

THE CIVIL AVIATION AUTHORITY

Annual Report 2015/2016



SAFE AND SECURE SKIES



Aviation Security Service

Kaiwhakamāru Rererangi

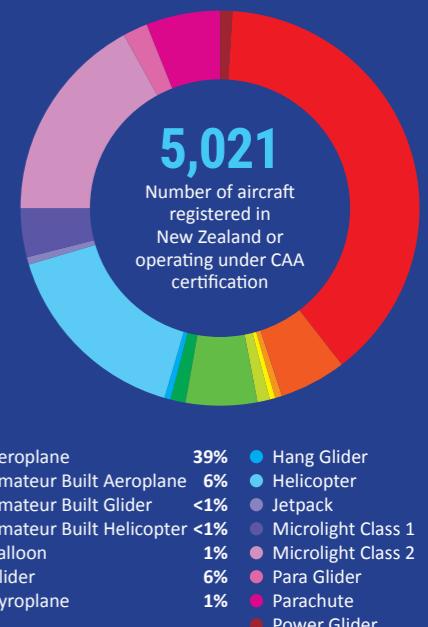
1 July to 30 June
2015 **2016**



CIVIL AVIATION ENVIRONMENT

Facts & Figures

(For the period 1 July 2015 – 30 June 2016)



641
Number of corrective
actions from registered
aviation participants
following safety audits by
the Authority

99%
of international visitors
arrived and departed NZ
by air (approx 11.9 million
passengers)

12.5 MILLION

passengers passed through
security screening points
in New Zealand (domestic/
international)

\$7.99 BILLION
exported by air (15.5%
of the total value of
New Zealand exports in
the past 12 months)

9,484
Number of active pilots
licensed in New Zealand

72
NZ residents on board
international flights

5.8 MILLION
International passengers

6.7 MILLION
Domestic passengers

34,155

87,201

of New Zealand

dangerous goods surrendered at screening points across security designated airports in New Zealand

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BOARD STATEMENT

This Annual Report has been prepared in accordance with:

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

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2015 to 30 June 2016.

Nigel Gould
Chairman of the Civil Aviation Authority of New Zealand
20 October 2016

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

Mark Wheeler
General Manager, Aviation Security Service
20 October 2016

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The year in review



Being safe and **feeling safe** at our airports and in our skies – this is the top priority for the Civil Aviation Authority of New Zealand ('the Authority'). New health and safety laws that took effect this year designate the Authority as the agency responsible for health and safety regulation for aircraft in operation. These responsibilities are paramount as we regulate to ensure that everyone working, travelling

or playing in New Zealand's airspace is safe and secure.

This involves a lot of time and expense, and over the last two years a major review has been carried out into how our safety regulatory functions are funded. In order to share the costs more fairly some major changes are being proposed. These proposals include, but are not limited to: surveillance activities funded

from levy revenue; medical certification fees reduced; changes to passenger levies; and the introduction of operational safety levies for Other Commercial operators. In November 2015 we began an extensive consultation process around the changes and thank everyone who took the time to make a submission. Decisions on the funding arrangements by Cabinet are pending.

GLOBAL CONNECTIONS

New Zealand prides itself on its international connectedness. Through global cooperation, regulators are able to share aviation safety and security information and, to cooperate in certifying civil aviation aircraft and aviation organisation's.

The Authority achieves this through active membership, participation and leadership in the International Civil Aviation Organization (ICAO) and ICAO forums, and through a range of bilateral aviation agreements between New Zealand and other countries. The emergent global standard in the aviation industry of safety management systems (SMS) is seen as the evolution of aviation safety and used in managing critical areas. Our development and introduction of a new civil aviation rule for safety management in the New Zealand environment in 2015/16 positions us well to keep pace with our international colleagues.

FOCUSING ON THE RISKS

This year we achieved positive and sustainable results against our standards of delivery performance and moved forward in many of our key focus areas. In particular we made significant progress on building our internal capability through an organisational review and a new programme of professional development as we journey towards

risk-based regulation, moving from an environment with prescribed minimum standards to one where operators proactively manage safety risks.

New rules for the development of inherently risk-based and forward thinking SMS came into effect in February. These systems enable all participants in aviation to identify, control and reduce the hazards and associated risks that affect them. A critical step in the development of SMS is creating risk profiles for each sector of the New Zealand aviation industry. The profile provides operators with a set of identified risks that will likely apply to their operation and enable them to identify areas of their operation that need closer attention.

This year we engaged an independent organisation to work independently and collaboratively with a range of stakeholders to develop the first of these profiles for the diverse helicopter and small aeroplanes (Part 135) sector. Next year a risk profile will begin to be developed for the medium and large aeroplanes (Parts 121 and 125) sector.

A Fatigue Risk Management Panel (FRMP) was established to provide advice to the Authority on the best ways to improve current practices and capability to manage fatigue-related risk in the sector. The FRMP panel comprises of members from the wider aviation community. The insidious nature of fatigue means that

it can reach harmful levels before the person is aware, or admits, that there is a problem. Once it is recognised, its effects on performance are frequently underestimated. In these ways, fatigued workers increase the risk to the operation. The Authority has begun a comprehensive review of the rules, guidance, practices, and international approaches to ensure the civil aviation system as a whole can manage fatigue-related risks effectively.

The Authority is becoming increasingly concerned at what it considers to be an unacceptably high accident rate among commercial helicopter operators. It is also concerned that despite employing the full spectrum of its regulatory interventions: ranging from a collaborative engagement with the sector to share information and jointly sponsor safety initiatives through to prosecution action where merited, the situation is not improving. Pockets of poor practice and poor safety culture remain. In the coming year the Authority will consider the adequacy of the resource it applies to the sector and continue work already underway to increase the effectiveness of its regulatory interventions.

MEETING CHALLENGES COLLABORATIVELY

Managing the many challenges that remotely piloted aircraft systems (RPAS), also known as unmanned

aerial vehicles (UAV), are bringing to New Zealand's airspace continued to be a priority for us this year. These aircraft are being used increasingly for a range of activities and eventually they will be integrated fully into our aviation network. We took significant steps towards making this happen this year with the introduction of a new rule, Part 102 (Unmanned Aircraft Operator Certification), that enables approved RPAS operators to conduct activity to operating conditions greater than general limitations of Part 101 (Gyrogliders and Parasails, Unmanned Aircraft (including Balloons), Kites, and Rockets – Operating Rules). Since the rule took effect last August, more than 50 operators have been certificated.

We've continued to work collaboratively with our aviation stakeholders to break new ground, make a difference and add real value to the nation's economic growth. Just after 7.21pm on 23 May 2016, the culmination of several years' hard work by airlines management and staff, airports, Airways, local communities and ourselves came to fruition when flight NZ613 from Auckland touched down at Queenstown airport – the first flight ever to land at Queenstown after dark.

One of the key factors that has made night flights into Queenstown possible is performance-based navigation (PBN) – a new navigation system that's being rolled out across the New Zealand aviation network, as part of New Southern Sky, a 10-year programme of major changes to New Zealand's aviation system to make air travel smarter, quicker, safer and cleaner. The programme is led by the Authority in partnership with the Airways Corporation of New Zealand and the Ministry of Transport.

BUILDING OUR SECURITY CAPABILITY

Maintaining security at our airports and in our skies continued to be a major focus for the Authority this year with record numbers of passengers departing our shores. Having the appropriate human and technological capability to meet growing security challenges is essential, and we made positive progress to achieving that this year with a review of the frontline management structure, completion of a workforce planning project, and participation in an inter-agency

initiative to continuously improve departure processing.

This year we continued to work with Pacific Island countries on capacity and capability building initiatives to improve their aviation security and safety responsibilities, which in turn ensure that ports of 'last points of departure' to New Zealand do not pose any risk to our aviation system.

SUPERIOR STRENGTH REPUTATION

A special highlight this year was the release in March of the inaugural Colmar Brunton Public Sector Reputation Index. The Index benchmarked 31 national public sector organisations against the four pillars of leadership and success; social responsibility; trust; and fairness, with each entity's reputation indexed against the others. We were delighted the Authority was ranked eighth, just behind the NZ Police, with an average rating of 109, putting us in the top 'superior strength' reputation category. A result like that cannot be bought – it is earned by, and testament to, the professionalism, integrity and capability of all our staff.

So 2015/16 has been a busy, eventful year which has seen real progress being made in our areas of major focus. We look forward to more of the same next year as we introduce the new regulatory funding arrangements, work with the Ministry of Transport to complete a review of the 26-year old Civil Aviation Act, and undergo a comprehensive audit by the International Civil Aviation Organisation to guide us on our path to becoming a world-class aviation regulator.



Nigel Gould
Chairman



Graeme Harris
Chief Executive and
Director of Civil Aviation



SECTION 1

Being safe Feeling safe

Who we are —



ESTABLISHED
in 1992 as a
Crown entity

under the Civil Aviation
Act 1990 (the Act)

RESPONSIBLE
to the Minister
of Transport

Ministers expectations for 2015/16:

- Supporting economic growth and productivity
- Value for money
- Safety and security

GOVERNED
by a five-member
board ("the Board")

For more information refer
to the 'Governance and
accountability' section
pages 18-19

**PRIMARY
OBJECTIVE**
is safety and
security

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

What we do —



REGULATORY FUNCTION
The aviation safety and regulatory
function delivers four core outputs:



Policy regulation strategy

- Ensure civil aviation system is robust and responsive.
- Maintain safety and security standards.
- Regulatory toolkit for interventions.



Outreach

- Support civil aviation participants.
- Influence/change attitudes and behaviours and encourage aviation participants.



Certification and licensing

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



Surveillance and investigation

- Monitor compliance with safety and security standards.
- Monitor inspections and audit participants.
- Administer the provisions of the Health and Safety in Employment Act 1992 for aircraft in operation.



**SECURITY
SERVICE FUNCTION**
The security service
function ('the Security
Service') delivers the
following core outputs:



Security service delivery

- Security-designated airports and air navigation facilities.
- All passengers screened for prohibited items and dangerous goods.
- Screen airport workers.
- Support aerodromes.
- Provide a maritime security response on high-profile events that could be targets for terrorism.
- Provide a leadership role in the Pacific.
- Runs an International Civil Aviation Organization (ICAO) training centre.

Our operating environment

With a strong emphasis on safety and security, we strive to keep ahead of change in a dynamic environment and support the aviation sector's contribution to the New Zealand economy.

The civil aviation industry continues to be fast-paced and highly dynamic. Increasing passenger traffic globally, emergent use of new technologies in the aviation system and design of aircraft, and the rapid growth of remotely piloted aircraft are examples of this continued dynamism within the aviation sector.

Keeping ahead of this dynamism is the challenge not only for the Authority, but for the global aviation sector.

ECONOMIC FACTORS

Tourism is expected to be New Zealand's largest industry by 2022. The Ministry of Business, Innovation & Employment expects visitor arrivals to New Zealand to reach 4.5 million visitors by 2022. The majority of these arrivals will utilise air travel.

The civil aviation system is responding to that forecast with new airline routes, increased capacity and infrastructure development at our airports.

This growth is a continuation of that already experienced in New Zealand over the past five years (depicted in the table below).

NUMBER OF PASSENGERS TRAVELLING BY AIR (000)	2012	2013	2014	2015	2016	% CHANGE (2016 V. 2015)
Total international passenger departures¹	4,775	4,760	5,018	5,328	5,773	8.4%
TOTAL DOMESTIC PASSENGERS RECORDED BY:						
Regulatory Function (all domestic operators)	9,954	10,384	10,500	10,873	11,736	7.9%
Security Service (limited to aircraft with seating capacity of 90 seats or more)	5,641	6,006	5,965	6,374	6,736	5.7%

The Authority supports the safety, security and the economic contribution of the aviation sector in a variety of ways.

Transport services make a significant contribution to the New Zealand economy. The National Airspace and Air Navigation Plan, launched in June 2014 and operationalised through the New Southern Sky programme,

is forecast to contribute approximately \$2 billion to New Zealand over the next two decades.² This programme enables us to adopt emerging technologies that can benefit aviation safety, commerce, and

the environment. The Authority is leading this work in conjunction with representatives of the wider aviation sector, including general aviation and recreational aviators.

SAFETY

Safety remains the top priority in all areas of our work. The overall safety trend in the general aviation sector shows a declining number of fatalities and lower accident rates (refer to 'Safety data' in appendix 3). However, participation rates are increasing and safety outcomes need to improve for some commercial parts of the aviation sector. As observed in the foreword to this document, that is particularly so for the commercial helicopter sector.

Our work with the Government, airports and airlines to implement the highest levels of safety and security continues as we focus on keeping the public safe, whether they are in the air or on the ground.

In our regulatory environment the introduction of SMS (safety management systems) captured within the Civil Aviation Rule, Part 100, aims to improve New Zealand's aviation safety performance through formal risk management frameworks and to embed an effective safety culture within aviation organisations. SMS will affect almost every part of the aviation industry.

SECURITY ENVIRONMENT

Aviation-related security risks remain a focus for the global marketplace. Millions of international travellers and tonnes of freight are exposed to aviation-related security risk every day. We actively review our response, and technological and people capability to meet the demands of the security

environment. A discussion document, Future 2022 and Beyond developed by the Aviation Security Service, outlines the drivers behind our frontline direction and future state. Over the past year we have repositioned our frontline management, invested in new screening technology, and worked closely with border agencies to provide effective and efficient aviation security.

As a regulator, we maintain close links with our international counterparts to maintain oversight of emergent threats to aviation, and to keep track of changes in our environment.

INDUSTRY SUSTAINABILITY

As the aviation sector grows it needs to mitigate its environmental impacts. Environmental concerns are central to policy debate and discussions on the sector's sustainability.

ICAO supports sustainability by setting international aviation goals and promoting sustainable biofuels in aviation. The Authority takes part in ICAO forums on these and other issues to ensure we can inform and support New Zealand industry participants on these global matters.

NEW TECHNOLOGY HORIZONS

Advances in aircraft technology continue to change the priorities of aviation regulators. Rapid technological developments in aviation mean the Authority has to consider what capabilities we need to deliver our role in the face of new challenges.

Our Regulatory staff are trained in both New Zealand and overseas to maintain and enhance their skills to international levels.

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

GLOBAL CONNECTIONS

We provide informed and expert input into global deliberations through our active membership in ICAO. Our participation and leadership in ICAO forums allows us to keep abreast of, and to influence, any matters having the potential to impact on New Zealand's civil aviation system.

The emergent global standard in the aviation industry is SMS. Our recent introduction of SMS to the New Zealand aviation system sees us keeping pace with our international colleagues.

Both Australia and New Zealand have amended their civil aviation law to provide for mutual recognition of aviation safety certifications in accordance with the Arrangement between the Australian and New Zealand Governments on Mutual Recognition of Aviation-Related Certification.

¹ The number of international passengers travelling by air over the past five years.

² Refer to the 2013/14 Annual Report of the Civil Aviation Authority, pages 10-11 "The Sky is the limit".



Managing organisational health and capability

The requirements on our Regulatory Function and Security Service staff are increasingly complex.

As a Crown entity we have an absolute focus on effectiveness, coupled with an ongoing drive to improve efficiency. We are committed to the principles of better regulation and applying them transparently, proportionately and consistently, and to providing a robust security service.

To deliver on this in an increasingly complex environment and to position ourselves for the future, our organisation must be structured in the right way and have the right combination of knowledge, skills and attitude.

ORGANISATIONAL CAPABILITY

The Authority must be:

- Intelligence-led**, actively seeking out information and data about how the aviation system and participants within the system are performing. We use this information to understand the risks within the system, and to focus our resources on those areas most likely to lead to unacceptable safety and security outcomes.
 - Risk-based**, responding in a timely fashion to the lessons learned from accidents and incidents and, where within our power, applying fixes to prevent a recurrence of the same problem.
- The implementation of SMS and the risk-based approach to regulatory intervention will lead to more targeted and proactive interventions, and enhance our risk identification.

To accomplish efficiency and effectiveness and grow the Authority's skill base, we have:

- Developed a resourcing model to ensure that staff have the right skill sets, and that our skill base is resilient and sustainable.
- Introduced an *Employee Value Proposition* (EVP) at entry to the Authority so expectations for staff are supported and agreed by senior management.
- Continued to enhance the Learning Management Framework (LMF). The LMF ensures all learning activities are targeted to achieving the Authority's agreed learning plans and objectives. Current LMF projects include:
 - Regulation Workforce Strategy implementation – how we transition the regulatory workforce to achieve the Authority's purpose; and
 - Avsec Smart Way programme – to upskill and empower frontline management across the country. The programme is designed to sustainably develop leadership and includes continuous improvement and new capability development.
- Ensured the electronic staff rostering system for Security Service allocates time and cost to maximise its resource capacity. The upgrade of Quintiq and the establishment of the National Rostering Centre in Auckland have contributed significantly to this.

HEALTH AND SAFETY

We are fully committed to meeting our responsibilities for the health, safety and well-being of all staff as prescribed in the *Health and Safety at Work Act 2015* (HSWA) explained on page 30.

Activities to improve the Authority's health and safety culture undertaken throughout 2015/16 are referred to in the table of activities contributing to the Authority as a Good Employer on page 15.

ORGANISATIONAL HEALTH AND CAPABILITY MEASURES

Organisational health and capability measures inform the Authority of risks to the delivery of our objectives. A sample of these measures are:

- Staff turnover and vacancy rates (pages 16-17)
- Measures of our financial performance (pages 65-99)
- The quality and efficiency of our core regulatory and security processes and/or outputs (refer to Statements of Performance pages 44–64).

GOOD EMPLOYER PROGRAMME

The Authority continues to comply with the principles of being a good employer, in particular by providing good and safe working conditions, impartial recruitment and selection processes, and fair and responsible employment practices and policies for all employees.

Our activities contributing to this programme, and our staff profile for the past year are provided in the following pages.

Activities in the past year

Leadership accountability and culture

- The Authority's purpose – safe and secure skies- is now prominently displayed throughout our facilities in the form of a roadmap. This has been communicated to existing staff through a series of workshops and is included in all new staff inductions
- Targeted leadership development is offered to managers across the Authority
- Quarterly leadership and management forums for all managers themed around the six organisational core behaviours are developed and conducted by members of the Authority Leadership team
- Induction specifically for new managers is conducted
- The six organisational core behaviours form an integral part of performance management
- Just culture principles are integral to all performance improvement programmes
- Regular engagement surveys take place with behavioural objectives based on employee feedback results
- Security Service Frontline Management Review was implemented, resulting in structural change to allow for greater accountability and empowerment of Tier 4 and 5 managers
- Full support is given to all new frontline managers to enable the best chance of success in their new roles
- A comprehensive, interactive online people manager resource toolkit has been introduced
- Coaching capability has been introduced throughout the Authority, commencing with the senior leadership team
- Coaching capability workshops rolled out to all managers and staff workshops on what to expect from coaches have been well-attended
- There is a focus on management and leadership behavioural change to improve the working environment, with performance plans for leaders focusing on three key focus areas identified from the most recent engagement survey

Recruitment selection and induction

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

Employee development promotion and exit

- A structured employee development study assistance programme continues and is open to all employees
- Career development workshops were piloted, available to all national office staff in the first instance
- A formal women's network is planned for establishment in 2016 and will be linked to the Government Women's Network
- A formal Pacific Island network is intended to be established by 2017
- Internal and external secondments are supported
- Targeted technical training is available to all technical employees
- A learning management framework is in place for all employees and included in the organisational learning policy
- Regular development opportunities are published in the organisation newsletter and on the intranet
- Formal exit interviews are offered to all exiting employees, with results collated and reported back (anonymously) to senior managers and the board
- An online exit survey is offered for all exiting employees, with results collated and reported back anonymously to senior managers and the Board

Flexibility and work design

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

Remuneration, recognition and reward

- Pay for high performance policy and practice is in place
- Thorough and robust/transparent job-sizing practices were introduced including peer review
- Reward and recognition systems and processes are used by the Authority to support equal pay principles
- Performance ratings are moderated by thorough process with staff able to request further review
- Manager workshops are conducted on performance reviews and giving feedback prior to each review round
- One-off non-financial rewards are available for above and beyond performance
- Internal "high five" mechanism on the intranet that allows employees to publicly recognise good work by peers
- Internal celebrations are held throughout the organisation to celebrate personal events such as special birthdays, long service, etc.
- Long service awards and certificates are presented at 5, 10, 15+ years' service

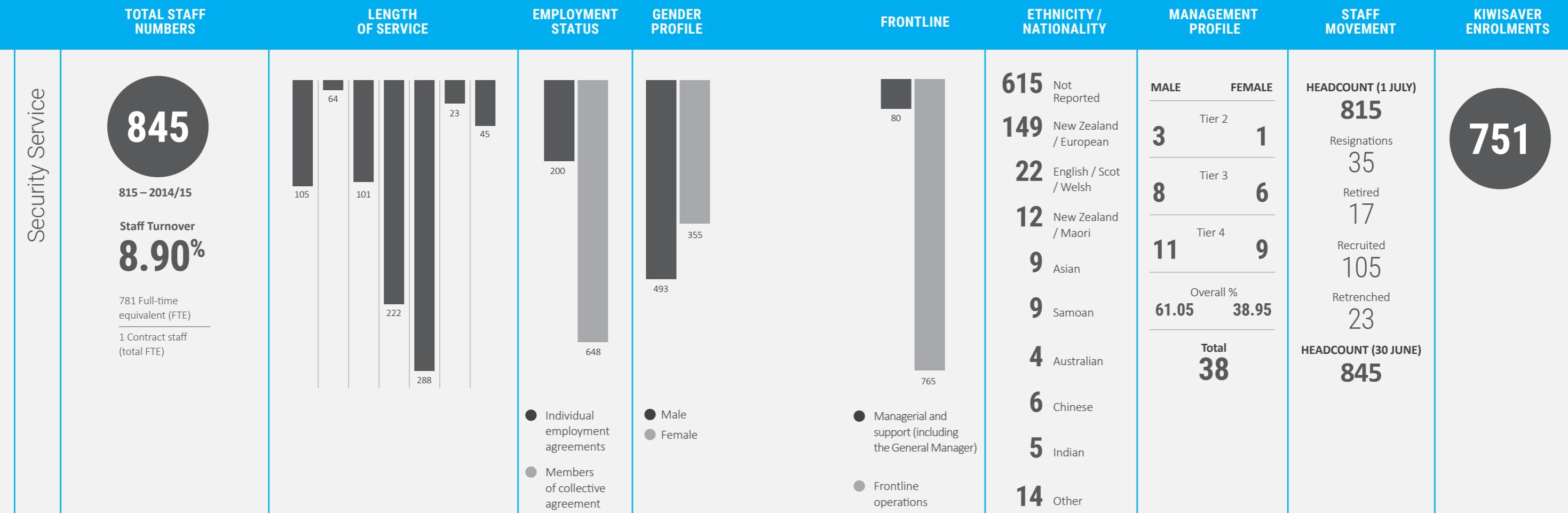
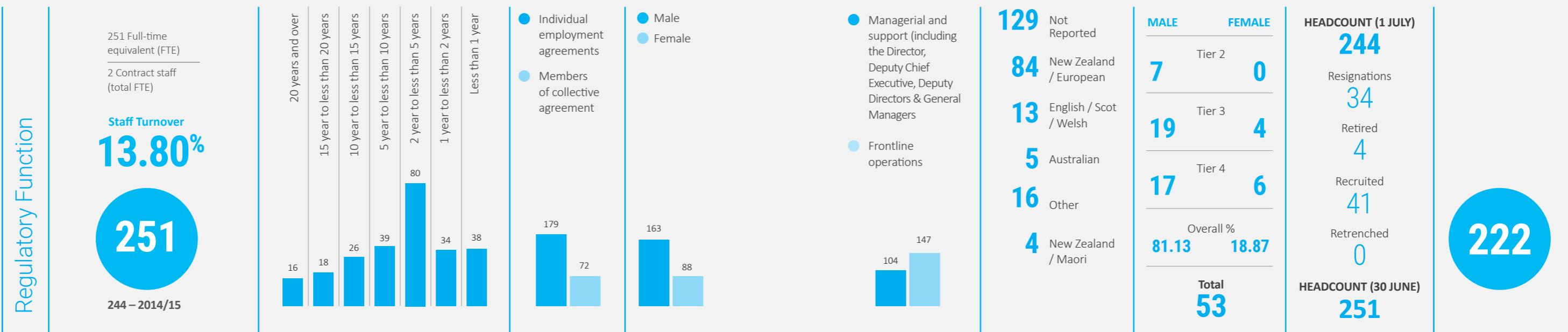
Harassment and bullying prevention

- Anti-harassment and bullying policy is in place with guidelines available online
- Employees are encouraged and supported to address low-level issues themselves
- Workshops on bullying and harassment are held for new employees
- New National Rostering Centre was established to reduce perceptions of favouritism or bias in rostering processes and systems

Safe and healthy environment

- ACC tertiary accreditation for workplace safety management programme is now in place across both areas of the organisation
- Health and safety committees (national and regional) have been formalised and increasingly resourced
- Educational workshops have been developed and delivered to all staff regarding the new health and safety legislation and what it means for them as employees and managers
- Comprehensive health and safety reporting is in place for managers and the Board
- Work has commenced on identifying measurements for improving the health and safety culture across the Authority
- An Employee Assistance Programme available when required
- An employee health check programme is in place for the Security Service and under consideration for the Regulatory Function
- Pilates and yoga is organised and made available to staff
- Ergonomic occupational assessments are conducted, including for those working remotely
- Flu vaccinations are offered annually
- Hearing and vision assessments are offered

Staff Profile



SECTION

3

Governance and accountability

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

The Authority acts in accordance with applicable statutory requirements, and in the interests of the role and functions of aviation safety and aviation security.

The Authority Board (“the Board”), the Chief Executive (CE), who also functions as the Director of Civil Aviation (DCA), and the Aviation Security Service (Avsec) have statutory functions in the civil aviation system. The CE is accountable for the exercise of his functions under the *Civil Aviation Act 1990*, the *Crown Entities Act 2004* and the *Health and Safety at Work Act 2015*.

The Board demonstrates its role by ensuring that the delegation of responsibility and authority to the CE and GM Avsec (related to performance of the privileges of civil aviation rules Part 140, Aviation Security Service Organisations – Certification and Part 141- Training Organisations) is concise and complete.

The *Civil Aviation Act 1990* also requires the Director of Civil Aviation to exercise independent judgement in relation to:

- granting, suspending or revoking aviation documents and medical certificates
- granting exemptions
- enforcing the *Civil Aviation Act 1990*, and associated rules and regulations.

The Board performs 11 functions that direct the operations of the Authority to achieve its outcome. These are:

- to promote civil aviation safety and security in New Zealand
- to promote civil aviation safety and security beyond New Zealand in accordance with New Zealand's international obligations
- to establish and continue a service to be called the Aviation Security Service
- to provide to the Minister such information and advice as required
- to investigate and review civil aviation accidents and incidents in its capacity as the responsible safety and security authority, subject to the limitations set out in the *Transport Accident Investigation Commission Act 1990*
- to notify the Transport Accident Investigation Commission of accidents and incidents notified to the Authority
- to maintain and preserve records and documents relating to activities within the civil aviation system, and in particular to maintain the *New Zealand Register of Aircraft* and the *Civil Aviation Registry*

- to co-operate with, or to provide advice and assistance to, any government agency or local government agency when requested to do so by the Minister, but only if the Minister and the Board are satisfied that the performance of the functions and duties of the Board will not be compromised
- to provide information and advice with respect to civil aviation, and to foster appropriate education programmes with respect to civil aviation, that promote its objectives
- to enter into technical and/or operational arrangements with civil aviation authorities of other countries.

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

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

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

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

BOARD MEMBERSHIP AND COMPOSITION

- The Minister appoints five independent non-executive members to the Board.
- The Board selects the membership of its committees.

BOARD COMMITTEES

The Board has one committee—the Audit, Finance and Risk Committee (AFRC)—which is comprised of all Board members and which may include appropriately qualified external members. The AFRC assists the Board to deliver the outcomes of the Authority by ensuring that best practice systems are in place in the areas of:

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

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

INTERNAL AUDIT

The overall responsibility for maintaining effective organisational control remains with the Board. The AFRC is responsible for approving an annual internal assurance plan for conducting internal audits and providing governance oversight for external audits. The Authority uses independent external resources to assist with its internal audit function.

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

RISK MANAGEMENT

The Board accepts it is responsible for the management of organisational risks, and requires the CE to establish and operate a risk management programme. The Board has a process to regularly assess the likelihood and consequence of strategic and operational risks, review mitigations, and reappraise the level of residual risk.

LEGISLATIVE COMPLIANCE AND ETHICS

The Authority is guided by codes of conduct³ and the State Services Commissioner’s *Standards of Integrity and Conduct*. Board members are required to complete a declaration of interests upon appointment and whenever changes occur during their term. A schedule of Board members’ interests is reviewed at every Board meeting.

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

ENGAGEMENT WITH STAKEHOLDERS

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

AUTHORITY MEMBER REMUNERATION

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

Board Profile



Nigel Gould / Chairman

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



Peter Griffiths / Deputy Chairman

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



John Bartlett / Board Member

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



Grant Lilly / Board Member

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



James (Jim) Boult / Board Member

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

Authority Leadership Team (ALT)



Graeme Harris
Chief Executive and
Director of Civil Aviation



Steve Moore
Deputy Director
General Aviation



Chris Ford
Deputy Director
Aviation Infrastructure & Personnel



Mark Hughes
Deputy Director
Air Transport & Airworthiness



Vacant
General Manager
Organisational Development



John Kay
Deputy Chief Executive



John Sneyd
Chief Legal Counsel



Tim Bowron
General Manager
Corporate Services



Mark Wheeler
General Manager
Aviation Security Service



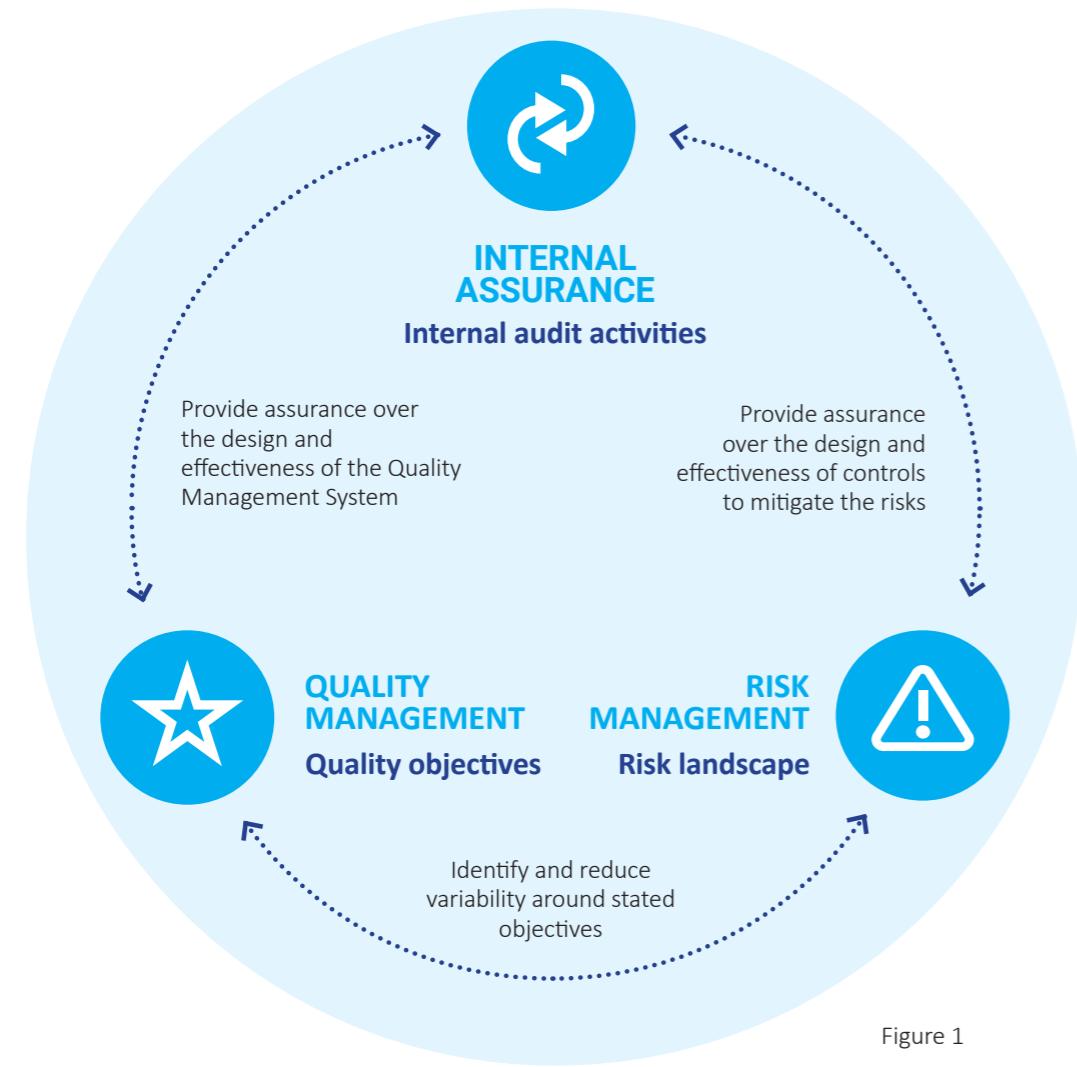
Graham Puryer
Executive Group Manager
(Aviation Security Service)

SECTION

4

Risk, quality and assurance

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



RISK, QUALITY AND ASSURANCE FRAMEWORK

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

MANAGING RISK

The Authority's organisation-wide risk management framework coordinates the management of risk in achieving organisational objectives. The framework is based on the AS/NZS ISO 31000:2009 Risk Management Standard. Clear lines of responsibility for the management of risk are established.

The Authority has primary responsibility for setting the organisation's risk appetite and oversight of the risk and control environment seeking assurance that risks are being appropriately managed. Management have responsibility for establishing effective risk management processes to identify and manage key strategic and organisational risks. Internal Assurance has responsibility for independently assessing the effectiveness of the organisation's risk management and control activities.

As part of the Authority's risk management programme, regular corporate risk and management control assessments took place during the 2015/16 year. The ALT regularly reviews the corporate risk profile and discusses the broader risk landscape that the Authority operates in with the Board.

MANAGING QUALITY

The Authority is committed to the same quality approach it expects of aviation participants. This requires a clear framework for the ISO 9001:2008 (ISO 9001) exposition, as it represents the Quality Management System (QMS), and includes a commitment to future review and improvement. TELARC conducted a three yearly re-certification

audit of our ISO 9001:2008 QMS in 2013/14 for both the Regulatory Function and the Security Service. This resulted in the Authority being re-certified under ISO 9001:2008 until 2017. TELARC also conduct interim annual reviews to ensure continued compliance with the defined QMS.

TELARC is a Crown entity subsidiary owned by the Accreditation Council (75%) and SAI Global Limited, Sydney, Australia (25%). TELARC are recognised as a certification/registration body by JAS-ANZ (Joint Accreditation System -Australia and New Zealand).

OBTAINING ASSURANCE

The Authority works with a contracted internal assurance provider in a co-sourced audit model. The Manager Assurance and Risk reports independently to the AFRC. Internal assurance coverage for the 2015/16 year included the following reviews:

- Information systems planning
- Authority business planning
- Safety promotion activities
- Regulatory certification and surveillance practices
- Airport identity card information systems
- Business continuity planning
- Quintiq schedule and roster.



5

Delivering our strategy 2014/18

GOVERNMENT GOAL

The Government's overall goal for New Zealand is:

'to grow the economy to deliver greater prosperity, security and opportunities for all New Zealanders'.

The Government's objective for transport is expressed as:

'an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our country's economy, in order to deliver greater prosperity, security and opportunities for all New Zealanders'.

This is stated in the policy direction document for transport, *Connecting New Zealand*, the Government's policy direction for transport.⁴

New Zealand's aviation sector may be small in size compared to the rest of the world – but we punch above our weight. We have some of the safest skies in the world with the general aviation sector experiencing fewer fatalities and lower accident rates (refer to Safety data in appendix 3).

The Authority's role to ensure the safety and security of New Zealand's civil aviation system continues. Our efforts contribute to a vibrant aviation system which supports social connections, commerce, and tourism.

We are not solely responsible for safety, however. We work

collaboratively with airlines, airport companies, air navigation, air traffic service providers, MetService, and a range of other participants to ensure the safety of the public.

Keeping the number of air accidents and security incidents trending downwards is one of our many challenges as we manage the same broad scope of aviation activities as higher-resourced regulators in much larger countries. We do this while meeting continuing growth in the numbers of participants and passengers, as well as advances in aviation technologies and international standards.

DELIVERING ON OUR STRATEGY

Knowing that it is safe to fly in New Zealand keeps the country in business with the world and keeps tourists coming here. Doing our part to ensure this is true means maintaining our focus on delivering against the Government's overall goal for transport through our strategic framework (figure 2).

OUR OUTCOME

Reducing aviation safety risk will be achieved through targeted and early intervention. Our overall outcome for the civil aviation system, as a key part of New Zealand's transport network, is '*Safe flight for social connections and economic benefits'*

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

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

Appendix 3 illustrates the current safety trends in New Zealand. Where sub-sector (activity) failure rates are low, and where residual risk⁵ is at an acceptable level.

IMPACTS OF OUR WORK

Our work has long-term effects on the civil aviation system, contributing to our overall outcome. Our outcome results from two impacts: '*being safe*' and '*feeling safe*'.

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

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

Airports, airlines, government agencies and other commercial operators who

work or interact with aviation are all included in the security community and contribute to security outcomes. Rule monitoring, oversight and audits are all part of the overall security picture in New Zealand. Our aim is that New Zealand has a positive international reputation for air safety and security, and that people have

confidence in the safety and security of air transport.

The following pages highlight our achievements linked to the Authority's strategic framework. We initially highlight the work directly contributing to the impacts of '*feeling safe*' and '*being safe*'.

The work undertaken on the strategic priorities attached to our three focus areas are highlighted on pages 31-33 and supported by the 'key programme of work' table on pages 34-35. The structure of our focus areas is:



FOCUS AREA 1

IMPROVING THE OVERALL EFFECTIVENESS OF THE AVIATION SYSTEM



FOCUS AREA 2

IMPROVING SECTOR SAFETY PERFORMANCE



FOCUS AREA 3

BECOMING A MORE RESPONSIVE AND RESULTS-DRIVEN ORGANISATION

These focus areas are supported by nine strategic priorities that link our inputs and outputs to Government's overall objective and outcomes for the broader transport sector.

STRATEGIC PRIORITIES:

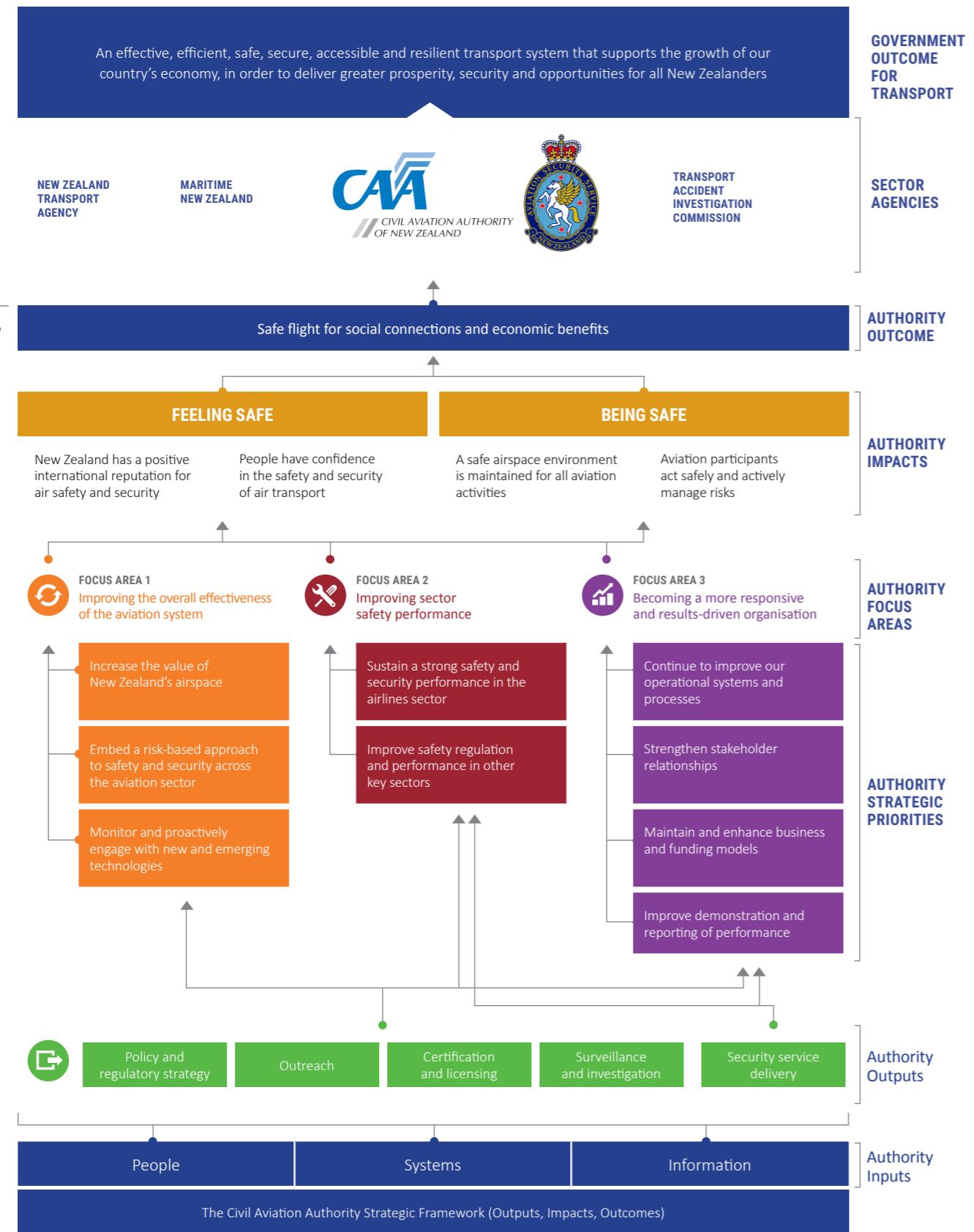
- | | | | | | |
|---|---|---|---|---|---|
| 1 | Increase the value of New Zealand's airspace | 4 | Sustain a strong safety and security performance in the airlines sector | 7 | Strengthen stakeholder relationships |
| 2 | Embed a risk-based approach to safety and security across the aviation sector | 5 | Improve safety regulation and performance in other key sectors | 8 | Maintain and enhance business and funding models |
| 3 | Monitor and proactively engage with new and emerging technologies | 6 | Continue to improve our operational systems and processes | 9 | Improve demonstration and reporting of performance. |

⁴ Policy direction document for transport – Connecting New Zealand

⁵ Residual risk is the level of risk remaining after application of controls i.e. what's left over after minimising the risk through controls is called residual risk. residual risk = (inherent risk) – (impact of risk controls)

Our Strategic Framework 2014/18

Figure 2



Being safe is the first of two impacts in our strategic framework that our work aims to achieve. The impact is demonstrated through **"a safe airspace environment maintained for all aviation activities"** and **"aviation participants act safety and actively manage risks"**.

Being safe means that air passengers arrive at their destinations safely and securely because a safe airspace environment is maintained and aviation participants act safely and actively manage risks. This section highlights the major pieces of work undertaken by the Authority in 2015/16 that contribute to this impact.

SAFETY MANAGEMENT SYSTEMS (SMS)

The introduction of a civil aviation rule for SMS, Part 100 – Safety Management, in February 2016 aims to improve New Zealand's aviation safety performance through formal risk management frameworks and

to support an effective safety culture within aviation organisations.

Under the SMS rule, operators need to demonstrate to the Authority that they have the right safety processes in place and have the right people doing the right things at the right time. We will be anticipating risks and looking for potential problems before they manifest. Simply complying with the rules will no longer be enough.

The rule will affect almost every part of the aviation industry. This is a fundamental change in the way we do things and its impact should not be underestimated.

QUEENSTOWN NIGHT OPERATIONS

After completing a comprehensive operator safety case to the Authority for Queenstown night operations, the first of a series of night proving flights by an Air New Zealand Airbus A320 was conducted on 30th April 2016.

Following a review by the Authority's aeronautical and flight operations specialists, regular commercial passenger night flights commenced in late May 2016.

Jetstar also applied to the Australian Civil Aviation Safety Authority (CASA) to conduct night flights to Queenstown, and the Authority and CASA have worked closely together to ensure that safety risks for both



The Security Service continues to go from strength to strength, increasing capacity and capability during significant growth in passenger numbers.

operators have been appropriately managed. Proposed variations to the foundation safety case supporting night time air transport operations at Queenstown Airport had previously been accepted by the Director of Civil Aviation in March 2016.

The conduct of night flights was underpinned by the performance-based navigation (PBN) approaches in Queenstown - a new navigation system that's being rolled out across the New Zealand aviation network, as part of New Southern Sky.

SECURITY SERVICE EFFECTIVENESS

The Security Service continues to go from strength to strength, increasing capacity and capability during significant growth in passenger numbers. Giving the travelling public confidence in 'being safe' is most visible in the delivery of this service. In 2015/16, the following activities focused on improving the efficiency of the Security Service:

- a review of the frontline management was conducted and a new structure implemented to meet changing operational needs
- a cabin baggage screening 'smart' lane was tested at the ICAO training facility at Aintree Avenue in Auckland and trialled in Christchurch for consideration of future use
- a discussion document, *'Future 2022 and Beyond'* was developed to review technological and workforce capacity to meet forecast growth in passenger numbers, emerging security threats, and the effectiveness of screening.

PACIFIC ISLAND COUNTRY (PIC) INVOLVEMENT

The Authority contributes to ongoing capability and capacity building initiatives for PIC's to improve their aviation security and safety performance which ensures that ports of 'last points of departure' to New Zealand do not pose any risk to our civil aviation system.

Contributions include:

- providing PICs advice on civil aviation safety and security
- providing support, technical expertise and advice through the Pacific Aviation Safety Office (PASO) to permit surveillance compliance audits to be undertaken against documented policies and procedures
- hosting an ICAO, Universal Safety Oversight Audit Programme (USOAP), Continuous Monitoring Approach (CMA) workshop for the Pacific Island Countries with support from the World Bank
- supporting PICs to achieve safety and security compliance from a national, regional and international perspective

- supporting the development of key Pacific Island personnel in managing activities where sustainable outcomes are achieved e.g. a certified ICAO trainer based in the Cook Islands delivered aviation security training in certain Pacific Island countries and provides oversight regarding servicing of screening equipment across the Pacific. As part of professional development, sponsorship was provided by New Zealand and Tonga Airports Limited for a Tongan Avsec employee to attend the ICAO Security Service Professional Management course. The employee successfully passed the intensive three-month course. Building airport security capability has become a focus for Pacific Island countries who now contribute to initiatives financially and/or in kind to improve security at their airports and skies.

Impact

feeling safe



Feeling safe is the second impact in our strategic framework. The impact is demonstrated through "*New Zealand having a positive international reputation for air safety and security*" and "*people having confidence in the safety and security of air transport*".

The benefits for the country of a safe and secure civil aviation system will only be fully realised if aviation participants experience 'feeling safe'. Feeling safe is created by New Zealand having a positive international reputation for air safety and security, and people having confidence in the safety and security of air transport.

This section highlights the major pieces of work undertaken by the Authority in 2015/16 that contribute to this impact.

BILATERAL AGREEMENTS

The maintenance and extension of our bilateral arrangements with other countries is critical to maintaining our international reputation for air safety and security.

In 2015/16 the Authority and the United States of America's Federal Aviation Administration (FAA) extended bilateral arrangements and implementation procedures for airworthiness. This represents a significant step forward for the FAA-Authority relationship as it expands the scope of Authority activities that will be automatically recognised by the FAA. This is to the benefit of New Zealand aviation participants who will have their work recognised by the FAA without having to go through a separate and costly certification process.

We have also been working on our mutual recognition arrangement with Australia and have progressed a technical agreement as mentioned in 'global connections' on page 13.

CERTIFIED MAINTENANCE TRAINING FOR ORGANISATIONS

Having the right regulation over our system contributes to feeling safe. Civil Aviation Rule Part 147 (Maintenance Training Organisations – Certification) establishes the certification requirements for organisations to provide training for aircraft maintenance technicians. Expected to assist in attracting overseas students, it will help further grow this existing, small but highly skilled local industry.

The rule was created as a result of demand from potential overseas customers for New Zealand maintenance training organisations to be certified to a standard recognised as similar to that provided by the United States and European training providers. New Zealand providers of such services are already required to be certified to a simpler New Zealand rule standard that provides equivalent outcomes to that provided by the US and Europe.

It is anticipated that the new rule will result in an increase in the number of overseas students coming to New Zealand to be trained as aircraft maintenance technicians and as such, it is expected to contribute

to New Zealand's economic development.

NEW SOUTHERN SKY (NSS)

NSS is an Authority-led, collaborative programme to modernise the aviation system over a ten-year period (2014-2023). The Authority is the lead agency, supported by Airways and the Ministry of Transport.

The programme is delivered in stages. Stage 1 (2014-2015) delivered the *Global Navigation Satellite System (GNSS) Sole Means Navigation Recommendation Report*. This project examined the case for permitting GNSS (the New Zealand aviation system currently utilises the United States Global Positioning System (GPS)) to be used as the only means of navigation for instrument flying.

The programme is now in Stage 2 and has set firm foundations for the major changes that are envisaged. These foundations include the creation of the *New Zealand Aviation System Safety Criteria* which will underpin all the projects and tasks that contribute to the modernised system.

The strongly collaborative structure of NSS and the outstanding cooperative effort of its Working Group led to production of the *New Zealand Aviation System Concept of Operations (CONOPS)* for 2023. The CONOPS describes the system 'end state' with the various technologies and capabilities used across all types

of airspace and operations within the New Zealand Flight Information Region (FIR). The significant benefit that the CONOPs brings is a singular system understanding, agreed by stakeholders, of the end state they are aiming to achieve.

The Authority is working with the Ministry of Transport to prepare rules that will bring satellite navigation regulations up to date, and establish a regulatory framework for the use of automatic dependent surveillance – broadcast (ADS-B) as the main source of surveillance information in New Zealand. ADS-B is planned to be introduced, starting with a proposed mandate for ADS-B for all aircraft operating above 24,500 feet from 31 December 2018.

CREATING EFFICIENCY IN ONLINE APPLICATION PROCESS FOR AIRPORT IDENTITY CARDS

Airport identity cards provide for a secure environment at our airports, from airside airline crew to airside airport staff, and retail personnel. Airport identity cards provide assurance that everyone operating in our secure environment is there for the right reason.

Each year the Security Service issue approximately 15,000 permanent airport identity cards and 55,000 temporary airport identity cards on behalf of the Director of Civil Aviation.

To ensure the airport identity cards are secure, we continuously look to enhance the process for efficiency and effectiveness. Enhancements in 2015/16 resulted in changes to how applicants fill in and submit forms electronically with detailed supporting information. We have also focused on clearer communications on where and when to apply for cards through our websites. We also now gather more detailed information on the application form to streamline the security check process and get cards out to applicants sooner than we have before.

AVIATION SECURITY TRAINING PROGRAMME (ASTP)

The Auckland Aviation Security Training Centre (ASTC) contributes to an ongoing project for aviation security capability and capacity building in the Pacific, where a number of approved Pacific Island Countries are sponsored to attend ICAO ASTP courses. New Zealand (through the Auckland ASTC) has five ICAO-certified instructors available to deliver this training. These instructors are also available for ongoing training initiatives as required by the ICAO Cooperative Aviation Security Program – Asia Pacific (CASP-AP).

The Authority runs an ICAO training centre out of its ASTC to deliver training to Asia Pacific member states on aviation security related topics including risk management and audit processes.

REMOTELY PILOTED AIRCRAFT SYSTEMS (RPAS)

The rapid introduction of RPAS brings with it the need for the adaptation of traditional regulation. Some of these aircraft can fly at heights that intrude on regulated airspace and create risks to the public.

As an initial response, new rules have been introduced which balance the need for safety with the enablement of innovation and enterprise through this new technology. Further investment to enhance the safety of this sector and to integrate them with other airspace users will be very evident over the balance of this decade.

HEALTH AND SAFETY AT WORK ACT 2015 (HSWA)

The Authority has two functions under the HSWA. The first is to provide our workers and other persons with the highest level of protection against harm to their health, safety, and welfare. The second is to administer provisions of the Health and Safety at Work Act 2015, under Prime Ministerial designation, in respect of the aviation sector for aircraft in operation. This includes the administration of the Act for work

on board aircraft and for aircraft as places of work while in operation. A lot of activity has been undertaken to integrate the functions of this designation and ensure the Authority is positioned strongly to deliver on our responsibilities.

CIVIL AVIATION AUTHORITY TRIENNIAL FUNDING REVIEW

Having the right level of fee to enable the right level of regulation over the system is a balancing act. The Authority is required to review its level of fees every three years or in response to significant change in the environment.

Over the last two years a major review has been carried out into how our safety regulatory functions are funded. The review focused more on re-balancing the Authority's revenues than on increasing revenue. The review was divided into two stages.

The first stage focused on the underlying principles of the Authority's funding framework, and addresses the question, "Who Should Pay?", and "How should they pay?", for the Authority's services.

The second stage is focused on answering the question, "How much should they pay?".

In November 2015 we began an extensive consultation process around the changes. The outcome of the consultation was considered and a decision on the funding arrangements by Cabinet is pending.



FOCUS AREA 1

Improving the overall effectiveness of the aviation system



STRATEGIC PRIORITIES:

INCREASE THE VALUE OF NEW ZEALAND'S AIRSPACE

- We have strengthened international relationships and connections to harmonise regulatory standards and develop multilateral and bilateral arrangements. For example, we have extended our bilateral arrangements with the likes of the FAA- refer to bilateral agreements on page 29.
- The Authority undertakes environmental scans annually to assess potential impacts of emergent technologies, policies, international amendments or other factors that may impact on the New Zealand civil aviation system. We partner with industry, and communicate our position on environmental issues and technology transitions so participants can plan and adapt without undue constraint on innovation. We also work with the Ministry of Transport to ensure the regulatory framework is fit for purpose.
- New cabin baggage screening equipment installed across four of the five security designated airports in November 2015. The new equipment has enhanced capability which includes high definition, dual-view x-ray equipment, making it easier for operators to identify threats and dangerous or prohibited items.
- Development and maintenance of risk profiles for specific aviation sectors is incorporated in our risk approach and policy development. Refer to appendix 3(d) for risk scores for Part 115 (Adventure Aviation – Certification and Operations) and Part 137 (Agricultural Aircraft Operations).

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

- Within the Security Service, we have improved our capability to identify and manage risk, and recruit for learning agility using technology enhancements in Quintiq (the electronic workforce rostering software). This optimises the allocation of frontline security staff. The service has also invested in training to improve decision-making by frontline managers, and in technical support to improving the passenger experience through the screening point.
- We developed policy (and rules) for RPAS in response to the rapid introduction of remotely piloted aircraft systems. Refer to url: <https://www.caa.govt.nz/rpas/index.html>.
- An 'Issue Review Panel' ensures all issues related to new and emerging technologies or environmental issues are considered and prioritised for action as appropriate.
- We led the inaugural FAA Composites Structures Safety Symposium in Wellington—a technology-focused symposium that attracted delegates from Australia, China, Japan, the US and New Zealand.
- We provided technical support to the whole-of-government initiative to develop policy and rules to cover the emerging rockets and high altitude vehicle launches from New Zealand.

MONITOR AND PROACTIVELY ENGAGE WITH NEW AND EMERGING TECHNOLOGIES



FOCUS AREA 2

Improving overall safety sector performance



STRATEGIC PRIORITIES:

SUSTAIN A STRONG SAFETY AND SECURITY PERFORMANCE IN THE AIRLINES SECTOR

- Operational processes of the Security Service were audited in 2015/16 by the United States Transportation Security Administration (TSA) and Australian Office of Transport Security (OTS) with no issues identified. The New Zealand Qualification Authority (NZQA) certified the Security Service training programme for aviation security officers as a Level 4 qualification on their qualifications framework. The Avsec training programme and corresponding unit standards have been designed to make sure that aviation security officers have the skills and knowledge they need for regulatory compliance and enforcement.
- Each year the Aircraft Certification Unit (ACU) of the Authority is presented with new designs and design changes for approval that must demonstrate consideration of human factors. The need to ensure that human factors are adequately considered during the design and initial type certification of an aircraft is essential for ensuring that the aircraft pilot, crew or maintainer are able to safely, and effectively, undertake their duties. The human factors discipline requires the aircraft designer and the certifying authority to place themselves in the position of the end user and address the questions around "How would an individual operating or maintaining the aircraft react, behave or interpret this aspect of the design or the information presented to them?" The same considerations are needed when assessing design changes to already certified aircraft. For example, "What would a pilot's reaction

be to changing the colour of a caution indication?" As technology continues to evolve, the need for ACU's involvement in this particular discipline is anticipated to increase.

- The Authority continues its engagement with external stakeholders through the Fatigue Risk Management Panel which provides advice to the Authority on the best ways to improve current practices and capability to manage fatigue-related risk in the sector. Fatigue has long been identified as a human factors issue, but it also exacerbates the negative effects of other human factors. The Authority is conducting a comprehensive review of the rules, guidance, practices, and international approaches to ensure the civil aviation system can manage fatigue-related risks effectively.
- We developed the capabilities of our regulatory workforce by fusing aviation technical knowledge with the skills and behaviours required of the professional aviation regulator. These capabilities are an integral part of our workforce strategy and will inform decisions to meet current and emerging business needs.
- In 2015/16 there was only one accident in the airline sector involving a large aircraft. There were no fatalities or injuries in the accident. There were no accidents in the airline sector for medium aircraft or small aircraft. Despite the good safety records this year, the social cost measure for small aircraft airline operations remains elevated due to the two accidents in the 2014/15 year (social cost is averaged over three years) refer to appendix 3(b).

IMPROVE SAFETY REGULATION AND PERFORMANCE IN OTHER KEY SECTORS

- We actively engage with stakeholders to foster proactive and positive relationships, and to improve the aviation participant experience. This enables us to better understand and respond to participants' needs.
- The implementation of the SMS model and the risk-based approach to regulatory intervention has led to more targeted and proactive interventions that encourage and assist operators to develop a systematic approach to risk management.
- As noted in the foreword to this document, the commercial helicopter sector will be a particular focus for the Authority in the coming year as the Authority strives to improve the safety performance of the sector. The Authority will consider the adequacy of the resource it applies to the sector and continue work already underway to increase the effectiveness of its regulatory interventions.



FOCUS AREA 3

Becoming a more responsive results-driven organisation



STRATEGIC PRIORITIES:

CONTINUE TO IMPROVE OUR OPERATIONAL SYSTEMS AND PROCESSES

- To ensure the Authority has the right skills and planning in place to enable knowledge transfer, succession planning, and resource allocation, the Authority has implemented its 'Regulatory Craft Programme' (RCP) which aims to transform the Authority into a risk-based regulator. As part of the RCP, the Authority engaged staff on its purpose using a illustrated 'roadmap', providing context and enabling organisational initiatives to align with the future state.
- Maintaining the capability to identify, use and deploy new technology ensuring our core business systems and security technologies meet changing demands is met through 'Focus area 1- Monitor and proactively engage with new and emerging technologies'.
- A review of our performance metrics resulted in the development of a new method of ensuring our regulatory functions were robust and provided for continuous improvement. This new method, utilises three interventions: a 'Plan/Do/Check/Act' assessment, internal audit review, and the application of an intervention effectiveness measure (IEM). It replaces a focus on activity with a focus on appropriate intervention. The measure has been reported against in Output 3 and Output 4 in Part B Statements of Performance.

STRENGTHEN STAKEHOLDER RELATIONSHIPS

- We engage effectively with stakeholders and continue to strengthen and build international relationships, and work to harmonise regulatory standards. This harmonisation, along with multilateral and bilateral arrangements, ensures that international connections are maintained to benefit New Zealand's interests.
- The Authority continues to engage with the NSS Working Group in determining how to maintain the safety of instrument navigation.
- The Regulatory Function's security manager is the ICAO Avsec Panel Representative and current Vice Chair. This engagement ensures New Zealand remains in a position to provide informed and expert input into global deliberations that will have significant impact on New Zealand's aviation security system.
- The Aviation Community Advisory Group (ACAG) was formed out of the Rules Implementation Project in 2004/05 to facilitate the co-ordination of aviation community views and input (at a high level) on rules and rules related issues. This is a 12 member advisory group of which nine are permanent (Air NZ, Airways Corp, NZALPA, AIA, Aviation Federation, Airports Association, Society of Licensed Aircraft Engineers, AOPA) and three are elected for two year terms.
- ACAG meets the Authority in joint meetings three to four times per year to identify issues that industry consider important and provides insight and advice on matters pertinent to Rules development or policy development initiatives.

MAINTAIN AND ENHANCE BUSINESS AND FUNDING MODELS

- The Authority maintains a sustainable funding model with regular reviews to ensure fees, charges and levies are appropriate, transparent and well-communicated.
- Each year, the Authority consults the aviation industry to ensure that funding arrangements are understood and reflect a fair, balanced, transparent and sustainable approach.

IMPROVE DEMONSTRATION AND REPORTING OF PERFORMANCE

- We have implemented an integrated performance management and measurement framework. This builds on the Authority's ability to measure progress towards achieving its strategic outcomes, including its contribution to the transport sector. The framework will support internal reporting and inform the Authority's public accountability disclosures. Result areas derived from the development of the framework are incorporated in the 2016/26 Statement of Intent of the Civil Aviation Authority.

The following table demonstrates specific achievements in relation to the 'key programmes of work' and 'success measures' stated in our Statement of Intent 2014 – 18, pages 14 – 23.

FOCUS AREA 1		FOCUS AREA 2		FOCUS AREA 3	
					
STRATEGIC PRIORITIES:		STRATEGIC PRIORITIES:		STRATEGIC PRIORITIES:	
<ul style="list-style-type: none"> • Increase the value of NZ's airspace • Embed a risk-based approach to safety and security across the aviation sector • Monitor and proactively engage with new and emerging technologies 		<ul style="list-style-type: none"> • Sustain a strong safety and security performance in the airlines sector • Improve safety regulation and performance in other key sectors 		<ul style="list-style-type: none"> • Continue to improve our operational systems and processes • Strengthen stakeholder relationships • Maintain and enhance business and funding models • Improve demonstration and reporting of performance 	
Key programme of work	What we did	Key programme of work	What we did	Key programme of work	What we did
Support the Ministry of Transport to develop airspace and navigation rules for 2015/16 following Cabinet approval (refer to the 2015-16 Statement of Performance for activity).	This programme of work is driven by ICAO and relates to the airspace, navigation rules, Airspace and Air navigation Plan which was launched in June 2014 See <i>1.5 Rules and Standards Development of the Statement of Performance</i> .	Work with airline operators to ensure systems, training, technology, safety and security data and processes pinpoint and address all safety risks.	Worked with key stakeholders to put in place formal risk management frameworks and continued to support an effective safety culture within aviation organisations. Refer to 'Our Operating Environment', 'Organisational health and capability', Delivering our strategy and 'Focus area' sections.	Develop a business case to determine whether to replace the Aviation Safety Management System (ASMS) and introduce the Electronic Document Records Management System software. Implement if justified.	The Document Management System (now Enterprise Content Management and Aviation Safety Management System (ASMS)) replacement Projects were decoupled from the Regulatory Craft Programme. A Business Case was approved to initiate a project to implement an Enterprise Content Management System in October 2015 by the Board.
Implement the Airspace and Air Navigation Plan.	The NSS Programme delivered the Global Navigation Satellite System (GNSS)- stage 1. Refer to Impact section or https://www.nss.govt.nz .	Establish continuous improvement aviation security service practices and operations.	Ongoing continuous improvement activities are regularly reported to the Minister through quarterly reports including collaboration with Customs.	Project initiation work for ASMS replacement has commenced. The initial focus will be on the development of a digital strategy to set out how the Authority will deliver digital services.	
Support the Ministry of Transport to develop a rule and associated amendments to implement Safety Management Systems across all aviation sectors. This contributes to completing the New Zealand State Safety Programme.	Rule completed and signed by the Minister in December 2015.	Develop sector risk profiles across the general aviation sector and support participants in implementing SMS.	The result of the work undertaken in December 2015 is being utilised in the Annual report oversight of the Part 135 sector (small planes).	Implement the organisational stakeholder engagement strategy (inclusive of the international engagement strategy) and review as required.	A draft Stakeholder Engagement and Relationship Management Framework paper was completed. The strategy was developed and tested across the Authority for assumptions and context.
Plan and prepare for identified new technologies entering the New Zealand aviation system (refer to the Statements of Performance for information on the (RPAS).	The Authority undertakes environmental scans to assess any potential impacts of emergent technologies, policies, international amendments or other factors. Refer to Focus Area and Strategic Priorities section (focus area 1).	Our success is measured by:	How we are doing	Implement actions from the Security Service business review approved in December 2013.	The outcomes of the 2013 Security Service Business review have been implemented.
Our success is measured by:	How we are doing	People have confidence in the safety and security of air transport in New Zealand airspace as shown by an improvement over the June 2011 results.	A Colmar Brunton confidence survey was undertaken in 2014. The results from resident travellers and overseas travellers show an improvement over the June 2011 results.	Complete the aviation safety and regulatory function triennial funding review for 2015.	Proposals on the Triennial Funding Review completed.
No deterioration of New Zealand's ratings through:	There has been no deterioration of our international accreditation. We are scheduled for audit in December 2016 by ICAO.			Identify opportunities to contribute to shared services across the Transport Sector.	Ongoing through communications and other group activities across the Transport sector.
• maintenance of our international accreditation.				Develop performance reporting and performance measurement that demonstrates the Authority's effectiveness and clearly describes the performance story.	The Authority's effectiveness will be measured using result areas derived from the development of the Authority Scorecard an outcome of the Integrated Performance Measurement and Management Framework project.
No ICAO alerts raised through their continuous monitoring regime.	No ICAO alerts raised.			Implement the State Sector reforms following the amendments to the Crown Entities Act 2004 and the Public Finance Act.	The Authority met all obligations under the reforms for the year ending 30 June 2016.
Continuing to achieve high standards in Civil Aviation Authority security audits and additional airline requirements.	Audited by the Australian Office of Transport Security and the United States Transportation Security Administration against last point of departure requirements for international services. Also audited against New Zealand regulatory standards by the Regulatory Function.			Our success is measured by:	How we are doing
Maintenance of or extension to our bilateral agreements and service contracts.	We continue to maintain our bilateral agreements and contracts with the US Federal Aviation Administration, Chinese Aviation Administration and the FAA Asia-Pacific Bilateral partners Working Group.	A 10% improvement between 2008 and 2018 in the risk profiles of Part 115 adventure aviation operators and Part 137 agricultural aircraft operations.	The risk score for Part 115 adventure aviation operators increased from 10.7 in 2015 to 12.88 (2016). The risk score for Part 137 agricultural aircraft operators decreased. Refer to table Distribution of risk profiles for aviation document holders in appendix 3(d).	The Aviation Safety Management System replacement business case identifies significant benefits that will be measured as part of the replacement programme.	Refer above.
Increased air traffic without a correlating increase in accidents or major and critical incidents.	The number of accidents and critical or major incidents reported to the Authority increased by 3% in 2015/16, against generally decreasing air traffic. Refer to the <i>Airspace occurrence environment is sustained for all aviation activities</i> table 3(k) for other airspace activity.	A 10% reduction in the accident rate between 2011 and 2018 in Part 115 and Part 137 operators.	The accident rate for Part 115 adventure aviation has reduced compared to the previous year. Refer to table 'rate of aircraft accidents per 100,000 flying hours' in appendix 3(c).	The Authority is proactively sought out by key stakeholders to engage on aviation safety and security issues and influence outcomes.	Refer to sections 'Our Operating Environment', 'Focus Area 2 & 3' for stakeholders who sought the Authority out to engage on aviation safety and security issues.
A 5-10% improvement by 2018 in risk profiles of aviation participants since 2008.	The total number of occurrences reported to the Authority that were rated critical or major was 340, in the year ended 30 June 2016. This is a slight decrease on the 341 that were reported in the year ended 30 June 2007.			100% of our delegated responsibilities nationally and internationally are met.	The delivery of our delegated responsibilities is detailed under the Statements of Performance in Part B.
A 5-10% reduction by 2018 in major and critical occurrences since 2007.	The average reduction in participant risk scores across all certificates was 12%, since 30 June 2008 (or earliest date available, for certificates issued post 2008).			The Authority meets all statutory reporting obligations with no breaches of legislation recorded.	There have been no recorded breaches of legislation recorded in relation to our statutory reporting obligations.
Staff capability is developed to enable certification of new and emerging technology within existing rules as appropriate and as required.	As part of the Regulatory Craft initiative, the Authority undertook foundational work in 2015/2016 aimed at engaging staff to visualise its purpose through the Authority's roadmap. The Authority's roadmap provides the context and enables organisational initiatives to align with the future state.			Implementation of the aviation safety and regulatory function triennial funding review in 2015 provides a sustainable funding base for regulatory activity and informs the next review in 2018.	Ongoing.
All issue assessments associated with new and emerging technologies are completed in a timely manner.	The 'issue review panel' ensure that all new and emerging issues related to technologies or the civil aviation environment are considered and prioritised for action as appropriate.			Management of the Security Service reserves within approved balances.	Refer to the financial highlights on page 38 for information on the reserve balance maintenance and notes to the prospective financial statements in the Statement of Performance in Part B.

Refer to www.caa.govt.nz for the Authority's annual focus areas or *The Civil Aviation Authority Statement of Intent 2016//2026*.

A different journey has begun

A redesign of our strategic framework to span 10 years and recognise the Authority's commitment to its outcome of safe and secure skies.

While we are moving forward in pursuit of our objective, the world is changing around us. We live in a time of constant and considerable change. In preparation for the future, we have redesigned our approach to ensure we continue to deliver optimised services at the right time in the right place and restructured our strategic framework to reflect this.

We have made good progress in bridging the gap between today and the future. The new 2016-26 Statement of intent outlines the shifts in approach that have been introduced within the Authority to ensure sustainability and capability within a rapidly changing sector.

It reflects the major programmes of work we are delivering into the future which consists of the progress on the New Southern Sky and the implementation of the Safety Management Systems and Civil Aviation rule Part 147.

These programmes, among others, will guide us towards 'safe and secure skies to help New Zealand fly'.

Our 2016-26 Statement of Intent not only reconsiders the emphasis of our strategy but also includes a three year 'Safety and Security Focus Areas' programme which details the seven areas where we see opportunity to mitigate risk in the civil aviation environment.

These safety and security focus areas are:

- **Loss of control in flight** – the risk of aircraft divergence from normal flight parameters or paths, for reasons of weather, malfunction, automation, etc.
- **Runway excursions** – the risk associated with runway take-offs and landings.
- **Airborne conflicts** – increasing concerns over reported air space incidents in controlled and uncontrolled airspace with the potential for airborne conflicts and resulting mid-air collisions.
- **The helicopter sector** – the Authority is concerned at the poor safety performance of the commercial helicopter sector and will be looking for improvement.
- **Queenstown operations** – Queenstown airspace has a variety of flying activities, mountainous terrain, changeable weather and high density of traffic; all of which create a challenging operational environment with an increased potential for accidents to occur.
- **Security Threat levels and responses** – we need to be able to respond to changes in threat levels with clear decision pathways and responsibilities and mechanisms for implementing new or additional security controls.
- **International air cargo security** – air cargo security depends on a robust and trusted supply chain system. Informed and targeted intervention activity will sustain levels of compliance throughout the entire air cargo supply chain and retain wide stakeholder assurance as to the level of security applied to international air cargo.

Linking our **journey**

Linking the past and the future through our 'Impacts'

We continue to discharge our statutory obligations, reduce the harm from transport and contribute to the Government's goal. We also contribute to an effective, efficient, accessible and resilient transport system but with a lower impact.

Our journey changed to better align the Authority's strategic framework with the broader Government goals for transport and in response to our changing environment.

The Authority's old and new strategic frameworks that form part of the old 2014-18 Statement of Intent and the new 2016-26 Statement of Intent link retain the same focus on our 'impacts' of:

'BEING SAFE' AND 'FEELING SAFE'



Financial highlights for 2015/16

The Authority has continued its efforts to drive efficiency through the organisation, including investing in organisational change to improve performance and the engagement of staff, whilst continuing to invest strategically in its capabilities. It is also committed to refining its current funding framework in order to minimise the impost on the aviation sector and the travelling public.

The financial results are summarised in figure 3 and reflect the continued focus by the Board on achieving a sustainable funding baseline for the Authority. It also reflects an environment where revenue is primarily derived from levies and charges paid by airlines on the basis of passengers carried and where passenger volumes are quite volatile.

In 2016, the Authority achieved a surplus of \$0.9 million compared to a budgeted surplus of \$4.2 million. This lower than budgeted surplus is largely driven by variances to budget in the Security Service, which delivered a surplus \$3.7 million less than budgeted, whilst the Regulatory Function's surplus was \$0.4 million higher than budgeted.

HIGHLIGHTS

REGULATORY FUNCTION

For the Regulatory Function, the 2016 year produced an operating surplus \$0.4 million higher than the budget. This was driven by revenue being \$1.2 million higher than budgeted, largely reflecting:

- higher than budgeted passenger volumes and additional Crown funding to support the implementation of the Health and Safety at Work Act (2015)
- favourable international passenger volumes
- the effect of a recommendation by the Board to reduce the International Passenger Security charge on 1 April 2016 in response to unexpectedly high passenger growth

Expenses were \$0.8 million higher than budgeted, primarily a result of:

- the corresponding costs incurred to deliver the Health and Safety at Work Act implementation
- an additional investment to implement the Authority's new Enterprise Content Management System
- a response to the demand for services. This included the cessation of security screening services at Rotorua and Hamilton airports, but offset by a growth in staff numbers to manage the higher passenger volumes and the commencement of extended hours of operation at Queenstown airport
- the outcome of the collective bargaining round
- Security Service share of the Authority's new Enterprise Content Management System
- improvements to the Airport Identity Card system

Capital expenditure was \$2.7 million below budget for the year, largely reflecting delays in the replacement of cabin baggage screening equipment.

FINANCIAL HEALTH

The Board is comfortable with the progress being made with the financial health of the organisation. The key indicators of this are also provided in figure 3.

The Regulatory Function's equity levels are consistent with expectations. Bank levels are higher than planned and are exceeding the Board's requirement of maintaining \$4 million of cash reserves. This is primarily due to the deferral of capital expenditure on the replacement of core business systems. This investment is now planned to have a staged implementation, which commenced in 2015/16 with the replacement of the Enterprise Content Management System. The replacement of the Regulatory Function's key business application (the Aviation Safety Management

System) will follow, which may require the Board to seek financial support from the Crown to fully fund this project.

The level of reserves has also been considered in respect of decisions on changes to the pricing of services being assessed as part of the Triennial Funding Review. This review of levies, fees and charges is nearing completion, with decisions from Cabinet pending.

For the Security Service, due primarily to higher passenger volumes, the level of domestic and international security reserves at \$14.2 million is exceeding the \$12 million reserve threshold established as part of the 2012 Security Services Review. This review determined the financial trigger for when the Authority would begin consulting with industry and stakeholders to reduce the passenger security charge. Consistent with the commitment to manage the impost

on the traveling public, the Board undertook a review of pricing with the outcome being that Cabinet approved a 12% reduction in the International Passenger Security charge on 1 April 2016 (from \$10.42 to \$9.20 excluding GST). At this price, reserves are forecast to reduce in 2017 to within target reserve levels.

Figure 3

GROUP FINANCIAL RESULT AND ORGANISATION FINANCIAL HEALTH INDICATORS

	REGULATORY FUNCTION		SECURITY SERVICE		GROUP		REGULATORY FUNCTION	SECURITY SERVICE
	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2015 ACTUAL	2015 ACTUAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
COMPREHENSIVE REVENUE AND EXPENSE								
Revenue	41.0	39.8	86.1	83.1	126.8	122.9	38.8	82.7
Expense	40.4	39.6	85.8	79.1	125.9	118.7	38.3	77.4
Surplus/(Deficit)	0.6	0.2	0.3	4.0	0.9	4.2	0.5	5.3
Note that Group Actual Revenue and Expense includes inter-entity eliminations of \$0.3m.								
EQUITY								
General funds	11.4	11.1	10.9	11.2	22.3	22.3	10.7	10.4
Property, plant and equipment revaluation reserve	-	-	0.7	0.7	0.7	0.7	-	0.7
PASSENGER SECURITY CHARGES AND OTHER FEES AND CHARGES RESERVES								
International Passenger security charge	-	-	12.0	12.9	12.0	12.9	-	8.7
Domestic passenger security charge	-	-	2.2	5.3	2.2	5.3	-	5.6
Other fees and charges	-	-	-	(0.4)	-	(0.4)	-	-
Sub-total passenger security charges and other fees and charges reserves	-	-	14.2	17.8	14.2	17.8	-	14.3
Total equity	11.4	11.1	25.8	29.7	37.2	40.8	10.7	25.4
LIQUIDITY								
Working capital	8.8	8.1	22.6	23.3	31.4	31.4	7.5	22.3
Bank and investments	9.7	8.7	24.9	24.1	34.6	32.8	8.3	22.4
CAPITAL EXPENDITURE								
Capital expenditure	0.3	0.7	3.7	6.4	4.0	7.1	0.5	2.0
PASSENGER NUMBERS (000'S)								
International (departures)	5,773	5,389	5,773	5,389	5,773	5,389	5,328	5,328
Domestic	11,736	11,353	6,736	6,639	11,736	11,353	10,873	6,374

CAPITAL AND ASSET MANAGEMENT

The table below shows comparative actual capital expenditure against budget

	ACTUAL 2015/16 (\$'000)	BUDGET 2015/16 (\$'000)	% OF BUDGET SPENT	VARIANCE COMMENT
REGULATORY FUNCTION				
Computer hardware	156	288	54%	This variance relates to several small IT projects that have been deferred to 2017.
Computer software	22	301	7%	This variance relates to delays in the purchase of replacement software due to staff resourcing issues.
Plant & equipment	6	10	60%	Immaterial.
Furniture & fittings	20	-	-	This variance relates to additional office furniture to accommodated increased headcount.
Motor vehicles	67	80	84%	Immaterial.
Leasehold improvements	2	-	-	Immaterial.
TOTAL	273	679	40%	
SECURITY SERVICE				
Computer hardware	48	-	-	This variance relates to the installation of wireless technology, which was not budgeted for.
Computer software	141	120	118%	Immaterial.
Plant & equipment	2,887	5,617	51%	This variance relates to delays in the replacement of cabin baggage screening equipment as various options were assessed to determine the most appropriate solution, combined with lower than budgeted costs to replace existing equipment.
Furniture & fittings	23	-	-	Immaterial.
Motor vehicles	489	696	70%	This variance is due to the rephasing of vehicle replacements reflecting the mileage undertaken.
Leasehold improvements	117	-	-	This variance relates to the Christchurch office refurbishment which had been delayed from the 2015 year.
TOTAL	3,705	6,433	58%	

PART Statements of Performance for 2015/16



Statement of responsibility

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

- The preparation of the financial statements and the statements of performance and for the judgments used therein.
- The establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
- Any end of year performance information provided by the Civil Aviation Authority under section 19A of the Public Finance Act 1989.

In the opinion of the Authority, the financial statements and Statements of Performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2016.

Signed on behalf of the Board:

Peter Griffiths

Deputy Chairman of the Civil Aviation Authority of New Zealand

20 October 2016

Nigel Gould

Chairman of the Civil Aviation Authority of New Zealand

20 October 2016

Independent Auditor's Report

To the readers of
Civil Aviation Authority's
financial statements
and performance
information for the year
ended 30 June 2016

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

OPINION ON THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

We have audited:

- the financial statements of the Civil Aviation Authority on pages 65 to 99, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Civil Aviation Authority on pages 27 to 35, 44 to 64 and 103 to 113.

In our opinion:

- the financial statements of the Civil Aviation Authority:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Accounting Standards.

BASIS OF OPINION

- the performance information:
 - presents fairly, in all material respects, the Civil Aviation Authority's performance for the year ended 30 June 2016, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 20 October 2016. This is the date at which our opinion is expressed.

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

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

An audit also involves evaluating:

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

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

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

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

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

Kelly Rushton

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

SECTION

6

Statements of Performance

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



OUTPUT CLASSES

REGULATORY FUNCTION

Output Class 1

Policy and Regulatory Strategy

Output Class 2

Outreach

Output Class 3

Certification & Licensing

Output Class 4

Surveillance & Investigation

SECURITY SERVICE

Output Class 5

Security Service Delivery

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

The funding for International Relations and International Civil Aviation Organization

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

This multi-category appropriation is intended to achieve a safe and secure airspace environment through the implementation and maintenance of rules and regulations and the management of risk for all aviation activities. Crown funding is also provided through the Maritime Port Security appropriation. This appropriation is intended to achieve preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers. This activity is delivered under Output Class 5: Security Service Delivery.



OUTPUT CLASS 1 POLICY & REGULATORY STRATEGY

DESCRIPTION Under this output class the Authority:

- Develops options and solutions for specific issues with the aviation regulatory system;
- Proactively identifies emerging issues for aviation;
- Delivers major policy and regulatory projects;
- Strategically coordinates Authority engagement in the international aviation system;
- Delivers Ministerial services – e.g. parliamentary questions, briefings, responses to agencies', Ministers;
- Develops and maintains linkages internally, across government, internationally and within industry.



1.1 INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

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

What is intended to be achieved?

This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport (* in accordance with the estimates of appropriations 2015/16).

How does this contribute to our impacts?

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

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
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Quality

* Percentage of international engagement undertaken that meets the objectives of the Civil Aviation Authority International Engagement Strategy.

(International engagement conducted within the Ministers delegated authority)

*100% (of objectives met)	*95% (of objectives met)	-	*100%
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INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) COMPLIANCE:

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

94%*** 100% (6%) 100%

*** (16 out of 17 letters) response rate based on available resource. No adverse impacts on the Authority due to delays.

Maintain the currency of the Electronic Filing of Differences (eFOD) in accordance with ICAO timeframes.

100% 100% - 100%

Facilitate the planned safety audit of New Zealand by ICAO for the 2015-2016 financial year resulting in New Zealand maintaining a top half ranking of OECD countries as assessed by ICAO.

n/a*** The ICAO safety audit result maintains New Zealand's top half of the OECD ranking n/a new measure

***The ICAO safety audit is scheduled for December 2016

Quality:
Significant Safety Concerns (SSC) raised by ICAO.

nil nil - nil

* ICAO coordinated validation mission (ICVM) carried out as a result of an SSC.

*nil *nil *- *nil

WHAT DO OUR RESULTS SHOW?

With the exception of the timing of the ICAO audit scheduled to occur in December 2016 and one ICAO State letter (out of 17) not responded to by the due date due to resource availability within the Authority, all work completed in this area falls within the Statement of Intent objectives.

1.2 MINISTERIAL SERVICING – CIVIL AVIATION

What is intended to be achieved?

This category is intended to achieve the effective delivery of support to executive government and parliamentary processes (* in accordance with the estimates of appropriations 2015/16).

How does this contribute to our impacts?

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

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
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Quality

* Reports, correspondence and Parliamentary questions are acceptable to the Minister (as assessed by annual survey)

(Reports, correspondence and Parliamentary questions are acceptable to the Minister (assessed by bi-annual survey) based on a scale of "exceeded expectations", "met expectations" or "requires improvement".)

*95% of papers acceptable (met expectations)	*95% of papers acceptable (met or exceeded expectations)	-	* 95% of papers acceptable (met expectations)
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Quality and Timeliness

Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.

95%	100%	(5%)	100%
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WHAT DO OUR RESULTS SHOW?

All work completed falls within the Statement of Intent objectives with no material variance.



1.3 POLICY ADVICE – CIVIL AVIATION

What is intended to be achieved?

This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system (* in accordance with the estimates of appropriations 2015/16).

How does this contribute to our impacts?

Through robust analysis and decision making, this output directly contributes to our impacts of "a safe airspace environment is maintained for all aviation activities and aviation participants act safely and actively manage risks."

HOW DO WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
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Quality

* Percentage of policy papers that meet the standards set out in the Authority's policy development procedures, i.e., quality and timeliness of deliverables (assessed by annual independent audit).

100% ⁶	95%	5%	100%
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Timeliness

All policy projects prioritised for delivery by the Issue Review Panel are delivered against objectives and timeframes specified in the respective project plans. These include:

- policy projects arising from the New Southern Sky Programme;
- review of engineer licencing;
- fatigue management;
- personnel competency in small-medium air transport operations; and
- objectives and requirements for emergency location of aircraft.

100%	100%	-	new measure
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WHAT DO OUR RESULTS SHOW?

All work completed falls within the Statement of Intent objectives with no material variance.

⁶ The Regulatory Function worked on 16 projects, of which 3 were completed as policy projects and transitioned to rule development: Emergency location of aircraft; requirement for ADS-B above FL 245, and revocation and replacement of CAR 19D. In addition, the team completed policy work on the 2016 Omnibus Rule and the 2015/6 Small Issues Rule, comprising ten policy projects resulting in proposed rule amendments. The Emergency Location of Aircraft project was independently reviewed.



1.4 SYSTEM LEVEL DESIGN AND INTERVENTION

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

How does this contribute to our impacts? The proactive identification of emerging issues within the civil aviation environment allows us to develop minimum safety and security standards for aviation participants that directly contribute to all four of the impacts defined in the Authority's strategic framework.

HOW DO WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Quality and Timeliness Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross government.	Significant emerging issues that directly impact the Civil Aviation environment were proactively briefed to the Minister of Transport inclusive of mitigating strategies (RPAS, emergency location technologies).	Significant emerging issues that directly impact the Civil Aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies	-	One report provided in September 2014 for inclusion in the organisations strategic review. No significant impacts were noted to affect the current environment and the 2014-18 Statement of Intent was maintained for 2015/16.
Quality All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.	100%	100%	-	100% 63 issues on 30 June 2014 – opened (22) assigned (22) allocated (6) assessed (1) scheduled (12) 36 raised in the financial year 37 issues on 30 June 2015 – opened (35) assigned (2)
Complete an analysis of the civil aviation regulatory framework following the changes to the Civil Aviation Act and the move to a risk based approach to regulation (subject to progress of Act review).	Civil Aviation Act review led by the Ministry of Transport is still in progress	Analysis completed by 30 June 2016	Not achieved	new measure

WHAT DO OUR RESULTS SHOW?

Ongoing work on the Ministry of Transport led Civil Aviation Act review has delayed the analysis of the civil aviation regulatory framework. All other work completed falls within the Statement of Intent objectives.



1.5 RULES AND STANDARDS DEVELOPMENT

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

How does this contribute to our impacts? A robust and fit for purpose regulatory structure directly contributes to "a safe airspace environment is maintained for all aviation activities" and "aviation participants act safely and actively manage risks".

HOW DO WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Quantity Number of Rules under development agreed between the Authority and the Ministry of Transport.	12	6-10	2	7
Number of Rules completed agreed between the Authority and the Ministry of Transport.	6	3-5	1	2
Quality and Timeliness Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook).	100%	100%	-	100%

WHAT DO OUR RESULTS SHOW?

Refer to the Rules Programme Summary at appendix 4 for detailed information on the rules and standards completed and under development at 30 June 2016. Note that the Civil Aviation Authority does not measure the quality and timeliness of rules. This is undertaken through the Ministry of Transport.

 1.6 PACIFIC SUPPORT				
What is intended to be achieved?	This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.			
How does this contribute to our impacts?	“New Zealand has a positive international reputation for air safety and security” is demonstrated through our role as a regional leader and safety promoter to the Pacific States.			
HOW DO WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Timeliness Action plan for each state developed and delivered according to the timetable agreed with each state.	Delivered according to timetable	Delivered according to timetable	-	Action plans for 10 Pacific Aviation Safety Office (PASO) States delivered according to timetable
Quality Improvement in aviation safety and security outcomes in the Pacific as evidenced by an increased level of compliance with the ICAO eight critical elements of oversight system for safety and security (particularly resolution of safety concerns). ⁷	Funding approved through 2016-18 to achieve improved levels of compliance with the ICAO eight critical elements. The level of improvement will be demonstrated through the results of the ICAO State Audits. The timing of the Audits is at ICAO discretion.	Improved level of compliance with ICAO eight critical elements	-	Mission plan developed and agreed with MFAT. Funding pending approval through to 2016-18 to achieve improved level of compliance with ICAO eight critical elements in the Pacific
New systems and processes established and used as a result of training.	Training on continuous monitoring audit processes and systems commenced in December 2015	Evidence of new systems and processes established and achieving desired results in Pacific States as a direct result of training provided	-	Decision made by PASO to adopt ICAO Continuous Monitoring Audit processes. Training on systems and processes scheduled to commence in December 2015
Increased industry satisfaction and willingness to engage in the Pacific.	Independent assessor currently undertaking survey across Pacific. Results due for evaluation by December 2016	Survey results reflect industry satisfaction and willingness to engage in the Pacific	-	Survey developed. Independent assessor currently undertaking survey across Pacific. Results due for evaluation by June 2016.

WHAT DO OUR RESULTS SHOW?

All work completed in this area falls within the Statement of Intent objectives with no material variance.

OUTPUT CLASS FINANCIALS:	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
* Crown Funding (Vote Transport: Policy Advice)	1,779	1,780	(1)	1,779
Ministry of Transport Contract Revenue (rules development and Pacific)	1,353	1,374	(21)	1,380
Levies	1,348	1,612	(264)	1,183
Fees & Charges	45	-	45	60
Other Revenue	-	-	-	-
Revenue	4,525	4,766	(241)	4,402
Expense	(4,525)	(4,766)	241	(4,402)
Net surplus/(deficit)	-	-	-	-

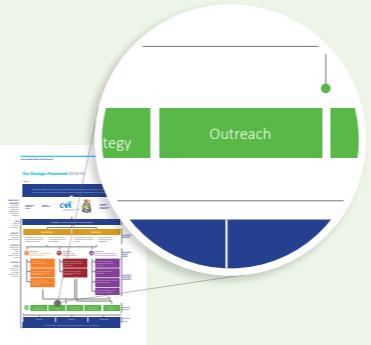
⁷ ICAO has identified and defined the following critical elements of a State’s safety oversight system: CE-1 Primary aviation legislation, CE-2 Specific operating regulations, CE-3 State civil aviation system and safety oversight functions, CE-4 Technical personnel qualification and training, CE-5 Technical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



OUTPUT CLASS 2 OUTREACH

DESCRIPTION Under this output class the Authority:

- Fosters and promotes safety and security across the civil aviation sector;
- Fosters and promotes health and safety in employment within the bounds of the Authority designation; and
- Raises public awareness on the transport of dangerous goods by air.



2.1 OUTREACH

What is intended to be achieved?

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

How does this contribute to our impacts?

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

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Quantity Number of standard publications released including safety summary reports, aviation safety reports, Vector magazines and other targeted publications.	4 Safety Summary Reports 2 Aviation Safety Report 6 Vector magazines 27 other publications	12-18 publications	21	Reports: 4 safety summary 2 aviation safety 6 Vectors 3 new Apps 9 new products 15 Revised/ Reprinted products
Timeliness Percentage of reports and publications that are produced in accordance with the Authority's procedures. ⁸	100%	100%	-	95% (2 safety summary reports delivered late)
Quantity Number of educational units (seminars, workshops and courses) delivered to 30 June 2016.	32 AvKiwi Seminars 6 Maintenance Controller Courses 3 Aviation Coordinator Courses	20-30	11	31 AvKiwi Seminars 4 Maintenance Controller course 4 Aviation Coordinator Courses

⁸ Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report. Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report.

Quality

Percentage of educational units that are:

Delivered in accordance with the schedule published on the Civil Aviation Authority website.

Rated by participants as a 3 or higher⁹ in their overall rating of the seminar and the benefit provided.

100% 100% - 100%

WHAT DO OUR RESULTS SHOW?

The balance of work completed in this area falls within the Statement of Intent objectives with no material variance. Significant work has been undertaken to provide industry with more targeted bespoke reporting, and, the inclusion of supporting apps for educational programmes.

OUTPUT CLASS FINANCIALS:	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Levies	4,748	4,451	297	4,689
Fees & Charges	-	-	-	-
Other Revenue	115	43	72	143
Revenue	4,863	4,494	369	4,832
Expense	(4,751)	(4,528)	(223)	(4,743)
Net surplus/(deficit)	112	(34)	146	89

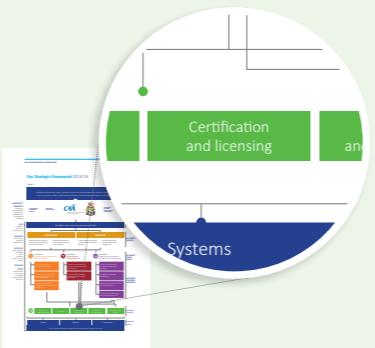
⁹ Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar? How would you rate the seminar overall?



OUTPUT CLASS 3
CERTIFICATION & LICENSING

DESCRIPTION Under this output class the Authority:

- Exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; and
- Exercises control over the exit from New Zealand's civil aviation system through the suspension and revocation of documents.



3.1 CERTIFICATION & LICENSING				
What is intended to be achieved?	This category is intended to achieve robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.			
How does this contribute to our impacts?	The robust assessment and certification of participants in the civil aviation system ensures "a safe airspace environment is maintained for all aviation activities".			
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Quantity Number of certifications carried out (<i>volumes provided for contextual information</i>):				
• Organisation (Demand driven)	1,063	1,200-1,600	(137-537)	1,017
• Aircraft (Demand driven)	755	930-1,130	(175-375)	815
• Service providers (Demand driven)	57	35-45	12	74
Number of licencing procedures carried out.	5,886	5,000-7,000	within range	6,019

Quality and Effectiveness Percentage of certifications and licensing procedures that follow Authority procedural requirements (based on a quarterly assessment of progress against the Statement of Performance Expectation performance measures). ¹⁰	Met (through the application of the continuous improvement measure below)	100%	-	99%
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy). ¹¹	Met (Demonstrated through the identification of opportunities and implementation of interventions to address or standardise)	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities for improvement identified.	-	new measure

WHAT DO OUR RESULTS SHOW?

All work completed in this area falls within the Statement of Intent objectives with no material variance outside of demand driven certifications.

OUTPUT CLASS FINANCIALS:	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Levies	13,048	12,511	537	11,561
Fees & Charges	6,605	6,722	(117)	6,674
Other Revenue	478	188	290	556
Revenue	20,131	19,421	710	18,791
Expense	(19,668)	(19,404)	(264)	(18,445)
Net surplus/(deficit)	463	17	446	346

¹⁰ Quarterly Assessment of Progress Against Statement of Performance Expectations Performance Measures Procedure

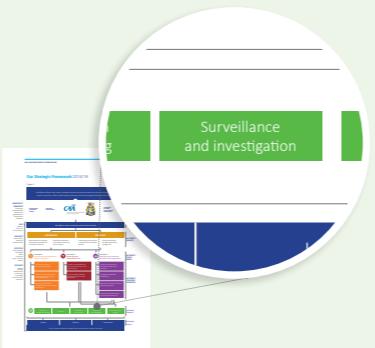
¹¹ The Regulatory Operating Review Policy includes three components of assessment, PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.



OUTPUT CLASS 4 SURVEILLANCE & INVESTIGATION

DESCRIPTION Under this output class the Authority:

- Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- *Conducts inspections, audits and investigations under the Health and Safety in Employment Act 1992 (Health and Safety at Work Act 2015);
- Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- Takes appropriate regulatory intervention under the Civil Aviation Act 1990 to hold participants to account where necessary.



4.1 SURVEILLANCE & INVESTIGATION

What is intended to be achieved?

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

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

*This category is intended to achieve compliance with the provisions of the Health and Safety in Employment Act 1992 (Health and Safety at Work Act 2015) in the aviation sector, for those who work on board aircraft while the aircraft is operating.

How does this contribute to our impacts?

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

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
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Quantity

Number of audits and inspections.

631	630-750	within range	634
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* Number of health and safety in employment investigations, audits and inspections.

25 ¹²	35-55	(10-30)	17
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¹² Performance was affected by the reprioritisation of resources to focus on the implementation of the Health & Safety at Work Act 2015 designation of the Civil Aviation Authority.

Number of safety and regulatory investigations

Safety Investigations (demand driven)

282 ¹³ 2 (746) ¹⁴	300-390	(16-106)	381
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Percentage of occurrences investigated or reviewed.

(These percentages are based on the historical averages of the occurrences investigated. The aim of the safety Investigation team is to investigate all critical and major occurrences and a number of minor occurrences where it is determined a benefit would be derived from the investigation. Occurrences are defined as:

Critical An occurrence or deficiency that caused, or on its own had the potential to cause, loss of life or limb.

Major 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.

Minor An isolated occurrence or deficiency not indicative of a significant system problem.)

Enforcement Investigations.

39	50-80	(11-41)	39
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Aviation Related Concerns (ARC) Investigations

317	400-460	(83-143)	323
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Section 15A of the Civil Aviation Act 1990

6	5-10	within range	1
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Number of hours spent on targeted safety analysis reporting by sector:

Airline sector	1,435.75	800	635.75	1,350
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Helicopter and agricultural	1,114	1,000	114	1,439.50
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Other	801	1,200	(399)	1,353.50
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Timeliness:

Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures):

*Percentage of health and safety in employment investigations and audit reports issued within agreed timeframes¹⁶.

Quality and Effectiveness

Percentage of inspections, investigations, and health and safety in employment audits that follow policy and procedural requirements (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures).

* Percentage of health and safety in employment investigations, audits, and inspections that follow policy and procedural requirements.¹⁶

¹³ The significant reduction in budgeted safety investigations between 2014/15 and 2015/16 is reflective of the introduction of a new methodology by which some investigations are being conducted. Historically investigations have been Event based, which is the investigation of an aviation occurrence once it has happened. For 2015/16 the Authority is moving a third of its Safety Investigators to a Systemic and Thematic (S&T) based investigation project team. The benefit of the S&T methodology will allow the CAA to put interventions in place to prevent potential occurrences before they happen, thereby increasing the integrity of safety within the aviation system. Trialling of the new S&T methodology is in its infancy, but the CAA believes it will add significant benefit once the methodology is proven and in place full-time.

¹⁴ Two Thematic and Systems Investigations were conducted that involved the analysis of 746 occurrences.

¹⁵ This measure was met through the introduction of "Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme" review.

¹⁶ This measure specifies the results specifically related to the Crown funded Health and Safety in Employment Activities – Civil Aviation included in the statement of appropriations 2015/16 which are consolidated in the preceding measure in the Authority Statement of Performance Expectations.

Percentage of Aviation Related Concerns (ARC) that follow policy and procedural requirements (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures).	Met ¹⁰	100%	-	new measure
Percentage of safety and regulatory investigations that are delivered to agreed standards and timeliness:				
Percentage of safety investigations that are assessed, both internally (by quality assurance processes) and externally (by a third party), as meeting the Safety and Investigations Unit Business Plan time scales and are based on defendable and justifiable reasons aligned with the Authority's strategic framework and Regulatory Operating Model (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures).	Met ¹⁰	100%	-	98%
Percentage of regulatory investigations that are independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model (based on a quarterly assessment of progress against Statement of Performance Expectations performance measures).	100% based on external audit and Met ¹⁵	100%	-	100%
Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Oversight Review Policy). ¹⁷	Met (Demonstrated through the identification of opportunities and implementation of interventions to address or standardise)	(Demonstrated through the identification of opportunities and implementation of interventions to address or standardise)	-	new measure

OUTPUT CLASS FINANCIALS:	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
* Crown Funding (Vote Transport: Health and safety at Work 2015 activities)	908	440	468	440
Levies	8,678	8,061	617	8,387
Fees & Charges	1,699	2,224	(525)	1,605
Other Revenue	280	382	(102)	321
Revenue	11,565	11,107	458	10,753
Expense	(11,488)	(10,895)	(593)	(10,662)
Net surplus/(deficit)	77	212	(135)	91

WHAT DO OUR RESULTS SHOW?

Performance in the number of health and safety at work investigations, audits and inspections was affected by the reprioritisation of resource to focus on the implementation of the designations under the Health and Safety at Work Act 2015. All work completed in this area falls within the Statement of Intent objectives.

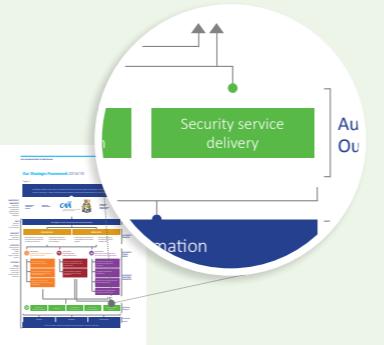
¹⁷ The Regulatory Operating Review Policy includes three components of assessment, PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.



OUTPUT CLASS 5 SECURITY SERVICE DELIVERY

DESCRIPTION Under this output class the Authority:

- Screens all passengers and their carry-on baggage at security designated airports¹⁸
- Screens all hold baggage on departing international flights
- Screens airport workers with access to enhanced security areas at international airports
- Manages the issue of airport identity cards
- Conducts perimeter patrols at security designated aerodromes and navigation facilities; and
- Maintains preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.



5.1 SECURITY SERVICE DELIVERY

What is intended to be achieved?

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

How does this contribute to our impacts?

"People have confidence in the safety and security of air transport" that threats and risks don't materialise, or are resolved as quickly and unobtrusively as possible. Effective screening processes reduce the risk of aviation security incidents and ensures that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Timeliness				
Number of flight delays attributable to screening activities (due to security system failure).	2 ¹⁹	nil	2	4
Average passenger wait times ²⁰ at international departure screening points	2 mins 29 secs	≤ 3 mins	within range	2min 56 sec
Average passenger wait times at domestic departure screening points. ²⁰	1 min 40 secs	≤ 3 mins	within range	2min 02 sec

¹⁸ All departing international passengers and their carry-on baggage are screened. All domestic passengers and their carry-on baggage are screened where the passenger is travelling on aircraft with seats for 90 or more passengers.

¹⁹ The two flight delays are attributable to two separate incidents where the service rescreened or removed bags when a risk to aircraft was identified.

²⁰ Waiting time subject to review as part of screening point efficiency review.

Quality

Number of verified unauthorised or prohibited items discovered post screening points (due to a security system failure).²¹

.965 items per million screened

< 3.4 items per million screened

within range

1.45 items per million items screened

Number of verified dangerous goods discovered post screening points (due to a security system failure).²²

.052 per million screened

< 3.4 items per million screened

within range

0.029

Number of substantiated complaints against security officers involved in the screening function.

8 substantiated complaints made, 12,500,968 passengers screened

No more than 1 per 250,000 passengers screened

within range

8 substantiated complaints made, 11,792,189 passengers screened.

Quantity

Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:

Metro-domestic airports

75.86%

>67.5%

within range

77.49%

Metro international airports

61.97%

>64.0%

(2.03%)

59.68%

Regional domestic airports

61.46%

>57.5%

within range

67.74%

Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus).²³

9.4%

<12% rostering surplus

within range

8.2%

WHAT DO OUR RESULTS SHOW?

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

²¹ Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise security

²² Systems failures on the part of the Authority include failure to detect a security threat item (dangerous goods), equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

²³ Rostering surplus is the percentage of time that operational staff are deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand.



5.2 AUDIT PERFORMANCE; ACCESS CONTROL; MARITIME SECURITY SERVICES

What is intended to be achieved?	This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.			
How does this contribute to our impacts?	High standards maintained in the delivery of security services directly contributes to our impact of "New Zealand has a positive international reputation for air safety and security".			
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	ACTUAL 2014/15
Quality Audit Performance: Percentage of any audit findings cleared within the specified timeframes.	92%	100%	(8%)	100%
Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit. <i>Note: this measure records findings resulting from screening point operational non-conformances not screening point testing activity.</i>	6	nil	-	nil
Access Control: Number of corrective action requests pertaining to access control issued by the Regulator.	2	nil	-	nil
* Maritime Port Security: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.	nil	nil	-	nil

WHAT DO OUR RESULTS SHOW?

All work completed in this area falls within the Statement of Intent objectives with no material variance. The minor variance in the percentage of audit findings cleared represents a small number of occasions the high standards of the service were not met. Corrective actions have been put in place to address those minor issues. These issues did not put the public at risk. The Security Service continues to maintain an internal audit programme to proactively identify any emerging issues or risks to service delivery.

OUTPUT CLASS FINANCIALS:	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Contracted services	4,499	4,416	83	4,533
Passenger security charges	80,089	77,498	2,591	76,530
* Crown Funding (Vote Transport: Maritime Port Security)	145	145	-	145
Other Revenue	1,325	1,044	281	1,457
Revenue	86,058	83,103	2,955	82,665
Expense	(85,791)	(79,132)	(6,659)	(77,357)
Net surplus/(deficit)	267	3,971	(3,704)	5,308



REGULATORY OVERSIGHT REVIEW 2015/16 ANNUAL SUMMARY²⁴



OUTPUT 3 (Certification & Licensing) OUTPUT 4 (Surveillance & Investigation)

The Regulatory Oversight Review (ROR) is a Quality and Effectiveness measure utilised across Output 3 (Certification & Licensing) and Output 4 (Surveillance & Investigation) and includes three components of assessment, PDCA (plan, do, check, act) reviews, Internal Assurance and Intervention Effectiveness.

For the year ending 30 June 2016 89 PDCA reviews, one internal regulatory audit, and two intervention effectiveness measurement panel reviews were conducted. The PDCA reviews were conducted over a range of output activities addressing, for example, projects, safety reporting, and airspace review:

ACTIVITY	NUMBER	PERCENTAGE
Surveillance	27	(30%)
Certification	34	(38%)
Licensing	5	(6%)
Investigation	10	(11%)
Other	13	(15%)



KEY THEMES IDENTIFIED IN THE REVIEWS CONDUCTED WERE:

- | | |
|---|--|
| The way we work | <ul style="list-style-type: none"> excellent communication between operational units use of cross-functional teams in certification and investigation activities flexible approach when dealing with 'non-routine' certification activities or tight deadlines |
| Resource capability | <ul style="list-style-type: none"> constructive and professional interaction with aviation industry participants demonstration of appropriate technical skills opportunities to improve skills in respect of the regulatory process (see 'Improvement opportunities') |
| Process/procedure/application | <ul style="list-style-type: none"> certification, surveillance and investigation processes and procedures were followed as a general observation however there is evidence of standards not being consistently applied |
| Administration/document management | <ul style="list-style-type: none"> good standard of documentation to support decisions made opportunities identified to improve application forms and internal process documentation a regular theme of saving multiple copies of documents into the business systems in both electronic and hard-copy formats |
| Business systems | <ul style="list-style-type: none"> inefficient business systems for some processes |
| Timeliness | <ul style="list-style-type: none"> activities reviewed were completed in a timely manner |
| Improvement opportunities | <p>While the reviews found that, in general, established processes were being followed in a timely and effective manner, a number of opportunities for improvement were identified. The Authority has initiatives underway that will address a number of these opportunities:</p> <ul style="list-style-type: none"> A new Enterprise Content Management System is being implemented which will improve the retention of documentation and the availability of information. This coupled with a case management system will enhance workflow capability thereby increasing efficiency and reducing the time taken to complete reports. With regards to staff capability, the Regulatory Craft and Safety Management System activities will enhance the behavioural and regulatory skills of the operational staff. |

For the years ending 30 June

COST TO DELIVER OUTPUTS

	ACTUAL 2015/16 \$000	TARGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
OUTPUT CLASS FINANCIALS:				
Policy and regulatory strategy	(4,525)	(4,766)	241	(4,402)
Outreach	(4,751)	(4,528)	(223)	(4,743)
Certification and Licensing	(19,668)	(19,404)	(264)	(18,445)
Surveillance and Investigation	(11,488)	(10,895)	(593)	(10,662)
Regulatory Function	(40,432)	(39,593)	(839)	(38,252)
Security Service Delivery	(85,791)	(79,132)	(6,659)	(77,357)
Security Service Delivery Total	(85,791)	(79,132)	(6,659)	(77,357)

OUTPUT CLASSES FINANCIAL COMMENTARY

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. The eliminations, which have been included in the Financial Statements, include inter-entity rent and audit work conducted by the Regulatory Function for the Security Service amounting to \$289,000 (2015: \$247,000).

SECTION

7

Financial Statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2016

	NOTE	2016 ACTUAL \$000	2016 BUDGET \$000	2015 ACTUAL \$000
REVENUE				
Levies revenue	2	27,823	26,634	25,820
Passenger security charges	2	80,089	77,498	76,530
Revenue from other services	2	12,786	13,361	12,855
Crown funding revenue	3	2,832	2,365	2,364
Ministry contract revenue	3	1,514	1,519	1,531
Other revenue	4	1,809	1,514	2,096
Total revenue		126,853	122,891	121,196
EXPENSE				
Personnel costs	5	97,822	91,891	89,616
Depreciation and amortisation expense	12,13	3,543	4,054	3,840
Finance costs	6	181	-	394
Other expenses	7	24,388	22,780	21,512
Total expenses		125,934	118,725	115,362
Net Surplus / (Deficit)		919	4,166	5,834
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		919	4,166	5,834

Explanations of major variances against budget are provided in note 31.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	NOTE	2016 ACTUAL \$000	2016 BUDGET \$000	2015 ACTUAL \$000
EQUITY				
Opening balance of equity at 1 July				
General funds	18	21,165	21,749	20,633
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	14,353	14,185	9,051
Total opening balance of equity at 1 July		36,264	36,680	30,430
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year	919	4,166		5,834
Total changes in equity during the year		919	4,166	5,834
Closing balance of equity at 30 June				
General funds	18	22,219	22,344	21,165
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	14,218	17,756	14,353
Total closing balance of equity at 30 June		37,183	40,846	36,264

Explanations of major variances against budget are provided in note 31.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTE	2016 ACTUAL \$000	2016 BUDGET \$000	2015 ACTUAL \$000
ASSETS				
Current Assets				
Cash and cash equivalents	8	3,596	5,037	4,169
Debtors and other receivables	9	13,123	13,217	13,436
Services work in progress		462	41	147
Investments – term deposits	10,26	31,000	27,750	26,500
Total Current Assets		48,181	46,045	44,252
Non-Current Assets				
Property, plant and equipment	12	12,786	16,549	11,888
Intangible assets	13	953	1,119	1,485
Investment property	14	262	250	402
Total Non-Current Assets		14,001	17,918	13,775
Total Assets		62,182	63,963	58,027
LIABILITIES				
Current Liabilities				
Creditors and other payables	15	6,466	6,592	6,238
Employee entitlements	16	10,173	8,075	8,033
Provisions	17	146	-	136
Total Current Liabilities		16,785	14,667	14,407
Non-Current Liabilities				
Employee entitlements	16	7,059	5,608	6,211
Provisions	17	1,155	2,842	1,145
Total Non – Current Liabilities		8,214	8,450	7,356
Total Liabilities		24,999	23,117	21,763
Net Assets		37,183	40,846	36,264
EQUITY				
General funds	18	22,219	22,344	21,165
Property, plant and equipment revaluation reserve	18	746	746	746
Passenger security charges and other fees and charges reserves	18	14,218	17,756	14,353
Total Equity		37,183	40,846	36,264

Explanations of major variances against budget are provided in note 31.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

	NOTE	2016 ACTUAL \$000	2016 BUDGET \$000	2015 ACTUAL \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from levies		27,434	27,723	25,844
Receipts from passenger security charges and other services		92,921	90,018	88,361
Receipts from Crown funding and Ministry contracts		4,503	3,995	3,895
Interest and other sundry revenue received		2,640	2,146	2,056
Payments to employees		(89,283)	(87,906)	(83,974)
Payments to suppliers		(30,533)	(27,370)	(26,292)
Interest paid		-	-	(326)
Goods and Services Tax (net)		34	(527)	(279)
Net Cash Flows from Operating Activities	19	7,716	8,079	9,285
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments		-	-	800
Sale of property, plant and equipment		190	-	314
Placement of investments		(4,500)	-	(4,000)
Purchase of property, plant and equipment		(3,816)	(6,942)	(2,010)
Purchase of intangible assets		(163)	(170)	(480)
Net Cash Flows from Investing Activities		(8,289)	(7,112)	(5,376)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of external borrowings		-	-	(2,940)
Net Cash Flows from Financing Activities		-	-	(2,940)
Net increase/(decrease) in cash and cash equivalents		(573)	967	969
Opening cash and cash equivalents at 1 July		4,169	4,070	3,200
Closing Cash and Cash Equivalents at 30 June	8	3,596	5,037	4,169

Budget figures of receipts from levies, receipts from passenger security charges and other services, and payments to suppliers have been restated to a GST exclusive basis; consistent with how actuals are reported resulting in budgeted goods and services tax (net) of \$527,000 instead of \$14,083,000. This change did not impact budgeted net cash flows from operating activities.

Explanations of major variances against budget are provided in note 31.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

These financial statements of the Authority are for the year ended 30 June 2016. The financial statements were approved by the Authority on 20 October 2016.

Section 72B (3B) of the Civil Aviation Act 1990 states that the Authority shall perform its functions in respect of the Aviation Security Service separately from its other functions and shall maintain accounts, records, and reports accordingly.

BASIS OF PREPARATION

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

Statement of compliance

The financial statements have been prepared in accordance with the

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

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

Measurement basis

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

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

Presentation currency and rounding

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

Changes in accounting policies

There have been no changes in accounting policies.

Standards issued that are not yet effective and not early adopted

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Authority will apply these

amendments in preparing its 30 June 2017 financial statements. The Authority expects there will be no effect in applying these amendments.

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

The Authority earns revenue from:

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

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

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

Provision of fee-based services

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

Interest

Interest revenue is recognised using the effective interest method.

Crown funding and Ministry contracts

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the surplus or deficit in the period in which the Authority provides the funded programmes.

Goods and services tax

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

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

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

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

Income tax

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

Payment of any surplus to the Crown

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

Derivative financial instruments and foreign currency transactions**Financial instruments measured at fair value through profit or loss – comprising forward exchange contract derivatives**

Financial instruments in this category comprise those either held for trading or designated at fair value through profit or loss at inception. Under PBE standards,

those derivatives not designated as hedge accounting instruments are classified as held for trading instruments irrespective of the purpose for which they have been entered into. The Authority enters into forward exchange contract derivatives from time to time solely to mitigate currency risks associated with its operational activities.

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

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

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cash and cash equivalents

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

Services work in progress

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

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

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

Investments

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

Impairment of financial assets

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

Other financial liabilities**Financial liabilities measured at amortised cost – comprising creditors and other payables/finance lease liabilities**

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

Leases**Operating leases**

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

Cash and cash equivalents

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

Services work in progress

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

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

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

Investments

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

Bank deposits

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

Property, plant and equipment

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

Accounting for revaluations

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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

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

recognised at its fair value as at the date of acquisition.

Disposals

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

Subsequent costs

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

Depreciation

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

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

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

Intangible assets**Software acquisition and development**

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

Costs incurred by the Authority for the development of software for internal use, other than for the development

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

Staff training costs are recognised as an expense when incurred.

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

Amortisation

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

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

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

Impairment of property, plant and equipment and intangible assets

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

Non-cash-generating assets

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

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

appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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

Investment property

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

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

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

Employee entitlements

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, vested long service leave, retirement leave and sick leave. Non-vested long service leave and retirement entitlements expected to be settled within 12 months of balance date are also classified as a current liability.

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

Long-term employee entitlements

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

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

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

Post-employment entitlements

Superannuation schemes: Obligations for the Authority's contributions to Kiwisaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit.

Provisions

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

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

Onerous contracts

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

Equity

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

General funds

Property, plant and equipment revaluation reserve

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

Passenger security charges and other fees and charges reserves

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

Passenger safety reserves

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

Budget figures

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

Cost allocation

Criteria for direct and indirect costs

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

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

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

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

Criteria for apportioning support services costs

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

Critical accounting estimates, assumptions and judgements

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

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

Internally developed computer software intangible assets availability of use

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

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

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

Lease classification

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

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

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

Retirement and long service leave

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

2. REVENUE FROM LEVIES AND SERVICES

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
LEVIES REVENUE		
International passenger levies	7,530	6,942
Domestic passenger levies	19,755	18,337
Other levies	538	541
Total levies revenue	27,823	25,820
PASSENGER SECURITY CHARGES		
International passenger security charges	58,445	55,505
Domestic passenger security charges	21,644	21,025
Total passenger security charges	80,089	76,530
REVENUE FROM OTHER SERVICES		
Aviation regulatory and safety services	8,290	8,326
Other contracted aviation security services	4,496	4,529
Total revenue from other services	12,786	12,855

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

3. CROWN FUNDING AND MINISTRY CONTRACT REVENUE

CROWN FUNDING REVENUE

The Authority has been provided with funding from the Crown through a Multi-Class Output Expense Appropriation and specifically from the Ministry of Transport for the following specific purposes of the Authority as set out in the Civil Aviation Act 1990. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2015: nil).

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Policy advice	663	663
International relations and International Civil Aviation Organization obligations	685	685
Ministerial servicing	431	431
Health and safety in employment activities (Health & Safety at Work Act 2015)	908	440
Total multi-class output expense appropriation	2,687	2,219
Maritime security	145	145
Total revenue from the Crown	2,832	2,364

Policy Advice

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

International relations and International Civil Aviation Organization obligations

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

Ministerial servicing

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

Health and safety in employment activities

The Authority has been provided funding from the Crown for the purpose of implementing the requirements of the Health and Safety at Work Act 2015 ('HSW') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

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

Maritime security

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

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
MINISTRY CONTRACT REVENUE		
Rules development (Ministry of Transport)	1,200	1,200
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	314	331
Total Ministry contract revenue	1,514	1,531

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

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

4. OTHER REVENUE

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Interest revenue	1,141	1,284
Net gain on sale of property, plant and equipment	133	186
Net foreign exchange gains	-	57
Other revenue	535	569
Total other revenue	1,809	2,096

During the year the Authority disposed of property, plant and equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$133,000 (2015: \$186,000).

5. PERSONNEL COSTS

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Salaries and wages	86,480	81,105
Employer contributions to defined contribution plans	2,522	2,151
Other personnel expenses	5,832	5,586
Increase/(decrease) in employee entitlements	2,988	774
Total personnel costs	97,822	89,616

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

6. FINANCE COSTS

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Interest on Crown Loan	-	190
Discount unwind on long-term employee entitlements	181	204
Total finance costs	181	394

7. OTHER EXPENSES

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Fees to auditor:		
• Fees to Audit New Zealand for audit of financial statements	112	109
• Fees to Audit New Zealand for other services	-	22
Audit related fees for assurance and related services	-	14
Operating lease expenses	5,504	5,261
Building operating expenses	1,135	1,067
Information technology expenses	2,174	1,822
Staff travel	3,368	3,023
Insurance	846	882
Impairment of receivables	21	130
Safety information services	3,057	2,508
Consultancy	4,037	3,465
Consumables and maintenance	2,102	1,748
Net foreign exchange losses	111	-
Net loss on disposal of property, plant and equipment & intangibles	14	2
Revaluation of investment property	150	100
Other expenses	1,757	1,359
Total other expenses	24,388	21,512

Fees to Audit New Zealand for other services during the 2014-2015 year were for an assurance review over the Authority's process to select a replacement Aviation Safety Management System.

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

8. CASH AND CASH EQUIVALENTS

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Cash at bank and on hand	3,596	4,169
Cash equivalents – short-term deposits	-	-
Total cash and cash equivalents	3,596	4,169

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

The weighted average effective interest rate for the short-term deposits held is 1.56% (2015: 3.0%).

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

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

9. DEBTORS AND OTHER RECEIVABLES

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Debtors arising from exchange transactions	12,419	12,869
Other receivables	861	726
Less: provision for impairment	(157)	(159)
Total debtors and other receivables	13,123	13,436

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

As at 30 June 2016 and 2015, all receivables were reviewed for evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

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

	2016			2015		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	11,247	-	11,247	11,223	-	11,223
Past due 1-30 days	1,778	-	1,778	1,712	-	1,712
Past due 31-60 days	26	-	26	372	-	372
Past due 61-90 days	34	-	34	56	-	56
Past due over 90 days	195	(157)	38	232	(159)	73
Total	13,280	(157)	13,123	13,595	(159)	13,436

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

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

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Balance at 1 July	(159)	(104)
Additional provisions made during the year	(28)	(136)
Receivables written-off during the period	23	74
Provisions reversed during the year	7	7
Balance at 30 June	(157)	(159)

10. INVESTMENTS

CURRENT INVESTMENTS ARE REPRESENTED BY:	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Term deposits	31,000	26,500
31,000 26,500		
MATURITY ANALYSIS AND EFFECTIVE INTEREST RATES OF TERM DEPOSITS		
Term deposits with maturities of less than 12 months	31,000	26,500
Effective interest rate	4.0%	4.6%
	31,000	26,500

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has taken a forward exchange contract for USD 350,000 (2015: USD 400,000) to settle liability insurance cover premiums for the 2016/17 financial year. The contract will be settled within six months from balance date.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

	ASSETS UNDER CONSTRUCTION \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE & FITTINGS \$000	PLANT & EQUIPMENT \$000	OFFICE EQUIPMENT \$000	MOTOR VEHICLES \$000	COMPUTER EQUIPMENT \$000	TOTAL \$000
COST OR VALUATION								
Balance at 1 July 2014	5	7,614	722	16,777	658	2,680	2,772	31,228
Additions/(Transfers)	559	36	-	524	12	622	257	2,010
Disposals	-	-	-	-	-	(907)	-	(907)
Balance at 30 June 2015	564	7,650	722	17,301	670	2,395	3,029	32,331
Balance at 1 July 2015	564	7,650	722	17,301	670	2,395	3,029	32,331
Additions/(Transfers)	(430)	118	43	3,356	-	556	173	3,816
Disposals	-	(142)	(72)	(1,953)	(147)	(445)	-	(2,759)
Balance at 30 June 2016	134	7,626	693	18,704	523	2,506	3,202	33,388
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at 1 July 2014	-	(3,348)	(504)	(9,689)	(559)	(1,774)	(2,389)	(18,263)
Depreciation expense	-	(576)	(59)	(1,662)	(43)	(411)	(206)	(2,957)
Eliminate on disposal	-	-	-	-	-	777	-	777
Balance at 30 June 2015	-	(3,924)	(563)	(11,351)	(602)	(1,408)	(2,595)	(20,443)
Balance at 1 July 2015	-	(3,924)	(563)	(11,351)	(602)	(1,408)	(2,595)	(20,443)
Depreciation expense	-	(563)	(48)	(1,635)	(25)	(389)	(188)	(2,848)
Eliminate on disposal	-	141	59	1,952	148	389	-	2,689
Balance at 30 June 2016	-	(4,346)	(552)	(11,034)	(479)	(1,408)	(2,783)	(20,602)
CARRYING AMOUNTS								
At 1 July 2014	5	4,266	218	7,088	99	906	383	12,965
At 30 June 2015	564	3,726	159	5,950	68	987	434	11,888
At 30 June 2016	134	3,280	141	7,670	44	1,098	419	12,786

The total amount of property, plant and equipment in the course of construction is \$134,000 (2015: \$564,000). The depreciation expense for property, plant and equipment is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's property, plant and equipment, nor are any of these assets pledged as security for liabilities or contingent liabilities.

13. INTANGIBLE ASSETS

Movements for each class of intangible asset are as follows:

	ACQUIRED SOFTWARE	ASSETS UNDER CONSTRUCTION	INTERNALY DEVELOPED SOFTWARE	SOFTWARE UNDER DEVELOPMENT	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
COST					
Balance at 1 July 2014	4,577	-	2,081	3	6,661
Additions	342	104	15	19	480
Balance at 30 June 2015	4,919	104	2,096	22	7,141
Balance at 1 July 2015	4,919	104	2,096	22	7,141
Additions	127	36	-	-	163
Transfer to available for use	104	(104)	22	(22)	-
Balance at 30 June 2016	5,150	36	2,118	-	7,304

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES

Balance at 1 July 2014	(2,894)	-	(1,879)	-	(4,773)
Amortisation expense	(792)	-	(91)	-	(883)
Balance at 30 June 2015	(3,686)	-	(1,970)	-	(5,656)
Balance at 1 July 2015	(3,686)	-	(1,970)	-	(5,656)
Amortisation expense	(623)	-	(72)	-	(695)
Balance at 30 June 2016	(4,309)	-	(2,042)	-	(6,351)

CARRYING AMOUNTS

At 1 July 2014	1,683	-	202	3	1,888
At 30 June 2015	1,233	104	126	22	1,485
At 30 June 2016	841	36	76	-	953

The total amount of intangibles in the course of construction is \$36,000 (2015: \$126,000). The amortisation expense for intangible assets is included within depreciation and amortisation expense in the Statement of Comprehensive Revenue and Expense. There are no title restrictions for any of the Authority's intangible assets, nor are any intangible assets pledged as security for liabilities or contingent liabilities.

14. INVESTMENT PROPERTY

	ACTUAL 2016 \$'000	ACTUAL 2015 \$'000
Balance at 1 July	402	496
Fair value gains/(losses) on valuation	(140)	(94)
Balance at 30 June	262	402

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

The building was revalued at 30 June 2016 by an independent valuer, Seagar & Partners, FPINZ to a fair value of \$262,000 (2015: \$402,000). As it is probable that Auckland Airport will require the demolition of the building at the end of the current lease period in August 2018 the value of the building has been prepared on a discounted cashflow basis.

15. CREDITORS AND OTHER PAYABLES

	ACTUAL 2016 \$'000	ACTUAL 2015 \$'000
CREDITORS AND PAYABLES UNDER EXCHANGE TRANSACTIONS		
Creditors	4,078	3,944
Other payables	325	261
Total creditors and payables under exchange transactions		4,403
CREDITORS AND PAYABLES UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (GST, PAYE)	2,063	2,033
Total creditors and payables under non-exchange transactions		2,063
Total creditors and other payables		6,466
		6,238

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

16. EMPLOYEE ENTITLEMENTS

	ACTUAL 2016 \$'000	ACTUAL 2015 \$'000
CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Accrued salaries and wages	1,974	126
Annual leave	7,256	7,097
<i>Current portion of long-term employee entitlements</i>		
Sick leave	139	145
Retiring and long service leave	804	665
Total current portion	10,173	8,033
NON-CURRENT EMPLOYEE ENTITLEMENTS ARE REPRESENTED BY:		
Long-term employee entitlements		
Retiring and long service leave	6,780	5,889
Sick leave	279	322
Total non-current portion	7,059	6,211
Total employee entitlements	17,232	14,244

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

In determining the appropriate discount rate, the Authority considered the interest rates on New Zealand Treasury Bills and Government Bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. Term-specific risk-free rates as at 30 June 2016 ranging from 2.12% pa to 4.75% pa (2015: ranged from 2.93% pa to 5.50% pa) and a salary inflation factor ranging between 2.0% and 4.1% pa for the year ended 30 June 2017, with a long term salary inflation rate of 3.0% (2015: 2.0% and 3.5% pa respectively) were used.

The Authority has acknowledged that there may be an issue with Holidays Act compliance and is investigating the potential liability surrounding the payment to employees of their holiday pay entitlements. The investigation is continuing and has not been able to quantify any potential liability with certainty at balance date.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1 % pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$660,000 lower/\$772,000 higher respectively (2015: \$545,000 lower/\$637,000 higher respectively).

If the salary inflation factor was 1 % pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$662,000 higher/\$574,000 lower respectively (2015: \$575,000 higher/\$496,000 lower respectively).

17. PROVISIONS

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	146	136
Total current portion	146	136
NON-CURRENT PROVISIONS ARE REPRESENTED BY:		
Onerous contracts	714	716
Lease make-good	441	429
Total non-current portion	1,155	1,145
Total provisions	1,301	1,281

Movements for each class of provision are as follows:

	ONEROUS CONTRACTS	RESTRUCTURING	LEASE MAKE-GOOD	TOTAL
	\$000	\$000	\$000	\$000
2016				
Balance at 1 July 2015	852	-	429	1,281
Additional provisions made/(reversed)	8	-	12	20
Balance at 30 June 2016	860	-	441	1,301
2015				
Balance at 1 July 2014	996	492	420	1,908
Additional provisions made/(reversed)	(144)	(492)	9	(627)
Balance at 30 June 2015	852	-	429	1,281

ONEROUS CONTRACTS

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. In May 2014, the Board made a decision to release part of the floor of the Civil Aviation Authority National Office building at 55 Featherston Street, Wellington. This vacant space is currently sub-leased. Owing to market conditions, the rental revenue is lower than the rental expense being incurred. The net obligation under the lease agreement has been provided for as an onerous lease liability. A discount rate of 3.13% was used to calculate the present value of the cost of the onerous lease.

LEASEHOLD MAKE-GOOD PROVISIONS

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 20.

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

18. EQUITY

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
GENERAL FUNDS		
Opening balance at 1 July	21,165	20,633
Surplus/(deficit) for the year	919	5,834
Transfer (to)/from specific reserves	135	(5,302)
Closing balance at 30 June	22,219	21,165
RESERVES		
Property, plant and equipment revaluation reserve		
Opening balance at 1 July	746	746
Closing balance at 30 June	746	746
Passenger security charges reserve – international		
Opening balances at 1 July	8,705	2,911
Surplus/(deficit) for the year	3,604	6,074
Transfer (to)/from general funds	(280)	(280)
Closing balance at 30 June	12,029	8,705
Passenger security charges reserve – domestic		
Opening balances at 1 July	5,648	6,140
Surplus/(deficit) for the year	(3,339)	(372)
Transfer (to)/from general funds	(120)	(120)
Closing balance at 30 June	2,189	5,648
Passenger security charges reserve – other fees and charges		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	1	(394)
Transfer (to)/from general funds	(1)	394
Closing balance at 30 June	-	-

Passenger safety reserve – fixed fees			
Opening balances at 1 July	-	-	
Surplus/(deficit) for the year	(1,211)	(1,054)	
Transfer (to)/from levies reserve	1,211	1,054	
Closing balance at 30 June	-	-	
Passenger safety reserve – hourly charges			
Opening balances at 1 July	-	-	
Surplus/(deficit) for the year	(5,514)	(4,998)	
Transfer (to)/from levies reserve	5,514	4,998	
Closing balance at 30 June	-	-	
Passenger safety reserve – other			
Opening balances at 1 July	-	-	
Surplus/(deficit) for the year	(1,147)	(1,104)	
Transfer (to)/from levies reserve	1,147	1,104	
Closing balance at 30 June	-	-	
Passenger safety reserve – levies			
Opening balances at 1 July	-	-	
Surplus/(deficit) for the year	7,652	6,663	
Transfer (to)/from specific reserves	(7,872)	(7,156)	
Transfer (to)/from other general reserves	220	493	
Closing balance at 30 June	-	-	
Passenger safety reserve – other general reserves			
Opening balances at 1 July	-	-	
Surplus/(deficit) for the year	872	1,020	
Transfer (to)/from levies reserves	(220)	(493)	
Transfer (to)/from general funds	(652)	(527)	
Closing balance at 30 June	-	-	

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

19. RECONCILIATION OF NET SURPLUS / (DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
Net surplus/(deficit)	919	5,834
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense		
	3,543	3,840
Impairment of receivables	(2)	55
Net foreign exchange (gains)/losses	111	(57)
Discount unwind on employee entitlements	181	204
Fair value losses on investment property	150	100
Total non-cash items	3,983	4,142
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:		
(Gains)/losses on disposal of property, plant & equipment and intangibles	(119)	(184)
Total items classified as investing or financing activities	(119)	(184)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
Debtors & other receivables (increase)/decrease	315	(789)
Services work in progress (increase)/decrease	(315)	(107)
Creditors & other payables increase/(decrease)	118	445
Employee entitlements increase/(decrease)	2,795	571
Provisions increase/(decrease)	20	(627)
Net movements in working capital items	2,933	(507)
Net cash from operating activities	7,716	9,285

20. CAPITAL AND OPERATING COMMITMENTS

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
CAPITAL COMMITMENTS		
Plant and equipment	1,982	5,234
Total capital commitments	1,982	5,234

The Authority has entered into agreements for the acquisition of baggage screening equipment and upgrades to existing equipment located at the main airports.

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
NON-CANCELABLE OPERATING LEASES		
Not later than one year	5,480	5,358
Later than one year and not later than five years	15,186	16,497
Later than five years	4,596	5,818
Total non-cancellable operating leases	25,262	27,673

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

Part of the office premises in Wellington has been sublet due to it being surplus to requirements and the sublease expires in November 2022. The Authority has recognised a provision of \$860,000 (2015: \$852,000) in respect of this lease (refer note 17).

A significant portion of the total non-cancellable operating lease expense relates to the lease of two floors of office premises in Wellington. The leases expire in November 2037 and November 2040, with the option to vacate the premises at the respective lease renewal dates of November 2019 and November 2022.

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

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are \$4,429,000 (2015: \$4,829,000).

21. CONTINGENCIES

CONTINGENT LIABILITIES

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2015: \$nil) existing in relation to any legal matters currently in progress.

Personal grievance

The Authority has a contingent liability relating to personal grievances brought by an employee which could result in a settlement or award of damages against the Authority. Whilst the Authority is actively defending the action and does not expect an adverse ruling, the maximum potential liability is assessed as \$50,000 (2015 \$nil).

CONTINGENT ASSETS

The Authority has no contingent assets (2015: \$nil).

22. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

RELATED PARTY TRANSACTIONS

The Authority is a wholly owned entity of the Crown.

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

Related party transactions required to be disclosed

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

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
KEY MANAGEMENT PERSONNEL COMPENSATION		
Board members	148	148
Authority Leadership Team and senior employees	3,810	3,529
Total key management personnel compensation	3,958	3,677

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
KEY MANAGEMENT PERSONNEL FULL-TIME EQUIVALENT		
Board members	1	1
Authority Leadership Team and senior employees	17	17
Total key management personnel full-time equivalent	18	18

Key management personnel include Board Members, the Director of Civil Aviation and his nine member Authority Leadership Team (refer to pages 20-21) and also includes other senior employees with the ability to influence decisions.

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

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

23. BOARD MEMBERS REMUNERATION

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
THE TOTAL VALUE OF REMUNERATION PAID OR PAYABLE TO EACH BOARD MEMBER DURING THE YEAR WAS:		
J Bartlett (reappointed June 2014)	24	24
J Boult (reappointed November 2013)	24	24
N Gould (Chairman – reappointed November 2013)	49	49
P Griffiths (reappointed November 2013)	27	27
G Lilly (reappointed July 2015)	24	24
Total Board member remuneration	148	148

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

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

24. EMPLOYEE REMUNERATION

	ACTUAL 2016	ACTUAL 2015
TOTAL REMUNERATION PAID OR PAYABLE		
\$100,000 – \$109,999	42	46
\$110,000 – \$119,999	37	39
\$120,000 – \$129,999	28	19
\$130,000 – \$139,999	17	14
\$140,000 – \$149,999	6	6
\$150,000 – \$159,999	14	13
\$160,000 – \$169,999	8	9
\$170,000 – \$179,999	8	3
\$180,000 – \$189,999	5	1
\$190,000 – \$199,999	2	2
\$200,000 – \$209,999	1	2
\$210,000 – \$219,999	1	1
\$220,000 – \$229,999	3	2
\$230,000 – \$239,999	2	2
\$240,000 – \$249,999	3	2
\$250,000 – \$259,999	-	-
\$260,000 – \$269,999	-	1
\$270,000 – \$279,999	-	1
\$280,000 – \$289,999	-	-
\$290,000 – \$299,999	-	2
\$300,000 – \$309,999	1	-
\$310,000 – \$319,999	-	-
\$320,000 – \$329,999	-	-
\$330,000 – \$339,999	-	-
\$340,000 – \$349,999	-	-
\$350,000 – \$359,999	-	1
\$360,000 – \$369,999	-	-
\$370,000 – \$379,999	-	-
\$380,000 – \$389,999	1	-
Total number of employees	179	166

During the year ended 30 June 2016, 32 (2015: 9) employees received compensation and other benefits in relation to cessation totalling \$1,739,000 (2015: \$760,000). No Board Members received compensation or other benefits in relation to cessation (2015: nil).

25. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

26. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	3,596	4,169
Debtors and other receivables	13,123	13,436
Investments – term deposits	31,000	26,500
Total loans and receivables	47,719	44,105

	ACTUAL 2016 \$000	ACTUAL 2015 \$000
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Creditors and other payables	6,466	6,238
Total financial liabilities measured at amortised cost	6,466	6,238

FAIR VALUE HIERARCHY DISCLOSURES

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

27. FINANCIAL INSTRUMENT RISKS

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

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

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

MARKET RISK

Price risk

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

Interest rate risk

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

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

Currency risk

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

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

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Authority.

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

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

	2016 \$000	2016 %	2015 \$000	2015 %
CONCENTRATIONS OF CREDIT RISK				
Loans & receivables				
New Zealand registered banks	34,593	72.5%	30,666	69.5%
New Zealand airports	167	0.4%	98	0.2%
Domestic and International passenger airlines	10,023	21.0%	10,273	23.3%
Other	2,933	6.1%	3,066	7.0%
Total concentrations of credit risk	47,716	100.0%	44,103	100.0%

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

Liquidity risk

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

Contractual maturity analysis of financial liabilities, excluding derivatives:

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

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN 6 MONTHS	BETWEEN 6 MONTHS & 1 YEAR	LATER THAN 1 YEAR
	\$000	\$000	\$000	\$000	\$000
2016					
Creditors and other payables (Note 15)	6,466	6,466	6,466	-	-
Total contractual undiscounted cash flows	6,466	6,466	6,466	-	-
2015					
Creditors and other payables (Note 15)	6,238	6,238	6,238	-	-
Total contractual undiscounted cash flows	6,238	6,238	6,238	-	-

SENSITIVITY ANALYSIS

At year end, a movement of one percentage point in interest rates would affect the Authority's surplus and equity by \$346,000 (2015: \$307,000).

28. CAPITAL MANAGEMENT

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

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

29. SECURITY SERVICE SPECIFIC RESERVES

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

	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	OTHER FEES / CHARGES	ACTUAL	BUDGET	ACTUAL PRIOR YEAR
	\$000	\$000	\$000	\$000	\$000	\$000
2016						
Revenue	58,445	21,653	4,803	84,901	82,203	81,363
Expense	(54,841)	(24,992)	(4,802)	(84,635)	(78,232)	(76,055)
Net surplus/(deficit)	3,604	(3,339)	1	266	3,971	5,308
Opening balance at 1 July 2015	8,705	5,648	-	14,353	14,185	9,051
Transfer (to)/from General Reserves	(280)	(120)	(1)	(401)	(400)	(6)
Closing balance at 30 June 2016	12,029	2,189	-	14,218	17,756	14,353
2015						
Revenue	55,505	21,030	4,828	81,363	76,192	79,136
Expense	(49,431)	(21,402)	(5,222)	(76,055)	(74,914)	(76,197)
Net surplus/(deficit)	6,074	(372)	(394)	5,308	1,278	2,939
Opening balance at 1 July 2014	2,911	6,140	-	9,051	7,847	2,641
Transfer (to)/from General Reserves	(280)	(120)	394	(6)	(400)	3,471
Closing balance at 30 June 2015	8,705	5,648	-	14,353	8,725	9,051

30. REGULATORY FUNCTION SPECIFIC RESERVES

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

	FIXED FEES	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL \$000	BUDGET \$000	ACTUAL PRIOR YEAR \$000
2016	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	2,917	5,432	4,040	28,695	41,084	39,789	38,778
Expense	(4,218)	(10,946)	(5,187)	(20,171)	(40,432)	(39,594)	(38,252)
Net surplus / (deficit)	(1,211)	(5,514)	(1,147)	8,524	652	195	526
Opening balance at 1 July 2015	-	-	-	10,730	10,730	10,920	10,204
Transfer (to) / from General Reserves	1,211	5,514	1,147	(7,872)	-	-	-
Closing balance at 30 June 2016	-	-	-	11,382	11,382	11,115	10,730

	FIXED FEES	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)	ACTUAL \$000	BUDGET \$000	ACTUAL PRIOR YEAR \$000
2015	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	2,997	5,342	3,598	26,841	38,778	38,537	37,206
Expense	(4,051)	(10,340)	(4,702)	(19,159)	(38,252)	(38,433)	(37,134)
Net surplus / (deficit)	(1,054)	(4,998)	(1,104)	7,682	526	104	72
Opening balance at 1 July 2014	-	-	-	10,204	10,204	9,963	10,132
Transfer (to) / from General Reserves	1,054	4,998	1,104	(7,156)	-	-	-
Closing balance at 30 June 2015	-	-	-	10,730	10,730	10,067	10,204

31. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Revenue for the year ended 30 June 2016 of \$126.8 million was higher than the budget of \$122.9 million by \$3.9 million (3%). The significant variances are as follows:

Levies revenue

Regulatory Function levy revenue from departing domestic and international passengers of \$27.8 million was higher than the budget of \$26.6 million by \$1.2 million (5%). This favourable variance was primarily due to both domestic passenger and international passenger volumes being stronger than budget expectations by 3% and 7% respectively. Contributing factors to this included new international routes and airlines (primarily out of Auckland) and the introduction of additional competition onto regional domestic routes mid-way through the year.

Revenue from passenger security charges

Revenue from passenger security charges of \$80.1 million was higher than the budget of \$77.5 million by \$2.6 million (3%). Contributing to this, the international passenger security charge was higher than budget by \$2.3 million (4%). This is proportionately lower than the extent international passenger volumes exceeded budget (7%), as there was also an unbudgeted reduction in the international passenger security charge from 1 April 2016. Domestic passenger security charges were higher than budget by just \$0.3 million (1%). This is proportionately lower than the amount domestic levy revenue exceeded budget, since the additional regional domestic routes that commenced in the year were not flown using jet aircraft (and so did not attract domestic passenger security charges).

Revenue from other services

Revenue from other services of \$12.8 million was lower than the budget of \$13.4 million by \$0.6 million (4%). This was largely due to the Regulatory Function performing a lower level of chargeable activity than originally planned.

Crown funding revenue

Crown funding revenue of \$2.8 million was higher than the budget of \$2.3 million by \$0.5 million (2%), due to additional one-off funding being appropriated to enable the Regulatory Function to effectively and efficiently prepare for its designated functions to administer the Health and Safety at Work Act 2015 (which came into effect on 1 April 2016).

Other Revenue

Other revenue of \$1.8 million was higher than the budget of \$1.5 million by \$0.3 million (20%) due to additional interest income, recovery of additional training costs from external delegates and gains on disposals of fixed assets.

Expense

Expenditure for the year ended 30 June 2016 of \$125.9 million was higher than the budget of \$118.7 million by \$7.2 million (6%). The significant variances are as follows:

Personnel costs

Personnel costs of \$97.8 million were higher than the budget of \$91.9 million by \$5.9 million (6%). Of this variance \$5.1 million in the Security Service, with contributing factors including restructuring costs (Frontline Management Review and cessation of activities at Rotorua and Hamilton), additional staff to screen higher than budgeted passenger volumes, one-off costs arising from the resolution of collective bargaining (from the buy-out of allowances) and increased costs arising from the actuarial valuation of long service leave entitlements (which increased due to reduced discount rates, caused by a lower interest rate environment).

The additional \$0.8 million of personnel costs that occurred in the Regulatory Function included additional expenses to carry out the work funded by the \$0.5 million from the Crown to effectively and efficiently prepare for the introduction of the New Health and Safety at Work Act 2015, as well as some minor restructuring costs and additional training courses that were partially funded from charges to external attendees.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$3.5 million was lower than the budget of \$4.1 million by \$0.6 million (15%).

This was due to some major projects in the Security Function (such as the replacement of cabin baggage screening equipment) being completed later and costing less than budgeted.

Other expenses

Other expenses of \$24.4 million were higher than the budget of \$22.8 million by \$1.6 million (7%). A significant amount of this was due to the investment in the Authority's new Enterprise Content Management System. This was approved by the Board during the financial year and a proportion of the total design and implementation costs were incurred in the year. The remainder of the variance to budget largely arose in the Security Function and was driven by a number of factors including a trial of new cabin baggage lane technology, further investment into the technology to process Airport Identity Cards, and additional travel and legal costs relating to the resolution of collective bargaining.

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

Additional Financial Information

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2016

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

GROUP 2015 ACTUAL	REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP 2016 ACTUAL	
	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET		
	\$000	\$000	\$000	\$000	\$000	\$000		
REVENUE								
25,820	Levies revenue	27,823	26,634	-	-	-	27,823	26,634
76,530	Passenger security charges	-	-	80,089	77,498	-	80,089	77,498
12,855	Revenue from other services	8,349	8,946	4,499	4,415	(62)	12,786	13,361
2,364	Crown funding revenue	2,687	2,220	145	145	-	2,832	2,365
1,531	Ministry contract revenue	1,353	1,374	161	145	-	1,514	1,519
2,096	Other revenue	872	614	1,164	900	(227)	1,809	1,514
121,196	Total revenue	41,084	39,788	86,058	83,103	(289)	126,853	122,891
EXPENSE								
89,616	Personnel costs	32,079	31,185	65,743	60,706	-	97,822	91,891
3,840	Depreciation and amortisation expense	848	960	2,695	3,094	-	3,543	4,054
394	Finance costs	11	-	170	-	-	181	-
21,512	Other expenses	7,494	7,448	17,183	15,332	(289)	24,388	22,780
115,362	Total expenses	40,432	39,593	85,791	79,132	(289)	125,934	118,725
5,834	Net Surplus / (Deficit)	652	195	267	3,971	-	919	4,166
5,834	Total comprehensive revenue and expense	652	195	267	3,971	-	919	4,166

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

GROUP 2015 ACTUAL	REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP 2016 ACTUAL				
	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET					
	\$000	\$000	\$000	\$000	\$000	\$000					
EQUITY											
	Opening balance of equity at 1 July										
20,633	General funds		10,730		10,920	10,435	10,829	-	-	21,165	21,749
746	Property, plant and equipment revaluation reserve		-		-	746	746	-	-	746	746
9,051	Passenger security charges and other fees and charges reserves		-		-	14,353	14,185	-	-	14,353	14,185
30,430	Total opening balance of equity at 1 July		10,730		10,920	25,534	25,760	-	-	36,264	36,680
5,834	Net surplus / (deficit) for the year		652		195	267	3,971	-	-	919	4,166
5,834	Total changes in equity during the year		652		195	267	3,971	-	-	919	4,166
	Closing balance of equity at 30 June										
21,165	General funds		11,382		11,115	10,837	11,229	-	-	22,219	22,344
746	Property, plant and equipment revaluation reserve		-		-	746	746	-	-	746	746
14,353	Passenger security charges and other fees and charges reserves		-		-	14,218	17,756	-	-	14,218	17,756
36,264	Total closing balance of equity at 30 June		11,382		11,115	25,801	29,731	-	-	37,183	40,846

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
2015 ACTUAL		2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS									
4,169	Cash and cash equivalents	660	2,169	2,936	2,868	-	-	3,596	5,037
13,436	Debtors and other receivables	4,244	4,711	9,456	8,506	(577)	-	13,123	13,217
147	Services Work in Progress	462	41	-	-	-	-	462	41
26,500	Investments – term deposits	9,000	6,550	22,000	21,200	-	-	31,000	27,750
44,252	Total Current Assets	14,366	13,471	34,392	32,574	(577)	-	48,181	46,045
NON-CURRENT ASSETS									
11,888	Property, plant and equipment	2,726	3,188	10,060	13,361	-	-	12,786	16,549
1,485	Intangible assets	303	301	650	818	-	-	953	1,119
402	Investment property	-	-	262	250	-	-	262	250
13,775	Total Non-Current Assets	3,029	3,489	10,972	14,429	-	-	14,001	17,918
58,027	Total Assets	17,395	16,960	45,364	47,003	(577)	-	62,182	63,963
CURRENT LIABILITIES									
6,238	Creditors and other payables	3,418	3,124	3,625	3,468	(577)	-	6,466	6,592
8,033	Employee entitlements	2,108	2,287	8,065	5,788	-	-	10,173	8,075
136	Provisions	-	-	146	-	-	-	146	-
14,407	Total Current Liabilities	5,526	5,411	11,836	9,256	(577)	-	16,785	14,667
NON-CURRENT LIABILITIES									
6,211	Employee entitlements	408	360	6,651	5,248	-	-	7,059	5,608
1,145	Provisions	79	74	1,076	2,768	-	-	1,155	2,842
7,356	Total Non-Current Liabilities	487	434	7,727	8,016	-	-	8,214	8,450
21,763	Total Liabilities	6,013	5,845	19,563	17,272	(577)	-	24,999	23,117
36,264	Net Assets	11,382	11,115	25,801	29,731	-	-	37,183	40,846
EQUITY									
21,165	General funds	11,382	11,115	10,837	11,229	-	-	22,219	22,344
746	Property, plant and equipment revaluation reserve	-	-	746	746	-	-	746	746
14,353	Passenger security charges and other fees and charges reserves	-	-	14,218	17,756	-	-	14,218	17,756
36,264	Total Equity	11,382	11,115	25,801	29,731	-	-	37,183	40,846

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

GROUP		REGULATORY FUNCTION		SECURITY SERVICE		ELIMINATION		GROUP	
2015 ACTUAL		2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET	2016 ACTUAL	2016 BUDGET
\$000		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES									
25,844	Receipts from levies	27,685	27,723	-	-	(251)	-	27,434	27,723
88,361	Receipts from Passenger security charges and other services	7,655	8,106	85,322	81,912	(56)	-	92,921	90,018
3,895	Receipts from Crown funding and Ministry contracts	4,040	3,694	463	301	-	-	4,503	3,995
2,056	Interest and other sundry revenue received	945	613	1,922	1,533	(227)	-	2,640	2,146
(83,974)	Payments to employees	(29,158)	(29,320)	(60,125)	(58,586)	-	-	(89,283)	(87,906)
(26,292)	Payments to suppliers	(9,666)	(9,307)	(21,401)	(18,063)	534	-	(30,533)	(27,370)
(326)	Interest paid	-	-	-	-	-	-	-	-
(279)	Goods and Services Tax (net)	85	(479)	(51)	(48)	-	-	34	(527)
9,285	Net Cash Flows from Operating Activities	1,586	1,030	6,130	7,049	-	-	7,716	8,079
CASH FLOWS FROM INVESTING ACTIVITIES									
800	Maturity of investments	-	-	-	-	-	-	-	-
314	Sale of property, plant and equipment	46	-	144	-	-	-	190	-
(4,000)	Placement of investments	(1,500)	-	(3,000)	-	-	-	(4,500)	-
(2,010)	Purchase of property, plant and equipment	(251)	(629)	(3,565)	(6,313)	-	-	(3,816)	(6,942)
(480)	Purchase of intangible assets	(22)	(50)	(141)	(120)	-	-	(163)	(170)
(5,376)	Net Cash Flows from Investing Activities	(1,727)	(679)	(6,562)	(6,433)	-	-	(8,289)	(7,112)
CASH FLOWS FROM FINANCING ACTIVITIES									
(2,940)	Repayment of external borrowings	-	-	-	-	-	-	-	-
(2,940)	Net Cash Flows from Financing Activities	-	-	-	-	-	-	-	-
969	Net increase/(decrease) in cash and cash equivalents	(141)	351	(432)	616	-	-	(573)	967
3,200	Opening cash and cash equivalents at 1 July	802	1,818	3,367	2,252	-	-	4,169	4,070
4,169	Closing Cash and Cash Equivalents at 30 June	661	2,169	2,935	2,868	-	-	3,596	5,037

Budget figures of receipts from levies, receipts from passenger security charges and other services, and payments to suppliers have been restated to a GST exclusive basis; consistent with how actuals are reported resulting in budgeted goods and services tax (net) of \$527,000 instead of \$14,083,000. This change did not impact budgeted net cash flows from operating activities.

Appendices

PART

C

APPENDIX 1: ORGANISATION CHART



APPENDIX 2: OPERATING ENVIRONMENT

SECTOR PROFILE

New Zealand's Active Aviation Document Holders as at 30 June 2016

	ORGANISATIONS	INDIVIDUALS	AIRCRAFT	
4	Australian AOC Operating with ANZA Privileges	2,800	Part 66 Aircraft Maintenance Engineer	1,977 Aeroplane
66	Part 109 Regulated Air Cargo Agent	200	Part 66 Certificate of Inspection Authorisation	294 Amateur Built Aeroplane
28	Part 115 Adventure Aviation Operator	231	Part 66 Certificate of Maintenance Approval	3 Amateur Built Glider
172	Part 119 Air Operator	26,141	Pilot licences (3,626 with active class 1 medical certificate and 5,438 with active class 2 medical certificate including 3,872 ATPL Aeroplane licence holders, 1,197 holding active class 1 medical certificates and 935 holding active class 2 medical certificates)	24 Amateur Built Helicopter
36	Part 129 Foreign Air Operator	1,052	Air traffic and Flight service licences (626 holding class 3 medical certificates)	60 Balloon
103	Part 137 Agricultural Aircraft Operator			285 Glider
27	Part 139 Aerodrome Certification			64 Gyroplane
1	Part 140 Aviation Security Organisation			20 Hang Glider
53	Part 141 Training Organisation			831 Helicopter
55	Part 145 Maintenance Organisation			205 Microlight Class 1
12	Part 146 Design Organisation			876 Microlight Class 2
20	Part 148 Manufacturing Organisation			88 Para Glider
8	Part 149 Recreation Organisation			240 Parachute
2	Part 171 Telecommunication Service Organisation			51 Power Glider
1	Part 172 Air Traffic Service Organisation			3 Jetpack
2	Part 173 Instrument Flight Procedure			
2	Part 174 Meteorological Service Organisation			
2	Part 175 Information Service Organisation			
54	Part 19F Supply Organisation			
59	Part 92 Dangerous Goods Packaging			
12	Synthetic Training Device (Airlines)			
28	Synthetic Training Device (General Aviation)			
747	Total	30,424	Total	5,021 Total

APPENDIX 3: SAFETY DATA

3(A) MEASURE: ACCIDENTS AND INJURIES BY AVIATION SECTOR

Number of Civil Aviation Accidents, Fatalities, and Serious Injuries

AVIATION SAFETY TARGET GROUPS	2014/15		2015/16		2015/16	
	ACCIDENTS	FATALITIES	SERIOUS INJURIES	ACCIDENTS	FATALITIES	
Public air transport						
1. Airline operations — large aeroplanes	1	-	-	1	-	-
2. Airline operations — medium aeroplanes	1	-	-	-	-	-
3. Airline operations — small aeroplanes	2	1	2	-	-	-
4. Airline operations — helicopters	1	1	4	3	7	-
5. Adventure aviation transport operations (for all aircraft, includes parachutes and paragliders)	11	-	3	11	-	2
Other commercial operations						
6. Other commercial operations — aeroplane	6	-	-	8	-	-
7. Other commercial operations — helicopter	6	3	2	4	-	-
8. Agricultural operations — aeroplanes	3	-	1	2	-	-
9. Agricultural operations — helicopters	5	1	-	3	-	1
Non-commercial operations						
10. Private operations — aeroplanes	10	4	2	12	-	-
11. Private operations — helicopters	4	1	2	4	1	1
12. Private operations — sport aircraft (for all aircraft, includes parachutes and paragliders)	49	2	15	53	2	14
13. Other	-	-	-	-	-	-

3(B) MEASURE: SOCIAL COST OF AVIATION PER UNIT OF PASSENGER EXPOSURE

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

AVIATION SAFETY TARGET GROUPS	FOR THE 3 YEARS ENDED 30 JUNE							2012/15 TARGETS	% ABOVE OR BELOW TARGET
	2010	2011	2012	2013	2014	2015	2016		
Public air transport									
1. Airline operations—large aeroplanes	-	-	-	-	0.01	0.02	0.02	-	-
2. Airline operations—medium aeroplanes	0.02	0.02	0.02	-	-	-	-	0.02	100%
3. Airline operations—small aeroplanes	2.44	2.40	2.26	2.93	5.05	26.12	20.15	2.34	861.26%
4. Airline operations—helicopters	9.61	10.60	5.30	17.03	43.25	58.38	109.23	6.50	1680.48%
5. Adventure Aviation transport operations	61.06	65.47	156.59	180.27	166.54	6.68	15.66	13.00	120.44%
Other commercial operations									
6. Other commercial operations—aeroplane	26.26	58.81	58.83	54.15	12.61	16.37	21.40	6.50	329.24%
7. Other commercial operations—helicopter	38.23	59.82	98.72	103.03	62.80	94.87	94.60	6.50	1455.44%
8. Agricultural operations—aeroplanes	104.5	53.31	12.46	38.61	46.15	59.88	17.93	14.00	128.08%
9. Agricultural operations—helicopters	9.02	7.22	22.31	29.84	59.84	69.27	83.13	7.25	1146.65%
10. Agricultural operations—sport aircraft	-	-	-	-	-	-	-	-	-
Non-commercial operations									
11. Private operations—aeroplanes	52.85	59.12	99.73	54.29	82.30	170.17	155.78	10.00	1557.77%
12. Private operations—helicopters	41.05	96.33	77.96	141.25	112.62	153.29	138.38	10.00	1383.83%
13. Private operations—sport aircraft	100.14	91.39	105.78	373.00	77.95	54.06	53.51	20.00	267.57%

3(C) MEASURE: RATE OF AIRCRAFT ACCIDENTS PER 100,000 FLYING HOURS (3-YEARLY)

AVIATION SAFETY TARGET GROUPS	3 YEAR ROLLING FOR THE YEARS ENDED 30 JUNE						2012/15 TARGETS	
	2010	2011	2012	2013	2014	2015		
Public air transport								
1. Airline operations—large aeroplanes	0.32	0.62	0.52	0.30	0.40	0.49	0.60	595.91%
2. Airline operations—medium aeroplanes	1.11	1.70	2.23	1.04	0.53	0.70	0.77	144.93%
3. Airline operations—small aeroplanes	5.18	5.21	3.51	2.70	2.52	4.54	2.30	43.22%
4. Airline operations—helicopters	5.16	5.20	4.01	4.12	6.95	6.73	4.95	94.31%
5. Adventure Aviation transport operations	-	-	-	20.00	16.4	36.69	8.00	-
Other commercial operations								
6. Other commercial operations—aeroplane	4.73	4.26	3.86	3.07	2.74	3.28	4.36	102.93%
7. Other commercial operations—helicopter	7.76	9.55	10.54	10.56	10.16	11.77	12.97	173.57%
8. Agricultural operations—aeroplanes	19.26	15.9	11.58	15.57	13.9	16.05	6.93	43.56%
9. Agricultural operations—helicopters	10.36	9.36	9.10	7.30	5.80	5.56	6.10	61.93%
10. Agricultural operations—sport aircraft	-	-	-	-	-	-	-	-
Non-commercial operations								
11. Private operations—aeroplanes	26.07	29.58	23.20	27.08	32.50	36.01	32.30	119.13%
12. Private operations—helicopters	32.99	34.80	38.20	31.84	24.20	26.40	16.58	49.66%
13. Private operations—sport aircraft	-	-	-	-	-	-	-	-

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

3(D) MEASURE:

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

ACTIVITY TYPE	REDUCTION IN RISK SCORE FROM 2009 TO 2016										REDUCTION IN RISK SCORE FROM 2009 TO 2016
	2009	2010	2011	2012	2013	2014	2015	2015	n/a	n/a	
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Privileges	4.30	2.6	-	-	2.6	2.6	n/a	n/a	n/a	n/a	yes
Australia AOC with Australia and New Zealand Aviation Mutual Recognition Agreement Part 108 Security	6.7	5.6	6.5	6.9	5.1	5.4	8.2	7.1	no	no	yes
Part 108 Security Programme	8.2	11.6	9.3	9.6	10.4	8.7	10.4	9.8	no	no	no
Part 109 Regulated Air Cargo Agent	12.3	13.1	10.5	11	10.1	10.8	10.4	10.2	yes	yes	no
Part 115 Adventure Aviation Operator		-		39.8	20.7	12.5	10.7	12.9	no	no	no
Part 119 Air Operator Certificate - Pacific	9.9	9	n/a	n/a	n/a	n/a	n/a	n/a	no	no	no
Part 121 Air Operator Large Aeroplanes	12.2	11.8	11.8	8.7	8.4	8.5	7.1	9.6	yes	yes	yes
Part 125 Air Operator Medium Aeroplanes	15.8	17.6	16.1	14.5	13.5	13	15.8	13.3	yes	yes	yes
Part 129 Foreign Air Transport Operator	10.2	8.1	10.5	8.4	8.5	5.6	6.3	10.1	yes	yes	yes
Part 135 Air Operator Helicopters and Small Aeroplanes	17.1	17.1	16.4	16.1	14.4	13.1	13.3	13.0	yes	yes	yes
Part 137 Agricultural Aircraft Operator	17.7	16.3	16.1	15.9	14.3	13.3	14.5	13.1	yes	yes	yes
Part 139 Aerodrome Operator	5.1	5.9	6.5	5.7	5.5	5	6.5	7.6	no	no	no
Part 140 Aviation Security Service Organisation	5.2	5.1	4.6	5	4.9	6.6	5.6	16.0	no	no	no
Part 141 Aviation Training Organisation	11	10.3	10.8	10.2	7.7	7.4	7	7.4	yes	yes	yes
Part 145 Maintenance Organisation	10.7	10.4	12.1	11	8.3	8.6	9.9	8.5	yes	yes	yes
Part 146 Aircraft Design Organisation	8	11.2	12.6	9.9	8.6	7.9	8.2	7.4	yes	yes	yes
Part 148 Aircraft Manufacturing Organisation	8.7	10.9	11.3	9.7	8.1	12.2	10.1	8.8	no	no	no
Part 149 Aviation Recreation Organisation	20.1	10.2	15.9	10.8	8	11.5	14.5	11.9	yes	yes	yes
Part 171 Telecom Service Organisation	5.4	5	11.6	15.3	6.4	4.8	4.4	4.3	yes	yes	yes
Part 172 Air Traffic Service Organisation	8	9.6	17.1	24	15	12.7	12.6	12.6	no	no	no
Part 173 Instrument Flight Procedure	4.3	7.2	9.1	14.2	9.8	4.4	6.5	5.1	no	no	no
Part 174 Meteorological Service Organisation	7.3	11.1	11.4	11.2	7.6	4.4	5.2	5.3	yes	yes	yes

ACTIVITY TYPE	2009	2010	2011	2012	2013	2014	2015	2015	REDUCTION IN RISK SCORE FROM 2009 TO 2016
Part 175 Aeronautical Info Service Organisation	6.3	9.5	15.1	17.5	11.2	11.1	41.5	4.73	yes
Part 19F Supply Organisation	13.2	11.1	10.4	9.2	7.8	8.7	8.9	8.13	yes
Part 61 Pilot Licence (Aeroplane) Holder		2.7	2.9	n/a	n/a	n/a	n/a	n/a	no
Part 66 Aircraft Maintenance Engineer	n/a	-							
Part 92 Dangerous Goods Pack Approval Holder	2.6	8.3	13.7	9	6.1	7	6.9	10.40	no

3(E) MEASURE: RATE OF SECURITY INCIDENTS

SECURITY INCIDENTS	FOR THE YEARS ENDED 30 JUNE					
	2011	2012	2013	2014	2015	2016
Public air transport	-	-	-	-	-	-
In-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.	-	-	-	-	-	-
Airside security incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.	-	-	-	-	-	-
Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service.	-	-	-	-	-	-
*Dangerous goods incident means an incident associated with and related to the carriage of dangerous goods by air after acceptance, that – 1) Results in injury to a person, property damage, fire, breakage, spillage leakage of fluid or radiation, or other evidence that the integrity of the package has not been maintained or: 2) involves dangerous goods incorrectly declared, packaged, marked, or documented.						

3(F) MEASURE: NUMBER OF AIRCRAFT ACCIDENTS BY AVIATION SAFETY GROUP

AVIATION SAFETY TARGET GROUPS	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Public air transport							
1. Airline operations —large aeroplanes	2	3	1	-	4	1	1
2. Airline operations —medium aeroplanes	2	1	1	-	-	1	-
3. Airline operations —small aeroplanes	2	2	1	1	1	2	-
4. Airline operations —helicopters	4	1	2	5	5	1	3
5. Adventure Aviation transport operations	13	9	8	4	7	11	11
Other commercial operations							
6. Other commercial operations— aeroplane	13	12	6	8	12	6	8
7. Other commercial operations— helicopter	3	7	8	4	4	6	4
8. Agricultural operations —aeroplanes	5	6	3	11	6	3	2
9. Agricultural operations —helicopter	5	4	7	4	4	5	3
10. Agricultural operations —sport aircraft	-	-	-	-	-	-	-
Non-commercial operations							
11. Private operations —aeroplanes	10	5	9	12	11	10	9
12. Private operations —helicopters	10	6	2	8	1	4	2
13. Private operations —sport aircraft	54	52	38	50	54	49	39
Others	1	1	1	1	-	-	-

3(G) MEASURE: SOCIAL COST PER 100,000 FLIGHT HOURS (\$)

AVIATION SAFETY TARGET GROUPS	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Public air transport							
1. Airline operations —large aeroplanes	-	-	-	0.02	0.01	0.39	0.03
2. Airline operations —medium aeroplanes	0.09	-	-	-	-	-	-
3. Airline operations —small aeroplanes	1.35	-	0.33	2.12	1.96	14.10	-
4. Airline operations —helicopters	2.43	0.55	0.64	11.69	18.01	11.82	37.29
5. Adventure Aviation transport operations	-	-	-	2.16	11.9	25.69	6.08
Other commercial operations							
6. Other commercial operations— aeroplane	1.48	17.34	0.06	0.07	3.92	-	-
7. Other commercial operations— helicopter	-	31.47	22.82	0.51	2.12	52.98	0.99
8. Agricultural operations —aeroplanes	4.91	-	-	13.02	3.63	1.63	-
9. Agricultural operations —helicopter	-	1.97	8.21	-	12.9	9.42	0.74
10. Agricultural operations —sport aircraft	-	-	-	-	-	-	-
Non-commercial operations							
11. Private operations —aeroplanes	19.57	0.50	22.6	1.34	13.12	54.21	0.15
12. Private operations —helicopters	8.22	55.05	-	55.03	46.17	31.46	28.30
13. Private operations —sport aircraft	-	-	-	-	94.41	242.52	166.33

3(H) MEASURE: NUMBER OF FATALITIES AND SERIOUS INJURIES PER 100,000 FLIGHT HOURS

AVIATION SAFETY TARGET GROUPS	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Public air transport							
1. Airline operations —large aeroplanes	-	-	-	-	-	-	-
2. Airline operations —medium aeroplanes	-	-	-	-	-	-	-
3. Airline operations —small aeroplanes	2.3	-	-	2.99	-	8.5	-
4. Airline operations —helicopters	-	-	1.67	2.06	9.55	7.78	8.73
5. Adventure Aviation transport operations	-	-	-	-	22.38	32.85	12.66
Other commercial operations							
6. Other commercial operations— aeroplane	0.36	5.71	-	-	5.14	-	-
7. Other commercial operations— helicopter	-	9.09	7.01	-	-	15.01	-
8. Agricultural operations —aeroplanes	2.97	-	-	4.77	-	2.22	-
9. Agricultural operations —helicopter	-	-	1.57	-	14.83	1.44	1.66
10. Agricultural operations —sport aircraft	-	-	-	-	-	-	-
Non-commercial operations							
11. Private operations —aeroplanes	5.07	-	22.78	-	22.71	18.78	-
12. Private operations —helicopters	-	28.86	-	43.33	83.45	17.28	11.71
13. Private operations —sport aircraft	-	-	-	-	75.20	268.51	182.52

trend compares latest year's figure over previous year's, trend over all 7 points may be different

3(I) MEASURE: SOCIAL COST OF FATALITIES AND SERIOUS INJURIES (\$MILLIONS)

AVIATION SAFETY TARGET GROUPS	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Public air transport							
1. Airline operations —large aeroplanes	-	-	-	-	-	-	0.05
2. Airline operations —medium aeroplanes	-	-	-	-	-	-	-
3. Airline operations —small aeroplanes					0.39	-	0.17
4. Airline operations —helicopters						-	0.39
5. Adventure Aviation transport operations					1.54	1.54	41.72
Other commercial operations							
6. Other commercial operations— aeroplane		3.69	41.72	-	-	0.22	10.34
7. Other commercial operations— helicopter			-	15.13	11.45	0.35	0.82
8. Agricultural operations —aeroplanes		0.39	-	-	-	5.45	0.82
9. Agricultural operations —helicopter		-	-	-	3.69	-	8.28
10. Agricultural operations —sport aircraft		-	-	-	-	-	0.41
Non-commercial operations							
11. Private operations —aeroplanes		7.37	-	5.62	0.35	3.94	16.73
12. Private operations —helicopters		-	4.85	-	6.33	7.87	4.80
13. Private operations —sport aircraft		21.14	21.91	25.21	16.54	8.46	14.17

3(J) MEASURE:
NUMBER OF NON-COMPLIANCES WITH CIVIL AVIATION RULES OR EXPOSITIONS BY OPERATORS

FINDING CATEGORY	FY 2013/14				FY 2014/15				FY 2015/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of non-compliances	169	241	294	177	143	168	303	216	202	162	121	243
	881				830				728			

3(K) MEASURE:
ENFORCEMENT ACTIONS/PROSECUTIONS FOR NON-COMPLIANCE AND/OR BREACH WITH CIVIL AVIATION AUTHORITY RULES

YEAR	TOTAL NUMBER OF OCCURRENCES	NUMBER OF PROSECUTIONS COMMENCED	PROSECUTIONS AS A % OF OCCURRENCES	WRITTEN WARNINGS ISSUED	INFRINGEMENT NOTICES ISSUED	A safe airspace environment is sustained for all aviation activities	'Near misses'/ loss of separation incidents	CLOSE PROXIMITY EVENTS						5-10% improvement since 2007
								2011	2012	2013	2014	2015	2016	
2001	4,787	21	0.44%	23	-									
2002	4,004	22	0.54%	34	-									
2003	4,131	18	0.43%	27	-									
2004	4,688	19	0.40%	31	-									
2005	4,707	22	0.46%	26	-									
2006	5,324	23	0.43%	18	4									
2007	5,007	21	0.41%	16	5									
2008	5,927	19	0.32%	12	10									
2009	5,275	17	0.32%	11	9			Critical	28	26.6	25.2	25	-11%	
2010	5,529	24	0.43%	9	7			Major	313	297.35	281.7	315	-	
2011	6,071	11	0.18%	4	7			Minor	4,570	n/a	n/a	6,608	n/a	
2012	5,985	18	0.30%	11	4			Total Occurrences	4,911			6,948		
2013	7,325	10	0.13%	12	8									
2014	6,305	10	0.16%	12	18									
2015	6,488	13	0.20%	7	6									
2016	6,421	12	0.19%	11	9									

3(L) MEASURE:
AIRSPACE OCCURRENCE ENVIRONMENT IS SUSTAINED FOR ALL AVIATION ACTIVITIES

'Near misses'/ loss of separation incidents	YEAR ENDING JUNE	CLOSE PROXIMITY EVENTS						Fewer 'near misses'/ loss of separation incidents through time	
		COUNT	2011	2012	2013	2014	2015		
UNAUTHORISED AIRSPACE INCURSIONS									
Uncontrolled incursions (into controlled airspace)	YEAR ENDING JUNE	COUNT	2011	2012	2013	2014	2015	2016	
		COUNT PER 100,000 HOURS							

3(M) MEASURE: 5 – 10% REDUCTION BY 2018 IN MAJOR AND CRITICAL OCCURRENCES SINCE 2007

SEVERITY OF OCCURRENCE	2006/07	TARGET AT 5%	TARGET AT 10%	2015/16	ACTUAL INCREASE/(REDUCTION)
Critical	28	26.6	25.2	25	-11%
Major	313	297.35	281.7	315	-
Minor	4,570	n/a	n/a	6,608	n/a
Total Occurrences	4,911			6,948	

APPENDIX 4: RULES DEVELOPMENT PROGRAMME

Under the Rule Development Services Agreement with the Ministry of Transport, the Civil Aviation Authority is responsible for delivery of the draft final rule package. The Ministry of Transport is responsible for progressing this through government processes to secure the Minister's signature. A number of strategies are being employed to speed up

the process of rules development. The Authority is fully engaging in the Ministry of Transport's process, as this is considered to offer the greatest opportunity to consolidate low value steps and eliminate redundancies in the rule-making process.

STATUS



Steady and positive progress – on track



Minor delay/issues identified – should be delivered by agreement period



Major impediments – delivery unlikely within agreement period



Project removed from programme

RULE NO.	PROJECT TITLE	LATEST MILESTONE ACHIEVEMENT	PROGRESS STATUS AND COMMENT	NEXT MILESTONE & EXPECTED DELIVERY DATE*	TARGET QUARTER FOR THE MINISTER TO SIGN*
Various	New Southern Sky – Mandate ADSB	Minister accepted rule project onto Transport Rules Programme.	Currently in policy investigation. Project is on track as agreed with the Ministry.	Publish NPRM Expected in October	Quarter 3/4 Dependent on Cabinet's timeframe
Various	New Southern Sky – GNSS IFR	Minister accepted rule project onto Transport Rules Programme.	Currently in policy investigation. Project is on track as agreed with the Ministry.	Publish NPRM Expected in October	Quarter 3/4 Dependent on Cabinet's timeframe
Part 91 & 43	Post-Accident Emergency Location of Aircraft	Minister accepted rule project onto Transport Rules Programme.	Currently in policy investigation. Project is on track as agreed with the Ministry.	Publish NPRM Expected to start in October	Quarter 4
Various	Omnibus 2016	Publish NPRM	Consultation period closed 28 June 2016. Currently analysing submissions.	Final rule package delivered to MoT Expected in August	Quarter 2

* Dates are subject to Ministerial approval of the project



Aviation Security Service
Kaiwhakamaru Rererangi