
<b>CA Act 1990</b>	Civil Aviation Act 1990
<b>CASA</b>	Civil Aviation Safety Authority of Australia
<b>CATSA</b>	Canadian Air Transport Security Authority
<b>CEA 2004</b>	Crown Entities Act 2004
<b>CPL</b>	Commercial Pilot Licences
<b>CTAG</b>	Combined Threat Assessment Group
<b>Director</b>	Director of Civil Aviation
<b>EASA</b>	European Aviation Safety Agency
<b>ETD</b>	Explosive Trace Detection
<b>ETOPS</b>	Extended Twin-Engine Operation
<b>ELT</b>	Emergency Locator Transmitter
<b>FAA</b>	Federal Aviation Administration (of the United States of America)
<b>FRS</b>	Financial Reporting System
<b>FTE</b>	Full-Time Equivalents
<b>HASNO Act 1996</b>	Hazardous Substances and New Organisms Act 1996
<b>HBS</b>	Hold Baggage Screening
<b>HSE Act 1992</b>	Health and Safety in Employment Act 1992
<b>HUMS</b>	Health and Usage Monitoring Systems
<b>ICAO</b>	International Civil Aviation Organization
<b>IFR</b>	Instrument Flight Rules
<b>IPA</b>	Implementation Procedures for Airworthiness
<b>LAGs</b>	Liquids, Aerosols and Gels

<b>LSA</b>	Light Sport Aircraft
<b>MFAT</b>	Ministry of Foreign Affairs and Trade
<b>MoT</b>	Ministry of Transport
<b>Minister</b>	Minister of Transport, Minister for Transport Safety
<b>MRB</b>	Maintenance Review Board (Boeing)
<b>MSA 2004</b>	Maritime Security Act 2004
<b>NPRM</b>	Notice of Proposed Rule Making
<b>NVFR</b>	Night Visual Flight Rules
<b>NVG</b>	Night Vision Goggles
<b>NVIS</b>	Night Vision Imaging Systems
<b>NZAIP</b>	New Zealand Aeronautical Information Publication
<b>NZ GAAP</b>	New Zealand Generally Accepted Accounting Principles
<b>NZ IFRS</b>	New Zealand Equivalents to International Financial Reporting Standards
<b>NZTS</b>	New Zealand Transport Strategy
<b>OAG</b>	Office of the Auditor General
<b>Part</b>	Civil Aviation Rule Part
<b>PASO</b>	Pacific Aviation Safety Office
<b>PNC</b>	Production Built Non-type Certificated
<b>PPL</b>	Private Pilot Licences
<b>PSF</b>	Pacific Security Fund
<b>PTF</b>	Planning Task Force
<b>RESA</b>	Runway End Safety Area
<b>RNP</b>	Required Navigation Performance
<b>Rules</b>	Civil Aviation Rules
<b>SEIFR</b>	Single Engine Instrument Flight Rules
<b>SOI</b>	Statement of Intent
<b>SR</b>	Sport and Recreational Aircraft
<b>TAIC</b>	Transport Accident Investigation Commission
<b>TAWS</b>	Terrain Awareness Warning System
<b>TSSD</b>	Transport Sector Strategic Directions
<b>UAV</b>	Unmanned Aerial Vehicles
<b>USAP</b>	Universal Security Audit Program (ICAO)
<b>USOAP</b>	Universal Safety Oversight Audit Programme (ICAO)
<b>WA</b>	Working Arrangement

## DEFINITION OF AVIATION TERMS USED IN THIS REPORT

<b>Accident</b>	means an occurrence that is associated with the operation of an aircraft and takes place between the time any person boards the aircraft with the intention of flight and such time as all such persons have disembarked and the engine or any propellers or rotors come to rest, being an occurrence in which a) a person is fatally or seriously injured as a result of being in the aircraft; or direct contact with any part of the aircraft, including any part that has become detached from the aircraft; or direct exposure to jet blast except when the injuries are self-inflicted or inflicted by other persons, or when injuries are to stowaways hiding outside the areas normally available to passengers and crew; or b) the aircraft sustains damage or structural failure that adversely affects the structural strength, performance, or flight characteristics of the aircraft; and would normally require major repair or replacement of the affected component except engine failure or damage that is limited to the engine, its cowlings, or accessories, or damage limited to propellers, wing tips, antennas, tyres, brakes, fairings, small dents, or puncture holes in the aircraft skin; or the aircraft is missing or is completely inaccessible.
<b>Aviation document</b>	means any licence, permit, certificate, or other document issued under the CA Act 1990 to or in respect of any person, aircraft, aerodrome, aeronautical procedure, aeronautical product, or aviation-related service.
<b>Aviation security officer</b>	means a warranted person for the time being employed as such in Avsec.
<b>Grouped</b>	referred to in this annual report as both the CAA and Avsec (e.g. financial statements).
<b>ICAO Annexes</b>	<ol style="list-style-type: none"> <li>1. Personnel licensing</li> <li>2. Rules of the air</li> <li>3. Meteorological service for international air navigation</li> <li>4. Aeronautical charts</li> <li>5. Units of measurement to be used in air and ground operations</li> <li>6. Operation of aircraft</li> <li>7. Aircraft nationality and registration marks</li> <li>8. Airworthiness of aircraft</li> <li>9. Facilitation</li> <li>10. Aeronautical telecommunication</li> <li>11. Air traffic services</li> <li>12. Search and rescue</li> <li>13. Aircraft accident and incident investigation</li> <li>14. Aerodromes</li> <li>15. Aeronautical information services</li> <li>16. Environmental protection</li> <li>17. Security: safeguarding international civil aviation against acts of unlawful interference</li> <li>18. Safe transport of dangerous goods by air</li> </ol>





