

Report of the

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND
AND AVIATION SECURITY SERVICE**

for the year ended 30 June 1997

***Presented to the House of Representatives pursuant to section
44A of the Public Finance Act 1989.***

Purpose

This Annual Report has been prepared to meet the requirements of:

- **Section 38 of the Third Schedule to the Civil Aviation Act 1990;**
- **Part V of the Public Finance Act 1989; and**
- **the two Performance Agreements between the Civil Aviation Authority and the Minister of Transport for the year ended 30 June 1997 covering the activities of the Civil Aviation Authority and the Aviation Security Service respectively.**

The report covers the activities for the year 1 July 1996 to 30 June 1997 of:

- **the Civil Aviation Authority of New Zealand (including the provision of Class III search and rescue services); and**
- **the Aviation Security Service.**

TABLE OF CONTENTS

OVERVIEW	Page
Foreword by Chairperson	5
Management and Structure of the Civil Aviation Authority and the Aviation Security Service	9
Organisation Chart	10
CIVIL AVIATION AUTHORITY	
Functions	12
Vision, Mission and Values	13
Strategic Goals, Outcomes and Outputs	14
ACTIVITIES UNDERTAKEN DURING THE YEAR	
Safety Activities	16
Management Issues	24
Good Employment Requirements	28
Search and Rescue Activities	31
Policy Directives	33
Delegations to Persons Outside the Civil Aviation Authority	33
Statement of Impacts and Consequences	36
AVIATION SECURITY SERVICE	
Functions	46
Mission Statement, Strategic Goals, Outcomes and Outputs	47
ACTIVITIES UNDERTAKEN DURING THE YEAR	
Major Activities and Issues	48
Good Employment Requirements	50
CONSOLIDATED FINANCIAL STATEMENTS	
FINANCIAL STATEMENTS	54
Statement of Responsibility	55
Statement of Financial Performance	56
Statement of Movement in Taxpayers' Equity	57
Statement of Financial Position	58
Statement of Cash Flows	59
Reconciliation of Net Operating Surplus (Deficit)	60
Statement of Commitments	61
Statement of Contingent Liabilities	62
Statement of Accounting Policies	63
Notes to the Financial Statements	66
STATEMENTS OF SERVICE PERFORMANCE	
Civil Aviation Authority	75
Search and Rescue	106
Aviation Security Service	109
REPORT OF AUDIT NEW ZEALAND	116

Foreword by Chairperson

For the fifth year, I have pleasure on behalf of my fellow Members of the Civil Aviation Authority of New Zealand in presenting our Annual Report covering the activities of both the Civil Aviation Authority and the Aviation Security Service during the 1996/97 financial year. The two organisations continue to be operated as separate entities as required under the Civil Aviation Act 1990.

On 1 July 1996, the Authority also took over direct responsibility for the provision of Class III search and rescue services which were previously provided by the CAA under contract to the Ministry of Transport. Although an output of the CAA, the provision of these services is treated as a separate operation from the CAA's prime aviation safety regulatory functions.

Civil Aviation Authority

Over the past five years, the CAA has overseen a major shift in safety philosophy. This has involved a complete rewrite of civil aviation safety requirements and standards, and a move to user pays cost recovery policies.

It was with considerable pride that we celebrated a major milestone on 31 March 1997 when the project to develop the new Civil Aviation Rules was essentially completed. On that date, the 1953 Civil Aviation Regulations and all associated orders and requirements expired, and on 1 April 1997 twenty new Rule Parts and ten amendments to existing Rule Parts came into effect.

Considerable ongoing effort by the CAA will be required in the years ahead as many of the Rules provide for a controlled transition from the old Regulations to the new Rules. Ongoing review of these Rules will also continue to be a prime function of the CAA to ensure that these keep up-to-date with developments in the industry and achieve the aviation safety objectives intended.

With the benefit of four years' experience in applying the monitoring principles envisaged in the 1990 Civil Aviation Act, during the year the Authority gave top priority to improving its surveillance of the aviation industry using the "safety audit" approach. Work commenced in November 1996 to upgrade the CAA's audit and monitoring activity. The initial work focused on the way audit tasks are defined and scheduled for the different sizes of organisations, together with the standardisation of audit modules. The reconstruction plan also involves the definition of the size of the future surveillance task, the planning necessary to meet this demand, together with the completion of the associated surveillance policies. An overall audit programme based on this planning and surveillance policies is planned for implementation from 1 July 1997.

Another area of focus during the year was on the way the CAA carries out its responsibilities for the investigation and analysis of aviation safety occurrences (accidents, incidents etc.). A restructuring resulted in a separate Safety Investigation and Analysis Group being formed.

The new Group is responsible for:

- investigating each occurrence to clearly identify causal factors and actions to be taken to prevent a recurrence; and
- analysing the safety data to determine risk areas and trends, and to recommend corrective actions needed such as amendments to the Rules, education and information, or targeted monitoring to improve safety.

This Group is now being tasked with producing an annual Safety Plan to enable the results of the analysis work to focus on those areas where the most safety benefit can be expected.

The strengthening of the partnership relationship with the aviation industry on aviation safety matters achieved in the previous few years remained an important objective. Regular discussions on matters of mutual interest and concern were held with various aviation industry representative groups. This partnership approach was enhanced with the hosting by the CAA of six Heli-Kiwi and nine Aero-Kiwi seminars early in the year, together with a number of in-house seminars by the CAA-trained presenters at the request of various aviation organisations.

The safety achievements of the last few years have not been easy. Since 1992 activity within the civil aviation sector has increased but the CAA's resources have been kept almost constant, putting considerable stress on resources and employees.

In March 1997, the Minister of Transport approved a revised budget for the Civil Aviation Authority which is the budget reported against in this Report. The Civil Aviation Authority ended the year with a deficit of \$0.521m, being \$0.730m or 58% less than the revised budgeted deficit. This was only achieved by continuing to curb expenditure, savings of 2.5% being achieved compared to the revised budget, and a slight improvement in total revenue which was up on the budget by 2.7%.

The financial results of recent years, in particular the deficit incurred at the end of the 1995/96 year and the further deficit for this year, are evidence that the CAA's funding structure had placed the financial stability of the organisation at considerable risk.

This view was supported by an independent performance review undertaken during the year by Arthur Andersen on behalf of the Ministry of Transport. This review concluded that the CAA has faced difficult trade-offs in balancing safety requirements with funding needs; that it has been historically under resourced and understaffed to meet its safety obligations; and that it faced urgent and immediate cash flow/balance sheet problems requiring immediate and long term solutions.

A major review of the CAA's financial position and funding regime was undertaken during the year in consultation with the aviation industry and other relevant government agencies resulting in:

- a revised funding regime to take effect from 11 July 1997 which provides for a \$0.30 (GST inclusive) increase in the domestic passenger levy, a new \$1.00 (GST inclusive) levy on international passengers on departure, and small changes to the existing fees and charges regime.
- a capital injection by the Crown of \$1.0 million (GST exclusive) in 1997/98, which will be repayable over three years commencing in 1998/99, to stabilise the equity of the Civil Aviation Authority.

- the CAA being authorised to establish a contingency fund of about \$0.5 million. This will allow it to cope with unexpected safety demands such those experienced in the 1995/96 and 1996/97 years with the continued volcanic activity of Mt Ruapehu, air traffic controller strikes, the major bogus parts investigations, and the extra work associated with start-up of new airlines such as Kiwi International and Freedom Air.

These measures are expected to provide the essential stabilisation of the CAA's financial position to allow the organisation to increase the numbers and skills of its people to meet the increased work volume, and to achieve its statutory functions and desired outcomes.

A key management focus during the year was the placing of greater emphasis on "people" issues, following a major exercise to identify the barriers to success in achieving the CAA's vision. The CAA's main resource and asset is its highly skilled staff upon which it is dependent to maintain the quality of the CAA's aviation safety activities and its credibility. Importance is being given to people issues, focusing on a leadership approach to management, training and development of staff, and further strengthening of corporate culture. In parallel with increasing staff levels, Human Resource management within the organisation will be strengthened, together with the review of employment issues and the bedding in of a performance based remuneration structure.

In the medium term, focus on these human resource and internal management issues will underpin the CAA's success in the safety area and in the achievement of its vision for the future to be an effective, world leading civil aviation authority and a highly desirable place to work.

Aviation Security Service

The Aviation Security Service continued its involvement in regional airport operations during the year with units at Hamilton, Palmerston North and Dunedin. Despite the demise of one airline the three regional airports experienced a growth in passenger numbers of 12% to 73,064.

Officers from these airports were seconded to the three major airports at various times during the year to enhance their skills.

The recommendations of the Cost Efficiency Review were implemented including a restructure of the Service's National Office and the employment of a dedicated Information Technology Systems Manager. The Service also surveyed its staff on the working of Total Quality Management within its operations. The recommendations arising from that survey are now being implemented.

Standards New Zealand carried out a triennial audit of the Service and renewed its certification to ISO 9002 for a further three years from 11 June 1997.

The year also saw a satisfactory conclusion to the review of the recovery of aviation security costs launched in the previous year. The result was the retention of a standard passenger levy across all airports, which will be reduced by \$1.00 from 11 July 1997 in conjunction with the introduction of the \$1.00 aviation safety levy on departing international passengers discussed earlier.

Major human resource management initiatives during the year included a review of employment conditions and training requirements for regional airport staff and the development of a new Code of Conduct. A formalised succession planning framework was

also put in place. Considerable progress was also made on the development of a refresher training course for all officers.

The Service's emphasis on training continued throughout the year. In addition to training within New Zealand, the Service both delivered and received training overseas.

The Service also commenced a comprehensive review of its recruitment and selection procedures.

The Aviation Security Service achieved a surplus for the year of \$2.637m, being \$1.096m, or 71%, over the budgeted surplus. Net revenue international passenger numbers were up by 3.9% compared to budget forecasts and by 8.2% compared to the previous year. Total revenue was similarly up on budget by 5.6% whereas savings of 4.7% in expenditure were achieved compared to the budget for the year.

General

I would like to acknowledge and thank three Authority members who completed their second term towards the end of the year. Keith Mitchell (Deputy Chairperson), Selwyn Hetherington, and Hugh Jones have all made valuable contributions during their five years as members, assisting me in guiding the Authority through its transition phase from being part of a government department to a stand-alone Crown entity.

I also welcome our new Authority members, Miriam Deans and Robert Inglis who joined us in June, and Catherine Hales who will join the Authority in August.

In conclusion, it is important to thank Kevin Ward, Director of Civil Aviation, and Mark Everitt, General Manager of the Aviation Security Service, and their staff for their excellent work during 1996/97. The Authority's results this year would not have been possible without the co-ordinated efforts of management and staff and the increasingly strong support being shown by members of the aviation industry.

Ron Carter

Chairperson

THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND AND THE AVIATION SECURITY SERVICE

The Civil Aviation Authority of New Zealand (CAA) was established under the Civil Aviation Act 1990 as a new Crown entity on 10 August 1992 with the prime function of undertaking activities which promote civil aviation safety at reasonable cost.

The Civil Aviation Authority is headed by a five member board of community and aviation industry representatives appointed for terms of up to three years by the Governor-General on the recommendation of the Minister of Transport, being persons that the Minister considers will represent the public interest in civil aviation. The board is known as “the Authority” and reports directly to the Minister of Transport.

The Aviation Security Service was also previously part of the Ministry of Transport and remained under the umbrella of the Ministry in 1992 when the Civil Aviation Authority was formed. In 1993 responsibility for the Aviation Security Service was transferred from the Ministry to the Authority with the proviso that the Authority perform its functions in respect of the Service separately from its other CAA functions, including the maintenance of separate accounts, records and reports.

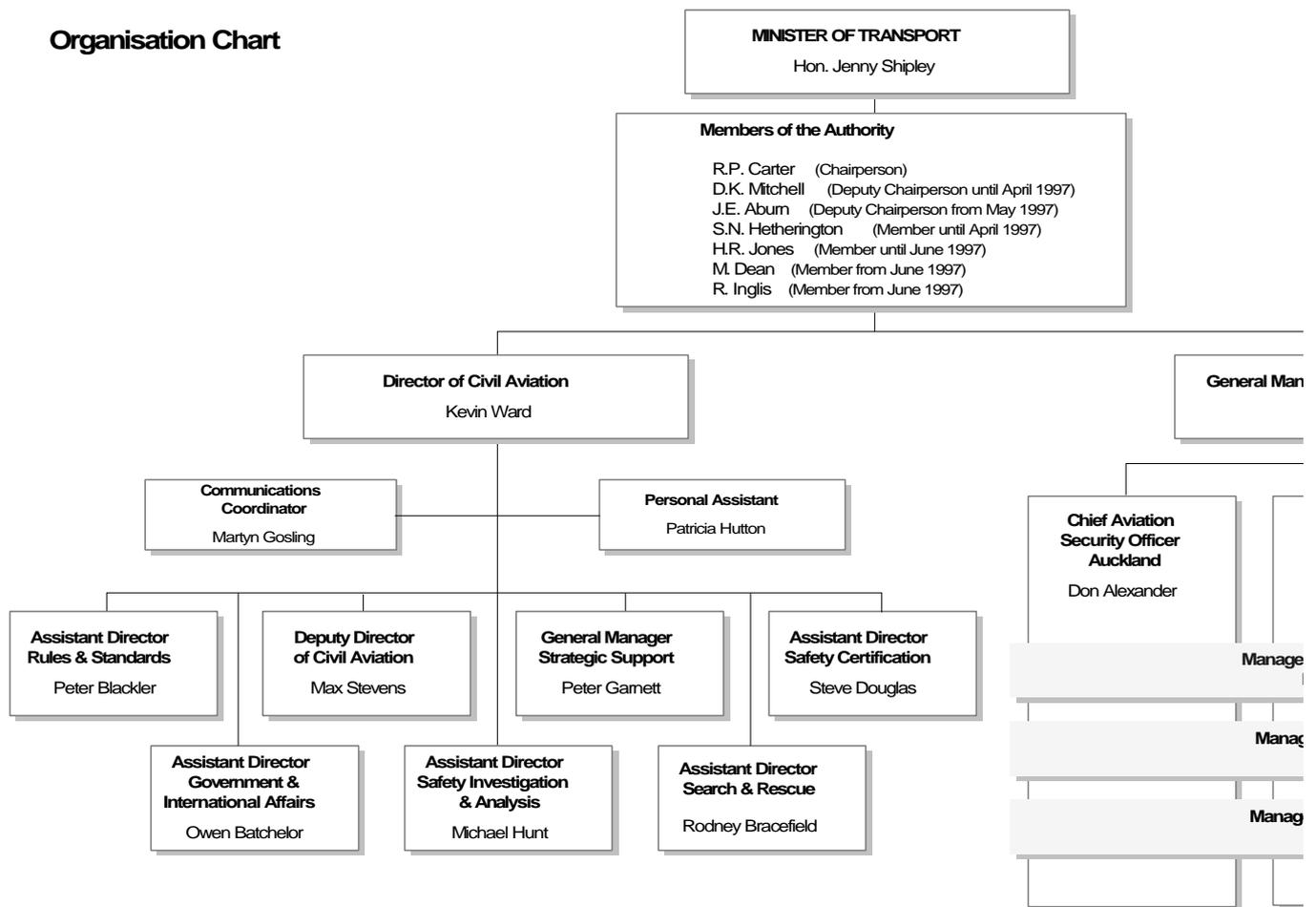
Members of the Authority

R.P. Carter (Chairperson)	Executive Chairman of Beca Group Limited, Member of the Board of Electricity Corporation of New Zealand, and Deputy Chairman of the Board of Trustees of Auckland Grammar School.
D.K. Mitchell (Deputy Chairperson until April 1997)	General Manager of The Helicopter Line.
J.E. Aburn	Self employed company director and consultant. Former President of the New Zealand Stock Exchange and a former Director of the Reserve Bank.
S.N. Hetherington (until April 1997)	Senior partner with Wynyard Wood, Solicitors of Auckland. Former Vice President of the New Zealand Law Society and a current Vice President of the New Zealand Society of Air Safety Investigators.
H.R. Jones (until June 1997)	Managing Director of Airwork (NZ) Limited.
Miriam Dean (from June 1997)	Self employed lawyer with experience in general commercial law and competition practice and an active interest in alternative disputes resolution. Former deputy chair of the Commerce Commission.
R. Inglis (from June 1997)	Managing director of Inglis Aircraft, Origin Pacific Airways Ltd, Chairman of Nelson Aero Maintenance Ltd, and Deputy Chairman of the New Zealand Hop Marketing Board. Former founder and managing director of Air Nelson until 1995.

Chief Executives

K.W. Ward	Director of Civil Aviation
M.T. Everitt	General Manager of the Aviation Security Service

Organisation Chart



CIVIL AVIATION AUTHORITY

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

FUNCTIONS

The primary function of the Civil Aviation Authority of New Zealand is to undertake activities which promote civil aviation safety and security at reasonable cost. [Section 72B of the Civil Aviation Act 1990.]

In furtherance of this primary function, the Authority is charged with:

- establishing safety and security standards relating to entry into the civil aviation system;
- monitoring adherence to these standards;
- ensuring regular reviews of the civil aviation system to promote the improvement and development of its safety and security;
- investigating and reviewing civil aviation accidents and incidents in its capacity as the responsible safety and security authority;
- notifying the Transport Accident Investigation Commission of certain categories of accidents and incidents notified to the Authority;
- maintaining and preserving records and documents relating to activities within the civil aviation system, and in particular maintaining the New Zealand Registry of Aircraft and the Civil Aviation Registry;
- ensuring the collection, publication, and provision of charts and aeronautical information, and entering into arrangements with other persons or organisations to collect, publish, and distribute such charts and information;
- providing the Minister of Transport with such information and advice as the Minister may from time to time require;
- promoting safety and security in the civil aviation system by providing safety and security information and advice, and fostering safety and security information education programmes; and
- carrying out such other civil aviation functions and duties as the Minister of Transport may from time to time prescribe by notice in the *Gazette*.

As from 1 July 1996 the Authority also took over direct responsibility for the provision of Class III search and rescue services, previously undertaken under contract to the Ministry of Transport. These functions were included in the Civil Aviation Amendment Act 1996 which came into force on 13 August 1996.

In addition, the above Act requires the Director of Civil Aviation, as Chief Executive of the Authority, to:

- exercise control over entry into the civil aviation system through the granting of aviation documents under the Act; and
- take such action as may be appropriate in the public interest to enforce the provisions of the Act and of regulations and rules made under the Act, including the carrying out or requiring of inspections and audits.

VISION, MISSION AND VALUES

Vision

Leading Aviation Safety through Quality to a level of achievement that matches or exceeds the foremost aviation nations.

Mission

The prime purpose of the Civil Aviation Authority is to undertake activities which promote safety in civil aviation at a reasonable cost

Values

The CAA values commitment to:

Safety

The CAA focus is ultimately on the safety of civil aviation in the public interest. Whenever doubt exists in the exercise of a CAA function or responsibility, the CAA will err on the side of safety.

Consultation & service

Undertaking meaningful dialogue with clients and interested parties and the delivery of services that recognise client requirements (consistent with safety responsibilities).

Quality

The management of systems and people in a manner that delivers optimum service quality to clients. It incorporates our commitment to improvement which means continually learning, improving and developing ourselves, our service and our systems.

Team work

Fostering an esprit de corps - a common ethos, mutual support and respect within the CAA.

Efficiency & effectiveness

Delivering optimal services at reasonable cost.

Fairness & consistency

Treating all clients and staff in a fair and reasonable manner, without fear or favour.

Honesty & ethical conduct

Being an organisation that clients and staff can trust to be open, straightforward and reliable.

Respect for individuals and their views

Treating everyone as we would want to be treated.

Professionalism & skill

Having the personal and technical attributes to perform the CAA's functions to a high standard.

STRATEGIC GOALS

To achieve its mission, the Civil Aviation Authority has the following strategic goals for the next three to five years:

Safety Goals

- 1. Reduce the probability and consequences of unsafe events.**
- 2. Improve the community understanding of aviation safety levels and establish acceptable safety target levels.**
- 3. Take safety actions that return a net benefit to the community.**
- 4. Enhance our partnership with the aviation industry, the government and international aviation agencies, by the sharing of information, open debate and consultation, and a common understanding of safety issues and targets.**

All of the above Safety Goals contribute directly to Government's Outcome " A safe, sustainable transport system at reasonable cost"; and indirectly to the Outcome of "Enhanced economic, social and environmental well-being".

Non-Safety Goal

- 5. Promote environmentally and socially responsible civil aviation.**

This Goal contributes directly to Government's Outcome of "Enhanced economic, social and environmental well-being".

Business Goals

- 6. Become and be recognised as a Civil Aviation Authority that does the right things the right way.**
- 7. Support and develop our people, recognising them as the source of our strength.**
- 8. Maximise the benefits of our expertise, products and services.**

OUTCOMES AND OUTPUTS

Outcomes

The Government's desired outcomes to which the Civil Aviation Authority must contribute are:

1. **A safe, sustainable transport system at reasonable cost.**
2. **Enhanced economic, social and environmental well-being.**

Note: "Reasonable cost" is defined in section 14 of the Civil Aviation Act 1990 as meaning "where the value of the cost to the nation is exceeded by the value of the resulting benefit to the nation".

Outputs

The services and associated activities (i.e. the Outputs) of the Civil Aviation Authority which contribute to the above Outcomes are grouped into the following Output Classes:

Output Class	Output	Source of Funding
POLICY ADVICE	- Advice to Government	Crown funded
	- International Multilateral & Bilateral Aviation Safety related Agreements	Crown funded
	- Legislation and Standards (including Rules) Development	Crown funded, except standards development work for CNS/ATM (Communications, Navigation and Surveillance/Air Traffic Management) and standards development for adventure aviation, which are levy funded
SAFETY ASSESSMENT & CERTIFICATION	- Aviation Document Assessment	Direct fees and charges, plus some levy funding
	- Monitoring and Corrective Action Identification	Direct fees and charges plus some levy funding
SAFETY ANALYSIS AND INFORMATION-	- Safety Investigation and Analysis	Levy funded
	- Safety Education and Information	Levy funded
ENFORCEMENT	- Responses to Regulatory Breaches	Levy funded
SEARCH AND RESCUE	- Provision of Class III search and rescue services	Crown funded

SUMMARY OF SAFETY ACTIVITIES DURING THE YEAR

Introduction

The following is an overview of significant aviation safety activities undertaken by the Civil Aviation Authority during the year. Details of the more specific and/or routine activities undertaken under the CAA's Outputs are contained in the Statement of Service Performance later in this Report.

Partnership with the Aviation Industry

The partnership approach to aviation safety continued to be strengthened. Over recent years Memoranda of Understanding have been signed with the Aviation Industry Association, the Aviation Federation, Aircraft Owners and Pilots Association, and Microlight Aircraft Association of New Zealand. These Memoranda include the vital provision for regular top level "summit" meetings to discuss safety and other issues. These have proved a very useful and successful forum for all parties.

The CAA also worked strongly with other aviation industry groups such as the Guild of Air Pilots and Air Navigators (GAPAN) and the Royal New Zealand Aero Club on joint safety initiatives, and frequently provided senior level personnel for briefings or addresses at industry functions.

In July 1996 the CAA played a major role in the annual conference of the Aviation Industry Association (AIA) in Nelson. The "state of the industry" address by the Director of Civil Aviation is one of the most important on the CAA's calendar. This conference included a special session co-ordinated by the CAA to outline developments in the "bogus parts" investigations. Ongoing liaison continues with the AIA on a number of fronts.

The second Director of Civil Aviation Awards were presented at the conference as a highlight of the conference formal dinner. The awards are presented each year to the individual and the organisation in whom the safety ethos is overt and who has gone out of their way to do things the right way. The 1996 organisational award was presented to Richard Rayward of Tekapo-based Air Safaris and the individual award to Russell Jenkins, chief executive of Associated Aviation of Paraparaumu.

Major Airspace Review

The largest ever review of New Zealand's airspace was conducted by the CAA, involving extensive industry consultation. The goal was to provide maximum protection for main route airliner traffic while providing as much uncontrolled airspace as possible for other users.

The resulting changes were instituted in September 1996 and have been well received by industry. Many of the changes centred on Auckland airspace where burgeoning traffic growth signals a need for development of a longer term strategy for the area.

Revocation of Civil Aviation Regulations and Introduction of Civil Aviation Rules

A significant event during the year was the expiry of all the remaining 1953 Civil Aviation Regulations on 31 March 1997 and the coming into force of the outstanding Civil Aviation Rules on 1 April 1997.

Under the provisions of the Civil Aviation Amendment Act 1991, the Civil Aviation Regulations 1953 and the Civil Aviation (Security) Regulations 1989 were due to expire on 27 November 1996, together with all related tertiary level requirements. The Civil Aviation Amendment Act 1996 which came into force on 13 August 1996 postponed this expiry date to 31 March 1997.

This action was taken with the agreement of the Minister, the Ministry of Transport and the aviation industry to avoid a bottleneck being created by the need for a large number of Rules requiring to be signed at the same time as the general election.

The CAA continued to treat as top priority the development and introduction of the new Civil Aviation Rules. As at 1 April 1997, the new Rules system was essentially completed, although implementation will continue for two to three years. On 1 April, twenty new Rule Parts and ten amendments to existing Rule Parts came into effect.

These rules affect every person in New Zealand who is involved with the operation or maintenance of an aircraft, overseas operators involved with the provision of air transport operations to New Zealand, every person providing an air traffic control service, members of the public who construct objects or undertake activities that may constitute a hazard to aircraft, and persons who wish to fly kites, model aircraft, rockets and other such activities that may affect the safe operation of aircraft.

The introduction of the new rules meant that considerable additional effort was required within the CAA to allow staff to become familiar with the rules as well as maintain existing services to and surveillance of the aviation industry. As there are limited resources available both within the CAA and in industry, the new flight operations rules provide for a controlled transition from the old Regulations to the new Rules over a two year period. Every appropriate opportunity is being taken by the CAA to brief the industry on the new rules and to conduct workshops that will assist them with the transition.

Although the rules rewrite project that was commenced in 1990 is now essentially complete, there is an ongoing task of reviewing and improving the rules to:

- (a) address issues that do not surface until the requirements of a rule are applied;
- (b) update rules and advisory information;
- (c) incorporate ongoing technological developments and changes to industry activities; and
- (d) harmonise New Zealand requirements with other overseas Authorities.

Cockpit Voice Recorders

In May 1997 the Director of Civil Aviation appeared before the Regulations Review Committee to respond to a complaint by the New Zealand Air Line Pilots' Association (NZALPA) that the Civil Aviation Rules relating to the use of cockpit voice recorders (CVRs) were not in accordance with the intentions of the Civil Aviation Act 1990.

The Select Committee did not uphold the complaint although they recommended that the Rule not come into effect until legislation was in place to deal with the usage of information obtained from voice recorders. This was also the CAA's position.

A month later the Court of Appeal ruled against NZALPA's appeal against a decision allowing the Police to gain the release of the CVR tapes from the Ansett Flight 703 accident near Palmerston North in June 1995, and the inclusion of transcripts of the tapes in the TAIC report on the accident. Distribution to the aviation industry of a joint discussion paper prepared by the CAA and the Ministry of Transport on the use of CVR information was delayed pending a decision by NZALPA whether to appeal to the Privy Council.

Following this outcome, the Ministry of Transport and the CAA developed a joint paper aimed at consultation with affected parties over the use of CVRs.

The Minister met with interest groups and as a result, decided to proceed with legislation to address the issue and not to expend time on an interim consultative step since there would be opportunity for views to be put during Select Committee hearings. Aspects of the joint paper were proposed to be incorporated into the draft Cabinet White Paper.

Aircraft Bogus Parts

The importation of non-approved or bogus helicopter parts continued to be a major issue during the year. The term "bogus parts" is commonly used to describe parts that which are incorrectly manufactured or time-expired or parts whose authenticity cannot be demonstrated by the appropriate paper trail.

Wide-ranging investigations by CAA staff in collaboration with the Police and overseas authorities resulted in the issue of further Alert Airworthiness Directives to remove certain parts from service, suspensions and revocations of some personnel licences and organisation certificates, and in some cases the initiation of prosecution.

It was found that no non-approved parts would have been fitted to a helicopter if the maintenance engineers involved had followed the proper well-documented procedures.

One person was charged with two counts of manslaughter relating to the fitting of bogus parts which resulted in the fatal Robinson R22 helicopter accident near Opotiki in October 1995. Another person was charged with eight offences ranging from theft, bank fraud and causing unnecessary danger as a result of illegal activities connected with the blades on a Bell 47 helicopter. These two cases come to trial next year.

Soundsair

As a result of a scheduled safety audit into the operations of Soundsair Ltd, the Director suspended the airline's operating certificate in the interests of safety.

Following submission by Soundsair of an action plan detailing the actions the company would take to satisfy the CAA's requirements, Soundsair's operating certificate was re-instated on a conditional basis to allow the re-commencement of its passenger services. These conditions included the prohibition or restriction of operations into certain airstrips in the Marlborough Sounds with the exception of Koromiko.

Ruapehu Eruptions

Mount Ruapehu resumed eruptions in June 1996 with intensive activity throughout July and August. At times this caused considerable disruption to air traffic around the central North Island and twice affected Auckland International Airport.

These eruptions placed a demand on the CAA to ensure that the aviation industry was supplied with up to date information on ash clouds and airspace closures. The CAA thereby became an active participant in providing an advisory service to the industry and the media, a role which was not entirely appropriate.

Representatives of the major airlines and the CAA visited the United States and Canada to establish how authorities and airlines there coped with several active volcanoes in their regions. Following this, the CAA facilitated discussions with the Meteorological Service, the Airways Corporation, the Institute of Geological and Nuclear Sciences, and the airlines with a view to setting up systems to provide rapid warnings about volcanic ash clouds to air transport operators. Another objective was to extricate the CAA from the service provider role which had been taken on in the absence of action from any other agency. New systems were all but operational to the satisfaction of all parties by year's end.

ATC Strike Contingency Plan

The dispute between the Airways Corporation and its air traffic controllers that led to two three hour strikes in September 1996 was resolved and there have not been any further industrial disruptions to air traffic services.

The Contingency Plan system that was established to allow limited aircraft operations during those periods of industrial action has been further refined for incorporation into the Airways Corporation's documented procedures for providing air traffic services.

Contingency Plans for facilitating the safe operation of aircraft during periods of non-availability of normal air traffic services are required by the international standards for air traffic services. This requirement is included in the Civil Aviation Rule for the certification of air traffic service organisations. The CAA will assess the Corporation's Contingency Plans as part of their documented management system when their air traffic services certificate is due for renewal under the new rule early in 1998.

Tussock Moth Spraying

The CAA worked closely with the Ministry of Forestry on the programme for extensive aerial spraying of parts of Auckland to eradicate an infestation of White-Spotted Tussock Moth.

Some controversy surrounded the CAA's requirement for a multi-engine aircraft piloted by two crew members to be used for the very low-level spraying over urban areas. This resulted in the Ministry contracting a foreign operator to do the job using a DC6 aircraft, a decision not well received by the New Zealand agricultural aviation industry. However, as the spraying progressed successfully in the limited time windows available, complaints to the CAA abated as most critics realised that the industry was not well placed to meet all the requirements of the task.

Field Safety Adviser Scheme

The year saw completion of twelve months with three Field Safety Advisers in situ. The Field Safety Advisers focus on General Aviation, particularly the commercial operators.

Although the scheme is still in its infancy, the advisory activities were welcomed by most quarters and the CAA is already seeing the benefits of restoring some of the "field presence" lost with the closure of the Regional and District offices some six years ago.

The role has an emphasis on education and information exchange. A need perceived by both industry and the incumbents for a similar aircraft maintenance engineer presence was being addressed in end-of-year plans.

Safety Promotion Programme

The very successful Helikiwi and Aeroikiwi flight safety seminars instituted last year carried on with a further 15 seminars. The winter 1996 topic was "Practical Exercises in Aeronautical Decision-Making".

Aircraft Accidents and Incidents

During the year, the CAA was involved with investigations into a range of accidents and incidents. On scene accident investigation activity increased as a direct result of the Transport Accident Investigation Commission not investigating some fatal aircraft accidents. Included in this category were two accidents in which the pilots and passengers suffered fatal injuries and a further two in which the sole occupant pilot was killed. The CAA has not previously investigated fatal accidents.

In addition to the accidents discussed above and a number of accidents and incidents involving small aircraft, several incidents involved turboprop and jet operations. For example, the Civil Aviation Authority spent a considerable amount of time working with Ansett New Zealand following identification of problems with the inspection and assembly of some primary control surfaces.

Aviation Security Regulatory Activities

Threats to aviation

Although there was a substantial world-wide reduction in the incidence of acts of unlawful interference with aviation during the year, official reports from overseas indicate that the level of threat has not diminished with a growing threat of potentially lethal actions against aviation possible over the next three to five years. A number of the reported incidents were within the Asia/Pacific ICAO Region. The threat to aviation continued to be significant in the Middle East and Asia, but none of the serious terrorist incidents were directed at aviation.

A significant increase in risk to commercial aviation was noted from the carriage of persons seeking refugee status and the return of inadmissible persons to their state of origin, with 38% of all acts of unlawful interference with aircraft over the last five years attributed to such persons. No serious incidents were reported in New Zealand and Australia, but the movement of such persons on flights to and from the area has indicated a potential for problems. Problems with unruly and disruptive passengers have also increased with a number of incidents, some serious, on flights to and from New Zealand.

Three bomb threats against aircraft were reported in New Zealand during the year. As a result of an attack on an Air New Zealand Link aircraft in Nelson, one person was convicted and sentenced on one charge of kidnapping and another charge under the Aviation Crimes Act 1972.

International Liaison on Aviation Security

Close liaison with the Aviation Security Branch of the International Civil Aviation Organisation (ICAO) continued. Action to initiate policy and Rules changes to implement the amendments introduced in May 1997 to ICAO Annex 17 Standards and Recommended Practices commenced.

In late 1996, at the request of ICAO, the Controller Security and International Relations assisted with the development of an ICAO standard training package for aviation security supervisory personnel. The package is being translated into the five ICAO languages for distribution to the 185 ICAO Member states.

The CAA continued to assist the South Pacific Forum Secretariat and individual member States to address the aviation security shortcomings identified in 12 of the 15 Forum States by the study carried out by the CAA under contract to the Forum in 1995. With the disbanding of the Civil Aviation Directorate of the Forum in December 1996, it was agreed that ICAO should undertake regional action to address the problems, with co-ordination provided by the New Zealand CAA. The CAA assisted in the drafting of an ICAO project document which was supported unanimously by the meeting of Directors General of Civil Aviation from the South Pacific Forum states in January 1997. ICAO is currently endeavouring to arrange the necessary funding for the four year project.

At the request of the Airports Council International, the Controller Security and International Relations presented a paper at their world-wide airport security meeting in Singapore in late 1996 on regulating compliance with changing international standards and recommended practices.

Aviation Security Training

In September 1996, the CAA and New Zealand Police co-hosted a Terrorist Emergency Contingency Planning Seminar at the Royal New Zealand Police College, which was attended by over 150 persons including all Police District and Regional Command personnel, the Domestic and External Security Secretariat, Intelligence and Border agencies, the Aviation Security Service, and selected airline and aerodrome operators.

A project commenced in late 1996 to update aviation security training aids for use by smaller airline operators was completed in the fourth quarter and successfully tested with a third level operator.

Basic courses on aviation security policy and regulatory issues were held for Aviation Security Service personnel at Auckland, Christchurch, Dunedin and Palmerston North together with two public presentations on aviation security attended by a total of 230 persons, and two seminars to airline personnel.

International Relations on Aviation Safety Related Matters

The New Zealand Civil Aviation Authority continued to provide aviation advice and assistance to Samoa, the Cook Islands and Niue under intergovernmental agreements of many years standing. In each case, progress has been frustrated by the need for updating of the legislation in each of these countries and the need to review these intergovernmental arrangements, and in the case of Samoa, by the absence of a civil aviation technical administrator.

Meetings with officials and the Premier of Niue (as Minister of Civil Aviation) in the first half of the year resulted in agreement to address the outstanding legislative and operational concerns that have been adversely affecting assistance to the Niuean Government.

In the case of Samoa, the Civil Aviation Authority assisted with the selection of a suitable person for the position of civil aviation technical administrator - a previous New Zealand Director of Civil Aviation. Substantial progress has resulted since this appointment in early 1997 with the Samoan Government agreeing to take the New Zealand Civil Aviation Rules as the regulatory tools for their civil aviation and to replace the 1963 Government to Government agreement with a contract between the Civil Aviation Authority and the Ministry of Transport for Samoa for the provision of advice and technical assistance on a cost recovery basis.

Similarly in the case of the Cook Islands, a comprehensive plan of action was developed and agreed with Cook Islands officials in May 1997, and further assistance in the drafting of legislation was provided. Action to replace the intergovernmental agreement with a contract for the provision of aviation advice and technical assistance is also being advanced.

The Ministry of Foreign Affairs and Trade contributed substantially to the progress achieved with advice and assistance. Rapid progress is expected in the coming year.

Good progress was made on finalising a replacement Memorandum of Co-operation with the Australian Civil Aviation Safety Authority, and discussions with the United States Federal Aviation Administration set the scene for possible amendments to the existing NZ-US Agreement.

The CAA met with and provided various forms of assistance to a number of other civil aviation authorities. In late 1996, a senior CAA representative participated in an Asia Development Assistant Fund (ADAF) project won by Air New Zealand to assist the Vietnamese aviation authorities, and, subsequently, Vietnam has explicitly requested assistance from New Zealand experts in improving their aviation regulatory system.

In December 1996, a delegation from the Mongolian Civil Aviation Authority visited the CAA for a briefing on the New Zealand civil aviation regulatory framework. In the fourth quarter, a team of South African consultants also visited the CAA to follow up on matters relating to the reorganisation of their civil aviation system.

MANAGEMENT ISSUES

Organisation Structure

Changes made to the CAA's organisational structure during the year involved:

- restructuring of the Safety Investigation and Analysis functions into a Group managed by an Assistant Director reporting to the Director of Civil Aviation; and
- restructuring of the CAA's internal support functions to report to one senior manager. This change occurred with the appointment of the General Manager Strategic Support who took up the position in late January 1997.

Cost Recovery

Consultation with industry was completed in the first quarter on the proposed changes to personnel licensing and medical fees and charges resulting from the review undertaken in the 1995/96 year. This work was incorporated into the urgent review of the CAA's overall activity levels, costs and revenue initiated in the second quarter as a result of the deficit experienced at the end of the 1995/96 financial year.

Consultation with industry on the revised funding proposals took place in the first few months of 1997, and final recommendations put to Government in the fourth quarter. Approval of these recommendations by Government allowed the changes to the CAA's overall funding regime to take effect from 11 July 1997. The key changes agreed were:

- the introduction of a departing international passenger safety levy of \$1.00 (GST inclusive) which coincided with the reduction of \$1.00 in the International Passenger Security Charge.
- an increase in the domestic passenger levy from \$1.80 to \$2.15 (GST inclusive).
- minor changes to fees and charges.

In order to stabilise the CAA's equity position and improve its cash flow, the Crown agreed to:

- \$0.600m being transferred from Output - Search and Rescue to the CAA financial accounts in the fourth quarter of 1996/97, and for this to be treated as an equity injection.
- a \$1 million equity injection from 1 July 1997 with this to be paid back to the Crown progressively over three years from financial year 1998/99.
- the establishment of a contingency fund of \$0.5m in 1997/98 to manage business fluctuations.

Collectively, the changes to revenue flows and the equity position will stabilise the financial position of the CAA and will provide a firm basis for ongoing financial viability.

Quality Assurance

ISO Certification

In August 1996, the first surveillance audits were undertaken by the Standards Association of New Zealand (SANZ) of the Rules and Standards Group, the Enforcement Unit and the

Aviation Security Regulatory Unit which were ISO certificated in December 1995. No major corrective actions were needed and their ISO accreditation was maintained.

Successful surveillance audits were also undertaken in November 1996 of the Government and International Relations Group, and the Financial Services Unit and the Management Information Systems Unit of the Strategic Support Group, which were ISO certificated in May 1996. The Search and Rescue Unit also passed its ISO surveillance audit in February 1997, and an entry audit of the CAA's Legal Services Unit in March 1997 by SANZ resulted in this Unit gaining ISO 9002 certification in May 1997.

Work continued on completing the documentation and implementation of quality assurance procedures in preparation for an ISO entry audit in December 1997 for the Support Services, Human Resources, and Quality Units of the Strategic Support Group; the Safety Education and Publishing Unit of the Deputy Director's Group; and the Safety Investigation and Analysis Group.

Internal and External Audits

Internal audits were conducted of the Search and Rescue Unit; the Legal Unit; the Enforcement Unit; the Safety Education and Publishing Unit; the Rules and Standards Group; and the Government and International Relations Group including the Aviation Security Regulatory Unit.

These audits confirmed controls exist and are being used, and identified areas where service delivery needs to be further improved. Follow-up action was also initiated with corrective actions reviewed and updated.

In addition to the audits carried out by the Standards Association of New Zealand in conjunction with ISO accreditation, two other audits were conducted by external auditors, i.e.:

- (a) The annual audit of the CAA's 1995/96 Annual Report by Audit New Zealand in line with the requirements of the Public Finance Act; and
- (b) The independent audit into the CAA's activity levels, costs and revenues required every three years under the terms of the Performance Agreement between the Authority and the Minister of Transport which was carried out by outside consultants, Arthur Anderson, with assistance from Ministry of Transport and CAA officials. Torbjorn Rehn of Swedavia was also part of the audit team. Mr Rehn was a member of the original Swedavia team which reviewed the regulation of civil aviation in New Zealand in 1988.

Quality Assurance Training

During the year, the CAA transferred the ownership and management of the current five day Safety Audit and Leader Assessor course to International Certification (Aviation) Ltd, the co-developer of the course. This activity was not seen as a CAA core business. In exchange the CAA has twenty free seats on courses to be run by ICAL over the next two years, 1997/98 and 1998/99.

Eight Safety Audit courses were completed during the year, attended by a total of sixty four students - nine CAA staff and fifty five industry representatives. There were sixty passes (two failed students were subsequently re-examined and passed) and four failures.

Fourteen Quality Assurance and Manual Writing Workshops were held in March, April and May 1997 at various locations around New Zealand which were attended by a total of 172 people representing approximately 140 aviation organisations.

These workshops introduced small to medium operators to the quality assurance required by under the Civil Aviation Rules to manage their organisations' safety responsibilities.

Feedback from attendees rated the workshop 8.1 on a scale of 1 (poor) to 10 (excellent). The workshops were self funded and were supported by three industry sponsors, i.e. Mobil Oil, Superstructure, and International Certifications (Aviation) Ltd.

Risk Management

During the year an initial training course and education programme on Risk Management was facilitated by the Wessex Group. Follow up training has been undertaken with each Group to work towards the development of a Risk Management plan by each Group and Unit during the 1997/98 business year.

Management of Change

A change management process - the Next Steps programme - had been initiated in April 1996 as a direct result of an analysis of the CAA organisation undertaken by the full management team at a three day workshop at Flock House. This exercise identified the key barriers restricting progress in management of the CAA and the development of its people.

A project steering team was initiated to assist the senior management team in the removal of these barriers. The steering team convened four project teams with the task of providing detailed recommendations on how certain aspects of the CAA organisation could be modified or changed. A number of excellent reports and recommendations were produced by the participants and accepted by management.

Significant initiatives defined in the recommendations were begun during the second half of the year.

One of the recommendations of the Next Steps Team process was that more focus be placed on the development of leadership skills. The Senior Management Team accepted this recommendation and a leadership development programme was introduced.

EDP Developments

One of the major achievements of the year in this area was the implementation of an integrated management reporting sub-system, Group Operational Plan (GOP). This project included a complete review of the organisation's cost centres, service codes, products and revenue codes. The resultant sub-system enables the CAA management team to manage their respective areas of responsibility by the provision of tools/reporting in areas including time management, staff time utilisation, and progress against key projects, and provides information for monthly, quarterly and annual reports.

As part of a key project entitled "Document Management", an analysis of the CAA's existing file and library management systems was undertaken in early 1997. The intent of this project was to provide the CAA with a long-term solution for managing its paper and electronic information. A proposal was accepted by CAA's senior management team to split this project into eight separate sub-projects and phase it over the next eighteen months.

Development of the CAA's Internet Web page for the publication and dissemination of aviation safety related material continued. Activities included on-line enquirers of the CAA's Aircraft Register, Pilot Licence and Organisational statistical information, development of an information page for the CAA's Medical Unit to allow on-line access to Medical Assessor's and Examiner's information.

New sub-systems were also implemented to support a large number of the new Civil Aviation Rules.

Support to and integration of the CAA's Solomon IV Financial Management Information System also continued, with enhancements such as the implementation of a fixed asset management system.

GOOD EMPLOYER REQUIREMENTS

The good employer requirements of sections 28 to 30 of the Third Schedule to the Civil Aviation Act 1990 provide the basis for the CAA's human resource policies and programmes.

Staff Numbers

CAA staff numbers at 30 June 1997 were:

	TOTAL as at 30/6/96	TOTAL as at 30/6/97	VARIANCE
Female	34	34	-
Male	91	89	-2
TOTALS	125	123	-2

Numbers varied during the year with a high of 127 at 31 December 1996.

Employment Contracts

On 30 June 1996, the final contractual extension of the Collective Employment Contract for non-managerial staff expired. All staff previously covered by this contract are now on individual contracts.

During the 3rd quarter of the year, the decision was made that the titles Manager and Co-ordinator better described the roles and responsibilities of the CAA middle management than the existing title Controller. The change to the new titles is being progressively introduced. In addition, the decision was made to introduce a new designation of "senior" person to recognise the additional value and "safe hands" of a number of key members of staff. This will be implemented during 1997/98.

A full review was undertaken of the format of our Position Descriptions and a new generic format approved. All new position descriptions use this format and existing ones are being progressively updated.

Equal Employment Opportunities (EEO)

The Civil Aviation Authority is now a member of the Equal Employment Opportunities Trust and follows the information and guidance provided by that organisation. Our EEO Officer is freely available to staff who may have issues. There were no issues raised during the year.

Implementation of a new EEO training programme scheduled in the year was not possible due to the lack of availability of the consultant due to unforeseen circumstances. This training has now been rescheduled for later in 1997.

Employee Assistance Programme

The Civil Aviation Authority has an Employee Assistance Programme and has an EAP officer. Again this person is freely available to staff who have sought her help and advice on a wide range of personal concerns during the year.

Maori Perspective

The Civil Aviation Authority is committed to the Treaty of Waitangi and the Civil Aviation Act 1990 requires the Authority to recognise the aims and aspiration of Maori, the employment requirements of Maori, and the need for greater involvement of Maori as employees of the Authority. However, during the year under review there were no issues in this respect. Some Maori applied for positions but they were not successful in achieving a position.

Training

CAA staff completed a wide range of both internal and external training as well as attending a variety of conferences and seminars within New Zealand and overseas.

Overseas technical courses in the United States of America included a Rotorcraft Safety and Accident Investigation course, an Aircraft Accident Investigation course, an Avionics Systems Flight Test and Software Standardisation Workshop. Conferences attended in the U.S. included an Aerospace Medical Association Conference, a Global Positioning System Flight Inspection and Standards Planning Meeting, and the Seventh International Aviation Security Conference held in Washington DC. A CAA representative also attended the Global Analysis and Information Network conference in London, and another attended the Pan Pacific Hazards 1996 Conference in Vancouver, Canada. A CAA representative also attended a Human Factors in Aviation Industry Training Course and Comprehensive Flight Instructor Course in Australia. One senior management team member also attended a Strategic Leadership Programme held at Mt Eliza Business School in Australia.

Technical courses, conferences and seminars attended within New Zealand included Dangerous Goods courses, the 27th International seminar of International Society of Air Safety Investigators, the Royal Aeronautical Society symposium on "Training Aviation Professionals for the 21st Century", and the Aviation Medical conference.

Considerable training in aspects of the law relevant to the CAA's responsibilities and operation was undertaken during the year. CAA staff attended presentations on the Resource Management Act, the Privacy Act, the Official Information Act, an Employment Law for the Human Resource Professional conference, a Disputes and Termination Procedures workshop, a mediation workshop, and a joint presentation by the Crown Law Office and the CAA Legal Services on the Exercise of Statutory Discretion. CAA legal staff also attended a Lawyers Engaged in Alternative Disputes Resolution workshop, Corporate Lawyers Association Annual Conference, the National Conference of Teachers and Practitioners of Public Law, and the Australia and New Zealand Law Society conference.

During the year the senior management team attended an Equal Employment Opportunities presentation, a three day residential Leadership Training Course, and a Communications Techniques Workshop which focused on media skills. Three members of the senior management team also attended an Executive Presentation course. Other general senior management, general management and supervisory programmes were attended by CAA staff.

A wide range of skills and personnel development courses were attended by CAA staff including training in financial subjects, computer training, business writing, advanced reading, quality, payroll, disputes resolution, presentation, and administrative assistant and secretary skills. Other courses included Adding Value to Your Training Ability along with a Writing, Design and Editing course, and a Photographic Composition course

The newly created Strategic Support Group attended a team building exercise and four people from another Group attended a Stress, Humour and Health presentation.

Several female staff attended women-orientated courses or seminars including Stress Management for Women, Communication Skills for Women, and Negotiation Skills for Women.

The CAA is also assisting several CAA personnel with progressing towards attaining Bachelor and Masters degree qualifications from Victoria and Massey University along with a Certificate in Quality Assurance from the Hutt Valley Polytechnic. One staff member commenced a ten week "Introduction to Transport" programme run by the Chartered Institute of Transport.

SEARCH AND RESCUE SERVICES

Transfer of Search and Rescue to the Civil Aviation Authority

On 1 July 1996 direct responsibility for the provision of Class III search and rescue services, including the administration of the National Rescue Co-ordination Centre, passed to the Civil Aviation Authority. Since the establishment of the Civil Aviation Authority in 1992, these functions had been carried out by the CAA but under contract to the Ministry of Transport.

Prior to the transfer, it was agreed with the Ministry of Transport that a separate Performance Agreement should apply to the provision of search and rescue services to:

- (a) keep the Civil Aviation Authority's regulatory and service provision functions separate in line with the recommendations of the Swedavia review and the principles on which the Civil Aviation Authority was set up; and
- (b) to keep the financial arrangements vis a vis Crown funding of search and rescue separate from such funding for other Civil Aviation Authority functions such as that for Policy Advice.

This separate Performance Agreement was signed on 8 July 1996, together with the Transfer Agreement transferring the assets to the CAA.

The transfer of responsibility was formalised by the coming into force of the Civil Aviation Amendment Act 1996 on 13 August 1996 which added the provision of Class III search and rescue services to the list of functions of the Authority in section 72B of the Civil Aviation Act 1990.

The Search and Rescue Operations Committee meeting scheduled for 24 September 1996 was cancelled due to the lack of substantive agenda items. On 14 November 1996, the National SAR Committee met and addressed a full Agenda. The chairing of the meeting has now rotated to the Director Maritime Safety in accordance with meeting policy.

Local User Terminal (LUT)

On 20 November 1996 a contract with CAL Corporation was concluded for the upgrade of the New Zealand Local User Terminal from an ATLUT 320 to an ATLUT 500 to provide a GPS time reference, faster and multi frequency processing, SARP 2 capability, and many improved features. This upgrade took place during January/February 1997, and the New Zealand LUT is now fully compatible with the two Australian ATLUT-500s.

The operating agreement with the Australian Maritime Safety Authority to operate the NZLUT was revised in late 1996 and includes the continuing operation of the New Zealand LUT from their site in Canberra. This agreement enables 24 hour operation to be maintained and greater use of LUT resources to be utilised where LUT ground coverage of systems overlap.

Meetings and Seminars

In October 1996, the Manager of the National Rescue Co-ordination Centre (NRCC) attended the 17th Session of the COSPAS-SARSAT Council in London in accordance with the Australian New Zealand agreement. The opportunity was also taken to attend the COSPAS-SARSAT Seminar held from 22 to 25 October 1996. This seminar enabled participants to upgrade their knowledge on the current status and operation of the COSPAS-SARSAT

system, changes required to accommodate new developments, promote dialogue with manufactures and administrators, and discuss specific search and rescue issues.

In March 1997, the Search And Rescue Administration Officer attended a three day exercise conducted by the Auckland Rescue Helicopter Trust, and the ASEAN Regional Forum, Second Intersessional Meeting held in Singapore. In April 1997, in association with the NZ Police, he conducted an Air Observers Course at the Royal New Zealand Police College. 32 attendees consisting of Police, a CAA staff member and civilian volunteers completed the course.

In April 1997, the Manager of the NRCC, accompanied by two delegates from the Maritime Safety Authority, attended an International Maritime Organisation meeting in Korea where he made a presentation on search and rescue in New Zealand.

While returning from Korea, the Manager NRCC attended a Australian Maritime Safety Authority meeting in Canberra on 14 April 1997 where Beacon developments were discussed. The plans for centralisation of the Australian maritime and aviation search and rescue effort named AUS-SAR into a purpose built centre sited in Canberra were also observed and discussed.

POLICY DIRECTIVES

Since the establishment of the Civil Aviation Authority, only one Policy Directive has been issued to the Authority under the provisions of section 72C of the Civil Aviation Act 1990. On 1 September 1992 the Minister of Transport issued a Policy Directive directing the Authority to:

- "(i) note that it is the policy of the Government that the health of aircrew shall not be impaired through their employment;*
- (ii) take cognisance of the policy of the Government by establishing an arrangement with the Occupational Safety and Health Service of the Department of Labour for consideration of issues relating to the health of aircrew."*

This directive arose from the passage in mid-1992 of the Health and Safety in Employment Bill, which excluded coverage of air crew and ships' crews.

On 1 April 1993 the Civil Aviation Authority and the Occupational Safety and Health Service (OSH) of the Department of Labour entered into a Memorandum of Understanding establishing a formal relationship on these matters to coincide with the coming into effect of the Health and Safety in Employment Act.

Since the signing of this Memorandum, the CAA and the OSH Service have maintained close co-ordination. Discussions have taken place regularly on the possibility of including air crew under the provisions of the Health and Safety in Employment Act when the Act is next amended.

DELEGATIONS TO PERSONS OUTSIDE THE CAA

Section 23B of the Civil Aviation Act 1990 empowers the Authority and the Director of Civil Aviation respectively to delegate any of their functions or powers to any person who is not an employee of the Authority, other than certain functions or powers excluded from delegation by the Act. Section 9(1) of the Civil Aviation Amendment Act 1991 also specifically empowers the delegation of such powers and functions under the Civil Aviation Regulations 1953 and the Civil Aviation (Security) Regulations 1989. Any such delegations must have the prior consent of the Minister of Transport.

The practice of delegating certain aviation safety functions to outside persons or organisations is common throughout the world and has been used in New Zealand for many years. In effect the practice provides a means of increasing the resources and expertise available to the safety authority without the need to directly employ such experts.

Various powers and functions of the Director of Civil Aviation under the Civil Aviation Regulations 1953 were delegated to persons outside the Civil Aviation Authority for many years together with the powers of the Director to These delegations of Regulation powers expired with the expiry of the Civil Aviation Regulations on 31 March 1997. However, a number of powers and functions of the Director under the new Civil Aviation Rules have subsequently be so delegated to replace these delegated Regulation powers. These are detailed below.

To date no delegations of the powers or functions of the Authority itself have been made under these provisions.

Airways Corporation of New Zealand

With the expiry of the Civil Aviation Regulations 1953 and all delegations of powers and functions under these Regulations in March 1997, the only delegation that has been made under the Civil Aviation Rules to the Airways Corporation is a delegation to the Corporation's Navigation Services Manager of the Director's powers under Rule 19.155 to:

- (a) prescribe meteorological minima for take-off and landing at aerodromes and associated conditions or requirements; and
- (b) prescribe the conditions and procedures under which aircraft operating under instrument flight rules may be flown; and
- (c) prescribe instrument approach procedures and missed-approach procedures in relation to the use of any aerodrome; and
- (d) publish meteorological minima, conditions, requirements and procedures so prescribed in the New Zealand Aeronautical Information Publication;

This delegation replaced a similar delegation made of the Director's powers and functions under Regulations 80, 100 and 8A in respect of the above.

Although a wide range of other powers and functions of the Director under the 1953 Regulations had also been previously delegated to the Airways Corporation in 1988 and 1989, none of these delegations have been re-issued to personnel of the Corporation to date. These former delegations covered powers to issue Notices to Airmen, New Zealand Aeronautical Publications, and Civil Aviation Information Circulars; to approve parachute descents; to prescribe the circumstances under which aircraft must report their position; and to grant airways services personnel licences and ratings to Airways Corporation personnel only.

Aviation Services Limited

In August 1992, with the consent of the then Minister of Transport, the Director of Civil Aviation delegated to Aviation Services Limited his powers and functions under section 72K of the Civil Aviation Act 1990 to set, conduct, and administer examinations and tests, conduct flight testing, and carry out any related functions necessary for the granting or renewal of aviation documents to flight crew or aircraft maintenance personnel.

This delegation was made valid for five years from the date of issue unless suspended or revoked by the Director, and the was also subject to various conditions and limitations specified in the Instrument of Delegation and its Schedules.

This delegation were reviewed during the 1995/96 year with revised terms and conditions signed in late 1996. A new delegation was prepared during the 1996/97 year.

Other Delegations

Delegations of a wide range of the Director's powers under the Civil Aviation Regulations 1953 have been made over the years to appropriately qualified individual persons outside the CAA.

The range of these have narrowed over recent years with major reviews undertaken in the 1992/93 year and in August 1995. The overall numbers of such delegations have reduced slightly over the two years as individual Regulations have been replaced by the new Civil Aviation Rules.

All remaining delegations of Regulation powers expired in March 1997.

On 1 May 1997, following the granting of the Minister's consent, the Director of Civil Aviation issued sixteen delegations of his powers under Civil Aviation Rules 21.73(a)(2), 21.81, 21.433 and 21.505 to approve modifications and repairs to aircraft and aircraft components, with each delegation specific as to the types and classes of aircraft and components covered by that delegation. These delegations were issued to individual persons in various airlines and other aviation organisations, all of whom had previously held similar delegations of powers under the Civil Aviation Regulations 1953. One of these delegations was re-issued in late May to correct a minor technical error.

The only delegations of the Director's powers under the new Civil Aviation Rules issued prior to May 1997 to persons outside the CAA related to the powers to grant or renew Microlight Pilot and Instructor Certificates as required under Civil Aviation Rules 103.111 and 103.113. Delegations of these powers were made to the Administration Officer of the Microlight Aircraft Association of New Zealand (MAANZ) in October 1995, with a replacement delegation issued to the President of MAANZ in April 1996. A delegation of these same powers was granted in October 1995 to the Chief Executive of Sport Aviation Corporation Limited.

STATEMENT OF IMPACTS AND CONSEQUENCES

Introduction

The aviation safety outcome measures, which relate to the Government's desired outcomes to which the Civil Aviation Authority must contribute, were established in 1993/94 as the rates of the following categories of occurrences compared to targets set for each category:

1. Aircraft accidents.
2. Aircraft incidents.
3. Airspace incidents.
4. Defect incidents
5. Compliance with civil aviation rules.

As the CAA is only one contributor to the achievement of such targets, various aviation industry representative organisations have been consulted on these or other possible targets and ways to reduce accident rates and improve levels of safety. While full agreement on aviation accident rates has not been achieved, accident rate reduction targets were established for specific categories of operations and aircraft for achievement by the year 2000.

Improvements continued to be made to the collection of data in support of these aviation safety outcome measures and the CAA's analytical tools to assess this data, and to identify causal factors and underlying trends.

Three six-monthly Aviation Safety Reports covering the period 1 July 1995 to 31 December 1996 have been completed and submitted to the Minister. These Reports provide full analysis, including trends and causal factors, of aviation industry operational activity and the occurrences (accidents, incidents) that were reported during the six month period.

To improve the collection of aviation industry activity data, Civil Aviation Rule Part 12 (Accidents, Incidents and Statistics Notification) now requires the reporting of aircraft operating statistics. Return rates for activity data are approximately 94% for large aircraft, 53% for the light fixed wing aircraft, and 46% for helicopters. Activity data is normalised to compensate for missing returns. The CAA is confident that the rate of return will improve in future due to increasing personal follow-up with operators, the introduction of Rule Part 12, the inclusion of Rule Part 12 on routine audit checklists, and regular feedback to industry of activity statistics.

Summary of Safety Trends: July - December 1996

Based on the most recent Aviation Safety Report, the following is a summary of safety trends over the above period:

1. The rising trend in the number of hours of air transport operations has continued, the annual rate of increase in activity now being approximately 9% per annum since 1992.
2. The total number of accidents classified as "Critical" shows a reduction from the same period last year from 31 to 10. However, there was a significant increase in the number of "Major" and "Minor" accidents, thus resulting in only a small overall reduction in accident numbers from 48 to 46.
3. Overall incident rates have remained relatively constant in all areas and the low rates indicated for helicopters and light aeroplanes relative to the respective accident rates, continues.
4. The recently introduced Civil Aviation Rule Part 12 will inevitably affect the type and numbers of incidents notified, such that future comparisons will become difficult until the situation has settled.
5. As a result of the "bogus parts" investigation carried out during this period, nine Airworthiness Directives affecting four helicopter types were issued to require mandatory removal of non-approved parts.
6. The aviation industry now has a better appreciation of the implications of using parts from unacceptable sources and without adequate supporting documentation. This need has been given additional emphasis in the new Civil Aviation Rules.
7. The overall defect incident rates for the "above 5670 kg" group show an increasing trend but not to a significant degree.
8. Defect incident rates for aeroplanes below 2721 kg, including helicopters, have remained relatively constant, but for aircraft in the 2721 to 5670 kg group the decreasing trend seen previously has continued.
9. The airspace incident rate for aircraft in the 5670 to 13,608 kg group stabilised at the level previously achieved in 1993. Overall, there was a 31% increase in airspace incidents, thus almost eliminating the reduction noted for the previous period.
10. There has been a significant increase in the number of pilot attributable occurrences which has changed the ratio of pilot/ATS attributable occurrences to 66%/34%.
11. Bird hazard monitoring indicates that no aerodromes are currently experiencing a high risk situation.

Accident Rates

The following table shows the achieved accident rates to 30 June 1997 against the agreed safety outcome targets to be achieved by the year 2000:

Accident Rates per 100,000 flying hours - At 30/06/97

AIRCRAFT WEIGHT BREAK (kg)	MOVING AVERAGE	REVENUE (PAX&FREIGHT)		REVENUE (OTHER)		NON-REVENUE	
		Achieved	Target	Achieved	Target	Achieved	Target
13608 & above	10 year	0.8	0.5				
5670 to below 13608	10 year	1.3	1.0				
2721 to below 5670	5 year	10.9	2.0				
Below 2,721	12 month	15.7	2.5	9.1	5	28.9	25
Helicopter	12 month	10.2	5	19.1	15	22.9	25

Progress towards the year 2000 targets varies from sector to sector as follows:

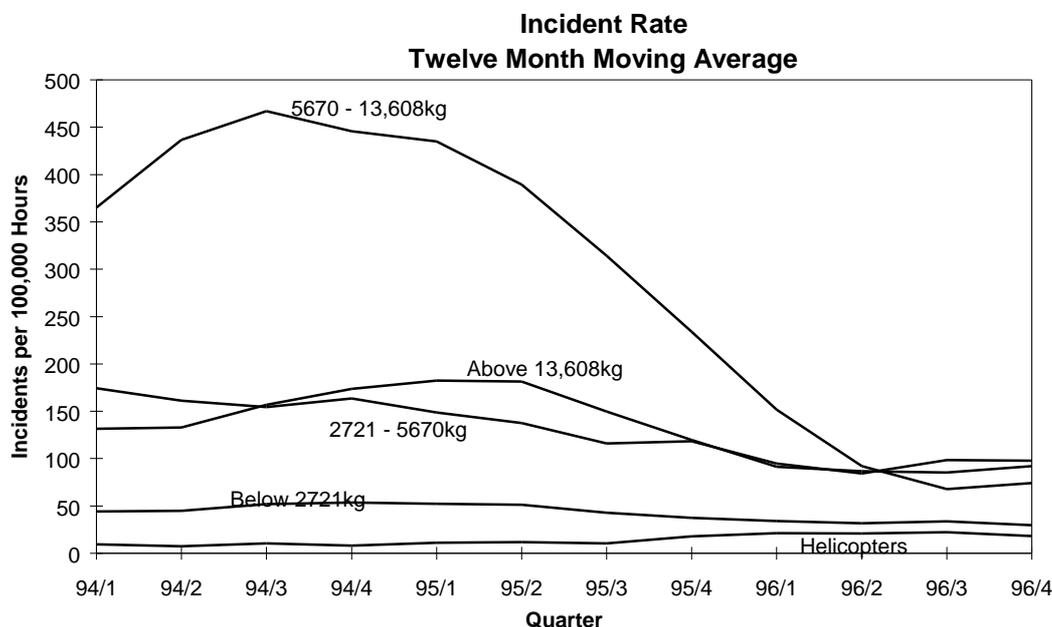
- **13,608 kg and above** - Little progress is being made towards the target of 0.5 accidents per 100,000 flying hours. Current indications are that the year 2000 outcome will be in the order of 0.8 accidents per 100,000 hours.
- **5670 to below 13,608 kg** - This group closely follows the prescribed target line and indications are that the target of 1.0 per 100,000 hours will be achieved.
- **2721 to below 5670 kg** - Little progress has been made towards the year 2000 target and the effect of the most recent two accidents in this group has been to drive the rate above the point of 10 accidents per 100,000 hours achieved when trend monitoring and reporting commenced in 1995.
- **Below 2721 kg (revenue - passenger and freight)** - The results in this group are somewhat variable, but overall progress is being made. Current trends indicate that the year 2000 target may be achievable.
- **Below 2721 kg (revenue other)** - Indications are that this group will achieve the year 2000 target.
- **Below 2721 (non-revenue)** - Excellent progress is being made and indications are that an accident level well below the set target of 25.0 will be achieved.
- **Helicopters** - Results in each of the three helicopter groups show considerable variability over the last two years. However, the rates for all three groups are now on, or close to, the target trend line and the groups can be expected to meet the targets that have been set for the year 2000.

Incident Trends

Aircraft Incidents

A "reportable aircraft incident" is defined in Annex 13 to the ICAO Convention as an occurrence, other than an accident, associated with the operation of an aircraft, which affects or could affect the safety of operation. For convenience of surveillance and administration, the Civil Aviation Authority has divided the incident category into Aerodrome, Aircraft, Airspace, Bird, Dangerous goods, Defect, Facility malfunction, Promulgated information, and Security incident.

The following graph shows the 12 month moving average trend in aircraft incident rate (incidents per 100,000 hours flown) for the various aircraft weight breaks for the years 1994, 1995 and 1996.



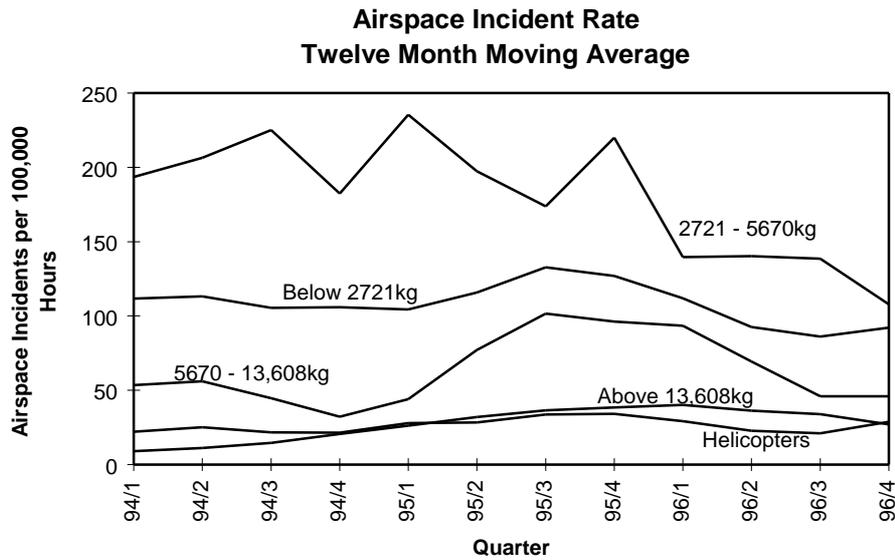
With the exception of the 5670 - 13,608 kg group, incident rates have remained relatively constant since the end of 1992. The rates for the 5670 - 13,608 kg group rose dramatically during 1993, peaked in the last quarter of 1994, and fell rapidly during 1995. The rates for the predominant air transport aeroplane groups now appear to have stabilised at around 100 per 100,000 hours.

It should be noted that, given the low level of reporting in the helicopter and aeroplane sectors below 2721 kg and the fact that the majority of accidents occur in these sectors, a much higher incident rate would be expected if all occurrences were being properly recognised and reported.

Airspace Incidents

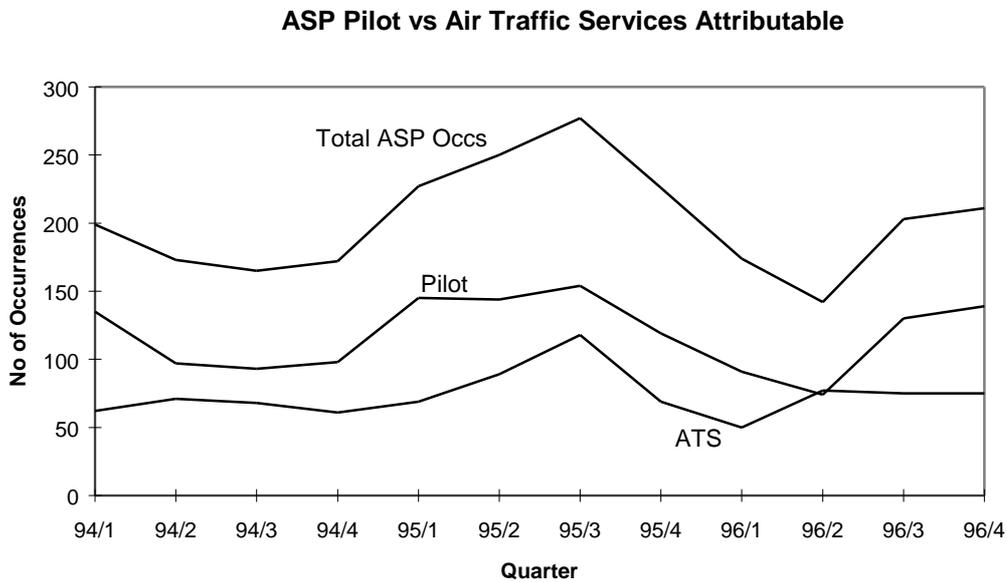
Airspace incidents represent recorded occurrences involving deviation from, or deficiencies in, the procedures or rules for avoiding collisions between aircraft, or avoiding collisions between aircraft and other obstacles when an aircraft is provided with an air traffic service (ATS).

The following graph shows the 12 month moving average trend in airspace incident rate (incidents per 100,000 hours flown) for the various aircraft weight breaks. The graph does not differentiate between incidents that are Pilot or ATS attributable.



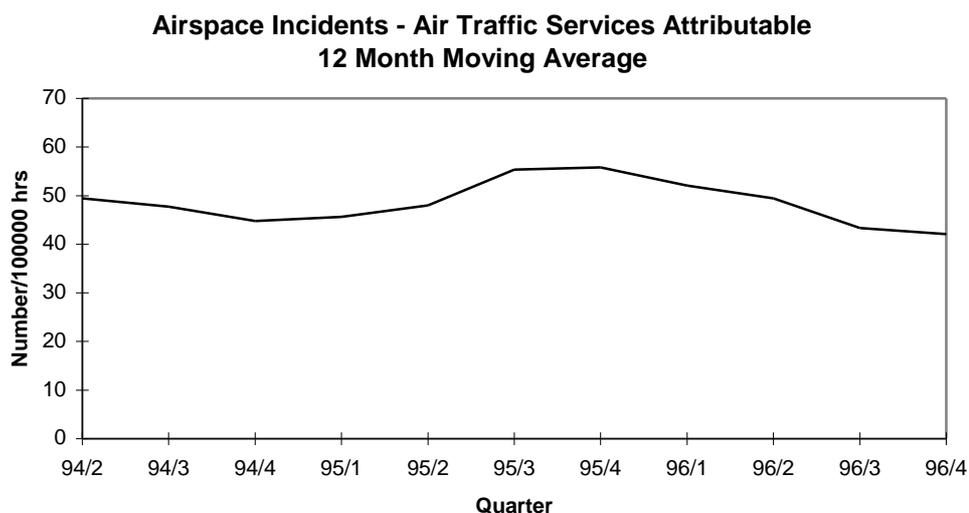
The trending decrease in the reported airspace incident rate for the aircraft weight break 5670 kg to 13608 kg has now levelled off at about the rate previously achieved in 1993. The number of pilot attributable occurrences has increased significantly and these now account for approximately 66% (previously 55%) of the total. The number of ATS attributable occurrences has stabilised at the 34% level reached at the end of the last reporting period.

The following table shows the balance between pilot attributable and ATS attributable occurrences.



Air Traffic Services (ATS) Attributable Airspace Incidents

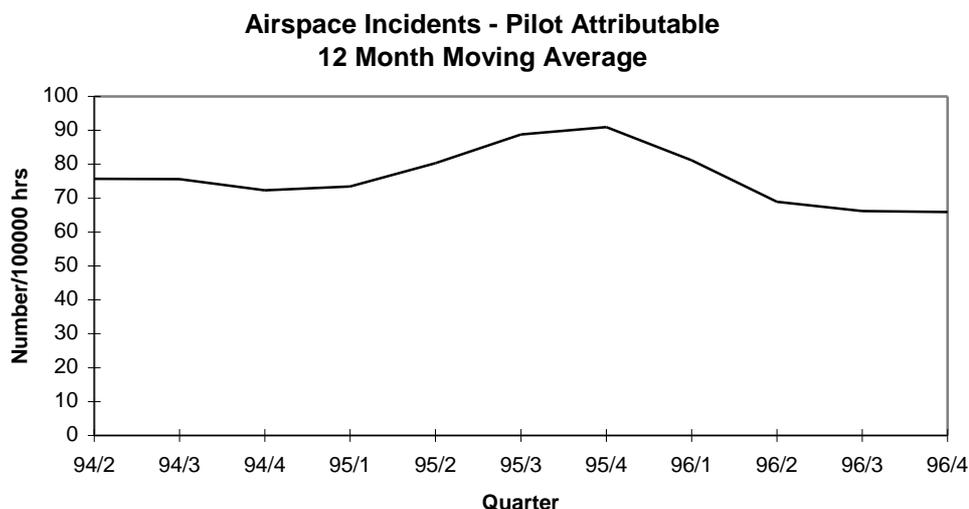
The following graph shows the 12 month moving average trend in Air Traffic Services attributable airspace incident rate (incidents per 100,000 hours flown).



The rate of ATS attributable airspace occurrences is down from the high point reached in mid/late 1995. However, there is no overall discernible trend.

Pilot Related Airspace Incidents

The following graph shows the 12 month moving average trend in pilot attributable airspace incident rate (incidents per 100,000 hours flown).



The pilot attributable occurrence rate shows a “bottoming out” of the decrease observed over the past 24 months.

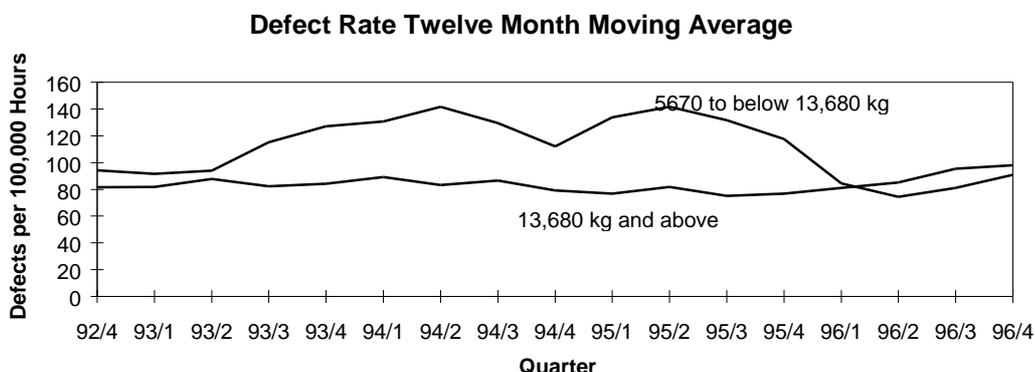
Review of the safety data indicates the possibility of rates being slightly higher than shown owing to the difficulty in determining which party (pilot or ATS) was most likely to have been the primary contributor to the occurrence.

Defect incidents

An aircraft defect is an occurrence involving failure or malfunction of an aircraft or aircraft component, whether found in flight or on the ground, that affects or could affect the safety of aircraft operations.

• **Aircraft above 5670kg**

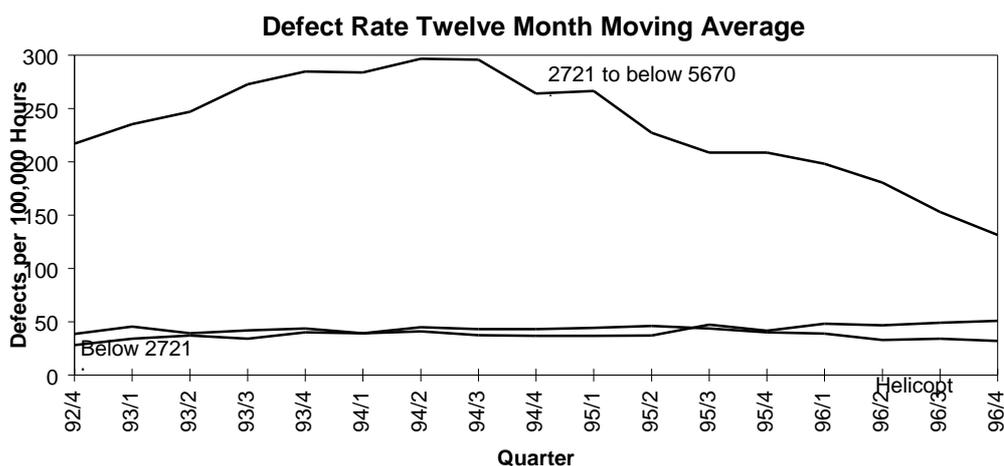
The following graph shows the 12 month moving average trend in aircraft defect rate (incidents per 100,000 hours flown) for the two aircraft weight breaks, 5670kg - 13608kg and above 13608kg:



For aeroplanes above 13608 kg there has been a very slight increase in the number of defect incidents recorded (97) compared to last period (93). The 12 month moving average defect incident rate continues the upward trend that commenced towards the end of 1995 and although this is disappointing, it is not yet a significant concern to the CAA as the longer term trend is neutral.

• **Aircraft below 5670 kg**

The following graph shows the 12 month moving average trend in aircraft defect rate (incidents per 100,000 hours flown) for the aircraft weight breaks, 2721 kg - 5670 kg, below 2721 kg, and for helicopters.



For aircraft below 2721 kg the defect rate is approximately 32 per 100,000 flying hours and 51 for helicopters and has remained relatively constant over the last two years.

For the 2721 to 5670 kg weight groups, the rate has decreased from a high of around 266 in early 1995 to the present level of 131 defects per 100,000 hours.

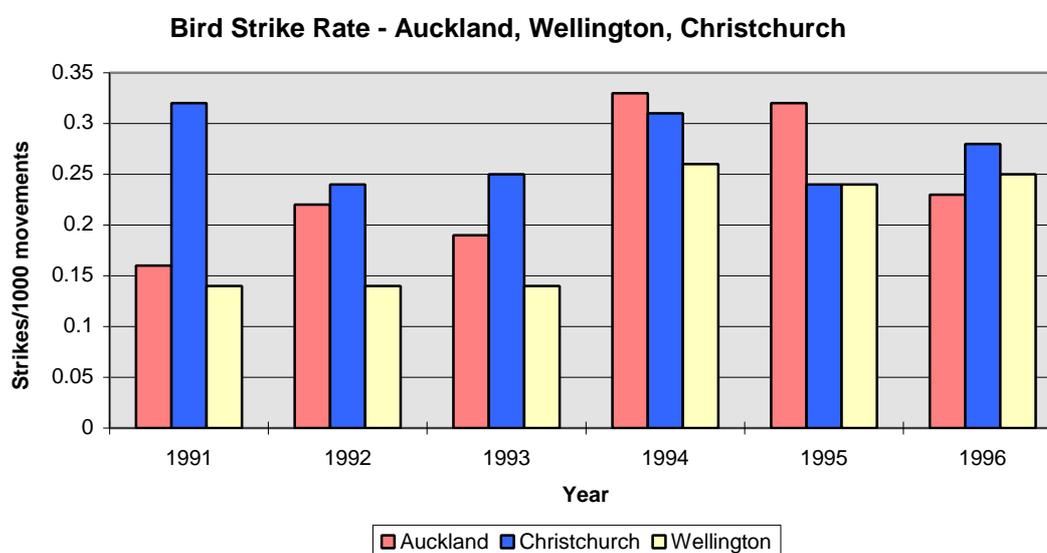
Bird Incidents

Bird hazards at identified aerodromes continue to be monitored by the Civil Aviation Authority and when any significant adverse trends are noted, operators of those aerodromes are advised to review and improve their bird hazard control measures.

Regular feedback reporting of bird hazard statistics to aerodrome operator introduced by the Civil Aviation Authority may have facilitated more effective self management of bird hazard control systems by aerodrome operators.

Major aerodromes

The following graph shows the annual strike rate trend for Auckland, Wellington and Christchurch aerodromes.



The three primary international aerodromes all exhibit a current strike rate of below 0.4 (per 1000 movements) placing them in the low risk category. The rate at Christchurch has been relatively constant since 1991 and is currently at 0.24. The rates at Wellington and Auckland have increased from about 0.15 in 1991 to 0.24 and 0.32 respectively in 1995.

Other Aerodromes

With regard to the other aerodromes on which data is available, there were none over which the CAA has any significant ongoing concerns. Aerodrome operators are actively reducing the risk of bird strikes through a variety of programmes. These activities are usually undertaken with the support of the local authorities and other bodies such as the Department of Conservation and the Forest and Bird Society.

AVIATION SECURITY SERVICE

FUNCTIONS

The Aviation Security Service is responsible for:

- screening all departing international passengers and baggage at all international airports in New Zealand to standards laid down in relevant legislation, regulations and rules as may be determined from time to time;
- providing such other aviation security services and screening, such as screening of domestic passengers and baggage, as is judged advisable by the Director of Civil Aviation from time to time;
- undertaking searches, where necessary, of passengers, baggage, cargo, aircraft, aerodromes, and navigation installations;
- carrying out patrols at security designated aerodromes and navigation installations;
- reviewing, inquiring into, and keeping itself informed on security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it;
- undertaking, encouraging or supervising such experimental or research work in respect of any aspect of aviation security as the Director of Civil Aviation may specify;
- co-operating with the Police, Government departments, airport authorities, operators, and authorities administering the airport security services of other countries, and with any appropriate international organisation for the purpose of better carrying out the Service's functions;
- exercising and performing such other functions and duties as may be conferred on it by any enactment.

In addition to and in furtherance of the above statutory functions, the Aviation Security Service also:

- provides aviation security services as required by the aviation industry including aircraft guards, aircraft searches and passenger reconciliation;
- issues official Airport Identity Cards on behalf of the Director of Civil Aviation utilising the National Airport Identity Card database;
- provides advice on aviation security to the Government and the aviation industry, including draft replies to Ministerial correspondence relating to the Service.

MISSION, STRATEGIC GOALS, OUTCOMES AND OUTPUTS

Mission Statement

**“WE IMPROVE THE SAFETY OF AVIATION
BY THE APPLICATION OF SPECIFIC SECURITY MEASURES.”**

Strategic Goals

In order to achieve its Mission the Service has fifteen major Goals:

Administrative Goals

- 1. Have an integrated performance management programme.**
- 2. Have an efficient, cost effective integrated Payroll and Personnel Information Management System.**
- 3. Have an efficient marketing/communications strategy.**
- 4. Have an established Risk Management Programme for each Station.**
- 5. Have an efficient, cost effective Accounting System.**
- 6. Have effective recruitment and internal selection policy and procedures.**

Operational Goals

- 7. Implementation of Cost Efficiency Review recommendations.**
- 8. Have a Policy and Procedures Manual that meets the needs of the Service.**
- 9. Computerisation of the Aviation Security Service systems.**
- 10. Domestic Airport Response Team concept clarified.**
- 11. Have effective plans for Domestic Screening.**
- 12. Have an effective Hold-Stow Review Baggage Screening plan.**
- 13. Report on Explosive Detection Systems.**
- 14. Redefined Service functions, responsibilities and powers.**
- 15. All identified accommodation needs satisfied.**

Outcomes

The Government Outcomes towards which the Aviation Security Service were required to contribute during the 1996/97 financial year were:

1. A safe, sustainable transport system at reasonable cost.
2. Enhanced economic, social and environmental well being.
3. Community security.

Outputs

The Output for which the Aviation Security Service was responsible during the 1996/97 financial year was ***Aviation Security Services***.

MAJOR ACTIVITIES AND ISSUES

Regional Airport Operations

The Service's operations at Hamilton, Palmerston North and Dunedin continued. Passenger numbers decreased at Hamilton but this was compensated for by an increase at the other airports. The total passenger numbers for the three airports was 73,064 compared with 65,262 for the previous year. Officers from these airports were seconded to the three major international airports for periods during the year to broaden their experience and develop their skills.

VIP Movements

The Service committed 102 hours to facilitating VIP movements through the international airports during the year, 43.8 hours of which were in the fourth quarter.

Asia - Pacific Economic Co operation - Meeting of Trade Ministers

New Zealand will be the host country for Asia - Pacific Economic Co operation (APEC) meetings during 1999. The Service has been and will continue to be involved in the planning of security arrangements for the meetings. Early planning is vital to the Service as there may be a requirements to purchase capital items before the event. Human and other resource implications are also being assessed.

Hold Stowed Baggage Screening

To assist with investigations into the implications of hold – stowed screening, in June 1997 two senior Service officials visited the US Federal Aviation Administration Testing Centre in Atlantic City to learn about that organisation's tests on the latest equipment. The equipment under evaluation was subsequently inspected in action at Atlanta and Manchester Airports.

Auckland Airport Aviation Security Model

The Service, in conjunction with New Zealand Police and Auckland International Airport Limited, has formed a committee to develop an aviation security model to meet the future needs of the airport. The Inspector in charge of the Auckland Airport Police Station is the chairman of the committee. Once the model has been established and tested, the Service intends to modify it for all other airports where international flights operate.

Business and Strategic Plans

The Service published its Business Plan for the period 1 January 1997 to 30 June 1998 and its Profile (Strategic Plan 1997-2001) during the year. Implementation of both plans is underway and will be a priority for 1997/98.

The Service is now closely involved in the planning for the Asia Pacific Economic Co-operation series of meetings in 1999 and in preparations for the America's Cup defence and the Sydney Olympics, both of which have implications for the Service.

Risk Management: Development of Disaster Recovery Plan

Work continued on the development and implementation of disaster recovery plans for all areas of Service operations. By year end this activity was well advanced.

Implementation of Organisation and Cost Efficiency Review

Work continued on the implementation of the recommendations of the 1995 Organisation and Cost Efficiency Review. A major part of the year's activities revolved around a review of the commitment to the principles of Total Quality Management and the way in which TQM has been applied within the Service.

This exercise included the distribution of a questionnaire to all staff, which elicited a very good response. Feedback from the questionnaire was used to assist in the identification of areas requiring remedial action, including improvement in internal communications, more focused work improvement teams and refresher training for all staff in the principles of TQM. Action plans have been developed for each of the key areas with implementation scheduled to commence in early 1997/98.

Restructure of National Office

The restructure of the National Office as recommended by the Cost Efficiency Review is now complete. The final step was the appointment of an Information Technology Systems Manager. The recently completed review of the Service's finance function may result in further changes in future.

Finance Scoping Review

Early in 1997 the Service commissioned a review of the finance services currently provided under contract by the Civil Aviation Authority. Following that review the Service commenced negotiations in June 1997 with the CAA on a Service Level Agreement.

Recovery of Aviation Security Costs

The review of the aviation security levy and its collection mechanism was completed and recommended that the International Passenger Security Charge be reduced from \$5 to \$4. This will take effect from 11 July 1997 in conjunction with the introduction of a new \$1.00 departing international passenger safety levy as part of the new Civil Aviation Authority funding regime.

Information Technology Developments

During the year the Service replaced all its computers and upgraded its operating systems. This has resulted in a faster, more stable network. The Airport identity card system was also upgraded during the year.

Quality Systems

The Service first gained certification to the ISO 9002 standard on 11 June 1993 and was re-certificated for another three years on 11 June 1997.

GOOD EMPLOYER REQUIREMENTS

The primary influences on the Aviation Security Service's human resources policies and practices are the good employer requirements of sections 28 to 30 of the Third Schedule to the Civil Aviation Act 1990 and the Service's commitment to the principles of total quality management.

Staff Numbers

Staff numbers increased during the year from 159 to 160 (i.e from 135.5 to 137.3 full time equivalents). The percentage of female employees increased from 42.76% to 44.38 at year end.

Employment Contracts and Human Resources practices

During the year the Service continued with the reform of employment conditions, a process launched in 1993. A comprehensive review was undertaken into the employment conditions and training requirements for regional airport and Auckland special part time staff, which resulted in a number of changes.

A death and trauma recovery insurance scheme for staff was introduced in February 1996 and this made its first payment during the year. This was to an officer diagnosed with terminal cancer and the insurer made payment early, allowing him to settle his financial affairs before his death.

New Code of Conduct

During the year, the Code of Conduct was revised to take account of the transfer of the Service out of the core public service and other changes to the operating environment that had occurred in recent years. The revision also involved an extensive consultative process with staff associations. Agreement was obtained in June 1997.

Succession Planning Programme

Goal one of the Business Plan requires the adoption of a formal succession planning process and work continued on this in 1996/97, building on ad hoc initiatives put in place in the previous three years. The objective is to have a pool of skilled internal applicants equipped to take up supervisory or specialist vacancies likely to become available in the next two to three years. The succession planning framework is linked in turn to the Service's human resources planning process and to its Integrated Performance Management Programme.

Review of recruitment strategies

Goal six of the Business Plan requires a comprehensive review of the Service's recruitment strategies and this process commenced in early 1997 and is continuing into 1997/98. The medical standards for officer recruits were revised in conjunction with the Service's medical advisors and the Civil Aviation Authority. A new assessment service was also introduced. The new standards and assessment service were tested in the May/June 1997 recruit rounds and were found to work well.

Training

The year saw a heavy emphasis on training with the review of the content of the induction training course and development of a biennial refresher training course for all officers. A comprehensive training plan for the 1997/98 year was also developed. A focus of the year was the First in Line courses for supervisors and those officers with potential for promotion or broadening their career options. The latter courses have proved very popular. For the last course the Service offered a place to New Zealand Customs Service and one of their officers successfully completed the course. There are currently two courses under way; the first is an intensive six-month supervisor's course. Three supervisors are attending this from the New

Zealand Customs Service and two from Auckland International Airport Limited. The second of these courses is for aspiring supervisors and includes two participants from each of Customs and the airport company. The Service introduced this policy to improve interdepartmental relations at the international airports through interaction in the classroom.

The Service maintained its expertise in dangerous goods with several officers qualifying or re-qualifying during the year. A senior officer based in Auckland is also a member of the Dangerous Goods Council.

Training in the Pacific Region

Training was provided to the Cook Islands, Tonga, Samoa and American Samoa. This activity is part of the Service's continuing commitment in support of the South Pacific Forum and the Association of South Pacific Airlines. Improvements in security at airports feeding into New Zealand also serve to enhance the security at New Zealand airports. This training was provided on a cost recovery basis.

The Service also assisted Rarotonga Airport in obtaining its first x-ray unit, establishing a maintenance programme and providing training in its operation.

Equal Employment Opportunities

During the year a number of staff attended meetings of the Women in Transport network established in 1996. Two officers attended a workshop on conflict resolution for women. All supervisors were provided with training in harassment prevention, as a prelude to a more extensive training programme to be conducted in 1997/98.

CIVIL AVIATION AUTHORITY

AND

AVIATION SECURITY SERVICE

CONSOLIDATED FINANCIAL STATEMENTS

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 1997

These Financial Statements have been prepared pursuant to the requirements contained in Part V of the Public Finance Act 1989.

The Financial Statements cover the consolidated financial performance of the Civil Aviation Authority of New Zealand in respect of the responsibilities of the Authority under section 72B of the Civil Aviation Act 1990 for:

- (a) the regulation of civil aviation safety in New Zealand through the Civil Aviation Authority, including the provision of Class III Search and Rescue services; and
- (b) the provision of aviation security services through the Aviation Security Service.

STATEMENT OF RESPONSIBILITY

Pursuant to Section 42 of the Public Finance Act 1989, we acknowledge that:

- (a) The preparation of the consolidated financial statements of the Civil Aviation Authority of New Zealand and the Aviation Security Service and the judgements used therein are our responsibility;
- (b) The establishment and maintenance of an internal control system designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements for the year ended 30 June 1997 are our responsibility; and
- (c) In our opinion the consolidated financial statements for the year ended 30 June 1997 fairly reflect the financial position, operations, and cash flows of the Civil Aviation Authority of New Zealand and the Aviation Security Service.

R. P. Carter
Chairperson
Civil Aviation Authority
of New Zealand

Kevin W. Ward
Director of Civil Aviation

Mark T. Everitt
General Manager
Aviation Security Service

29 October 1997

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
Consolidated Statement of Financial Performance
for the year ended 30 June 1997

<u>30/06/96</u> <u>Actual</u> <u>\$000</u> (excl S & R)		<u>Notes</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Budget</u> <u>\$000</u>
<u>REVENUE</u>				
3,142	Crown Contribution		4,226	4,227
2,412	Fees & Charges & Aviation Security Services		2,582	2,330
18,472	Levies & International Passenger Charge		19,696	19,216
215	Interest		379	210
52	Other Revenue		116	-
24,293	TOTAL REVENUE	1.1	26,999	25,983
<u>EXPENDITURE</u>				
13,156	Personnel Costs		13,925	14,883
8,687	Operating Costs		9,470	9,421
1,175	Depreciation		1,547	1,397
23,018	TOTAL EXPENDITURE	1.2	24,942	25,701
1,275	NET OPERATING SURPLUS		2,057	282

Note:

The Consolidated Financial Statements for the previous reporting period reflect the transactions for the Civil Aviation Authority and Aviation Security Service for the full 1995/96 year, excluding Search and Rescue which was transferred to the Civil Aviation Authority on 1 July 1996.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
Consolidated Statement of Movements in Taxpayers' Equity
for the year ended 30 June 1997

<u>30/06/96</u> <u>Actual</u> <u>\$000</u> (excl S & R)		<u>Notes</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Budget</u> <u>\$000</u>
3,629	Taxpayers' Equity as at 1 July 1996	2.0	3,235	3,235
-	Transfer of Search and Rescue Output to Civil Aviation Authority	2.0	1,659	1,659
3,629			4,894	4,894
1,275	Net Operating Surplus		2,057	282
-	Increase in asset revaluation reserve	2.0	121	-
1,275	Total recognised revenues and expenses for the year		2,178	282
(1,669)	Provision for the payment of surplus to the Crown		(1,437)	(1,541)
3,235	Taxpayers' Equity as at 30 June 1997	1.3	5,635	3,635

The above Consolidated Statement of Movement in Taxpayers' Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements and Statement of Accounting *Policies*

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Consolidated Statement of Financial Position

as at 30 June 1997

<u>30/06/96</u> <u>Actual</u> <u>\$000</u> (excl S & R)		<u>Notes</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Budget</u> <u>\$000</u>
3,235	TAXPAYERS' EQUITY	2.0	5,635	3,635
	Represented by:			
	CURRENT ASSETS			
597	Bank Account - Bank Balance		1,321	1,391
1,950	- Short Term Investment		3,300	1,200
1,938	Receivables		2,190	2,089
61	Prepayments		141	90
376	Work in Progress		246	344
4,922	TOTAL CURRENT ASSETS		7,198	5,114
	NON-CURRENT ASSETS			
3,027	Fixed Assets	3.0	3,637	3,295
7,949	TOTAL ASSETS		10,835	8,409
	CURRENT LIABILITIES			
1,094	Payables		1,655	1,225
1,951	Employee Entitlements	4.0	2,108	2,008
1,669	Provision for repayment of surplus to the Crown		1,437	1,541
4,714	TOTAL CURRENT LIABILITIES		5,200	4,774
3,235	NET ASSETS	1.4	5,635	3,635

R. P. Carter
Chairperson
Civil Aviation Authority
of New Zealand

Kevin W. Ward
Director of Civil Aviation

Mark T. Everitt
General Manager
Aviation Security Service

29 October 1997

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**Consolidated Statement of Cash Flows
for the year ended 30 June 1997**

<u>30/06/96</u> <u>Actual</u> <u>\$000</u> (excl S & R)		<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Budget</u> <u>\$000</u>
Cash Flows from Operating Activities			
Cash was provided from:			
3,142	Crown funding	4,226	4,227
2,227	Fees & Charges/Aviation Security Services	2,469	2,275
18,120	Levies and International Passenger Charge	19,687	19,174
213	Interest	373	204
32	Other Revenue	61	-
23,734		26,816	25,880
Cash was applied to:			
8,010	Payments to suppliers	8,498	8,901
13,191	Payments to employees	13,771	14,740
417	Payments of Capital Charge to the Crown	563	565
21,618		22,832	24,206
2,116	Net Cash Flow from Operating Activities	3,984	1,674
Cash Flows from Financing Activities			
-	Search & Rescue cash on 1 July 1996 transfer	1,293	1,293
(1,353)	Repayment of Surplus of Crown	(1,768)	(1,768)
(1,353)	Net Cash Flow from Financing Activities	(475)	(475)
Cash Flows from Investing Activities			
Cash was provided from:			
76	Sale of Fixed Assets	161	354
Cash was applied to:			
(983)	Purchase of Fixed Assets	(1,596)	(1,509)
(907)	Net Cash Flow from Investing Activities	(1,435)	(1,155)
(144)	Net Increase/(Decrease) in Cash held	2,074	44
1,907	Add cash at 1 July 1996 - Aviation Security Service	2,379	2,379
784	Add cash at 1 July 1996 - Civil Aviation Authority	168	168
2,547	Cash held at 30 June 1997	4,621	2,591
597	Bank Account - Bank Balance	1,321	1,391
1,950	- Short Term Investment	3,300	1,200
2,547	Cash held at 30 June 1997	4,621	2,591

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to 57
the Consolidated Financial Statements and Statement of Accounting Policies

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**Reconciliation of Net Operating Surplus
to Net Cash Flow from Operating Activities
for the year ended 30 June 1997**

<u>30/06/96</u> <u>Actual</u> <u>\$000</u> (excl S & R)		<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Budget</u> <u>\$000</u>
1,275	Net Operating Surplus (as per Statement of Financial Performance)	2,057	282
	Add non-cash items		
1,175	Depreciation	1,547	1,397
1,175	Total Non-Cash Items	1,547	1,397
	Movements in Working Capital		
(416)	Decrease/(Increase) in Debtors and Receivables	(248)	(134)
(207)	Decrease/(Increase) in Work in Progress	130	31
13	Decrease/(Increase) in Prepayments	(30)	22
325	(Decrease)/Increase in Creditors and Payables	402	24
(70)	(Decrease)/Increase in Employee Entitlements	154	52
(355)	Movements in Net Working Capital	408	(5)
	Movements in Investing Activities		
21	(Gain)/Loss on sale of Fixed Assets	(28)	-
21	Total Movements in Investing Activities	(28)	-
2,116	Net Cash Flow from Operating Activities	3,984	1,674

1.6

The above Reconciliation of Net Operating Surplus (Deficit) to Net Cash Flow from Operating Activities is to be read in conjunction with the Notes to the Consolidated Financial Statements and Statement of Accounting Policies

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Statement of Commitments

as at 30 June 1997

Commitments disclosed include those operating and capital commitments arising from non-cancellable contractual or statutory obligations.

Commitments relating to employment contracts are not included.

Consolidated (excl S & R)		Civil Aviation Authority	Search & Rescue	Aviation Security	Consolidated
<u>30/06/96</u> <u>Actual</u> <u>\$000</u>		<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>
	Capital commitments				
	Purchase of additional x-ray machines	-	-	58	58
78	Office Equipment & Furniture	-	-	-	-
	Motor Vehicles	-	-	100	100
78		-	-	158	158
	Non-cancellable operating lease commitments				
826	- Less than one year	640	-	144	784
826	- One year but less than two years	637	-	100	737
1,802	- Two years but less than five years	827	-	155	982
306	- Longer than five years	-	-	260	260
3,760		2,104	-	659	2,763
	Other non-cancellable contracts				
	The Civil Aviation Authority has entered into non-cancellable contracts for computer maintenance, building services and other contracts for services. Commitments under these contracts are as follows:				
682	- Less than one year	577	180	19	776
179	- One year but less than two years	-	191	-	191
595	- Two years but less than five years	-	593	-	593
272	- Longer than five years	-	83	-	83
1,728		577	1,047	19	1,643
5,566	Total Commitments	2,681	1,047	836	4,564

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Statement of Contingent Liabilities

as at 30 June 1997

Contingent liabilities are noted at the time the contingency becomes evident. Such contingencies are evidenced by action taken by a third party and will in the normal course of business be rigorously defended.

Consolidated (excl S & R)		Civil Aviation Authority	Search & Rescue	Aviation Security	Consolidated
<u>30/06/96</u> <u>Actual</u> <u>\$000</u>		<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>	<u>30/06/97</u> <u>Actual</u> <u>\$000</u>
1,355	Capital Aviation Ltd v Minister of Transport (Third Defendant)	1,355	-	-	1,355
1,355	Total Contingent Liabilities	1,355	-	-	1,355

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

CONSOLIDATED STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The consolidated financial statements for the year to 30 June 1997 have been prepared to comply with Part V of the Public Finance Act 1989 and Sec 72B(3B) of the Civil Aviation Act 1990.

All consolidated financial statements have been prepared in accordance with the accounting policies set out in the "Statements of Standard Accounting Practices" and "Financial Reporting Standards" approved by the Accounting Review Standards Board published by the Institute of Chartered Accountants of New Zealand.

The consolidated financial statements prepared for the Civil Aviation Authority of New Zealand for the 1996/97 financial year comprise the following Output Classes:

Civil Aviation Authority

- **Policy Advice**, comprising
 - Advice to government
 - International Multilateral and Bilateral aviation safety related agreements
 - Legislation and Standards (including Rules) Development
- **Safety Assessment and Certification**, comprising
 - Aviation document assessment
 - Monitoring and corrective action identification
- **Safety Analysis and Information**, comprising
 - Safety investigation and analysis
 - Safety education and information
- **Enforcement**, comprising
 - Responses to Regulatory Breaches
- **Search & Rescue**, comprising
 - Provision of Class III search and rescue services

Acquisition and incorporation of Search and Rescue as an additional output of Civil Aviation Authority was effective from 1 July 1996.

Aviation Security Service

- **Aviation Security Services**, comprising
 - Aviation Security Services for domestic and international air operations.

Reporting Period

The reporting period is 1 July of each year to 30 June of the following year inclusive.

Comparative Figures

The Consolidated Financial Statements for the previous reporting period reflect the transactions for the Civil Aviation Authority and Aviation Security Service for the full 1995/96 year, excluding Search and Rescue which was transferred to the Civil Aviation Authority on 1 July 1996.

Measurement Base

The measurement base adopted is that of historical cost, adjusted by the revaluation of the Auckland building.

Accounting Policies

Budget Figures

The budget figures are those approved by the Authority. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Authority for the preparation of the financial statements.

The 1996/97 budgets for the Civil Aviation Authority and Search and Rescue were revised during the year and approved by the Authority. The revised budgets have been shown in the accounts for comparative information.

Income Tax

The Civil Aviation Authority is not required to pay income tax on its Net Operating Surplus in terms of the Income Tax Act 1994 and accordingly no charge for income tax has been provided for.

Goods and Services Tax

All items in the financial statements are shown exclusive of Goods and Services Tax, except for Accounts Receivable and Accounts Payable, which are GST inclusive. The amount of GST owing at balance date being the difference between output/input tax is included in Payables.

Basis of Consolidation

The financial statements for the Civil Aviation Authority, including Search and Rescue (the aviation safety regulatory agency) and the Aviation Security Service (service provider) have been consolidated. All inter-entity transactions have been eliminated in the preparation of the consolidated financial statements

Revenue Recognition

The Civil Aviation Authority earns revenue from provision of outputs to the Crown, services to third parties and interest income from short term investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cost Allocation

The Civil Aviation Authority and the Aviation Security Service respectively maintain full activity based cost allocation systems that identify the costs of all services including those provided to the Crown.

The Civil Aviation Authority and the Aviation Security Service allocate overhead costs to the outputs on the basis of cost drivers that appropriately link indirect costs to the outputs. The cost drivers include numbers of staff employed and their time spent supporting the outputs, and the physical area they occupy.

Leases

Where the lessors effectively retain substantially all the risks and benefits of ownership of leased items, lease charges are expensed in the period in which they are incurred.

Accounts Receivable

Accounts receivable are stated at their estimated realisable value, after deducting a provision for doubtful debts.

Fixed Assets

Civil Aviation Authority fixed assets are recorded at the cost at which they were purchased from the Crown on 10 August 1992, adjusted by subsequent additions and disposals at cost.

Search and Rescue fixed assets are recorded at the cost at which they were transferred from the Ministry of Transport on 1 July 1996, adjusted by subsequent additions and disposals at cost.

Aviation Security Service fixed assets except buildings, are recorded at the cost (based on independent valuation) at which they were purchased from the Crown on 1 September 1993, adjusted by subsequent additions and disposals at cost. Buildings have been revalued to net current value as determined by an independent registered valuer as at 31 January 1997. Buildings are revalued every three years.

Depreciation

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

The useful lives of the major categories of fixed assets are estimated as follows:

Buildings	24 years
Furniture and Fittings	10 years
Plant and Equipment	5 - 10 years
Office Equipment	5 years
Motor Vehicles	4 - 5 years
Computer Equipment	3 - 5 years

Work in Progress

Work in Progress consists of incomplete jobs or jobs not yet invoiced at the balance date.

Employee Entitlements

Provision is made in respect of Civil Aviation Authority's liability for annual leave, long service leave, retirement leave and salaries and wages, where applicable.

Provisions have been calculated on an actual entitlement basis at current rates of pay.

Investments

Short term investments are valued at cost.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and short term investments in which Civil Aviation Authority invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Financing activities comprise the change in equity and debt capital structure of Civil Authority Aviation.

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

Financial Instruments

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

Changes in Accounting Policies

No changes in accounting policies took place during the period of these financial statements.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Notes to the Consolidated Financial Statements for the year ended 30/06/97

Note 1: Segmental Reporting:

Segmental reporting has been applied to identify the operational differences between the Civil Aviation Authority (including Security Service).

Consolidated	Statement of Financial Performance	Ref.	Civil Aviation Authority		Search & Rescue		Aviation
			30/06/97 Actual \$000	30/06/97 Budget \$000	30/06/97 Actual \$000	30/06/97 Budget \$000	30/06/97 Actual \$000
30/06/96 Actual \$000							
	Revenue						
3,142	Crown Funding		3,142	3,142	1,084	1,085	-
2,412	Fees & Charges		2,375	2,200	-	-	207
18,472	Levies		8,235	8,182	-	-	11,461
215	Interest		59	12	108	98	212
20	Gain on Sale of Assets		34	-	-	-	21
32	Other Revenue		61	-	-	-	-
24,293	Total Revenue	1.1	13,906	13,536	1,192	1,183	11,901
	Expenditure						
13,156	Personnel Costs		7,934	8,328	150	152	5,841
6,681	Operating Costs		4,880	4,973	481	581	2,443
34	Audit Fee		24	24	-	-	4
149	Authority Members' Costs		88	90	-	-	12
7	Bad Debts - Written Off		21	-	-	-	-
26	- Provision of Bad Debts		23	-	-	-	-
-	Loss on Sale of Assets		17	-	1	-	9
417	Capital Charge	6.0	166	168	191	191	206
1,373	Property and Equipment Rental		642	640	41	39	221
1,175	Depreciation		632	572	387	220	528
23,018	Total Expenditure	1.2	14,427	14,795	1,251	1,183	9,264
1,275	Net Operating Surplus/(Deficit)		(521)	(1,259)	(59)	0	2,637

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Notes to the Consolidated Financial Statements for the year ended 30 June 1997

Note 1: Segmental Reporting (continued)

Consolidated	Statement of Movement in Taxpayers' Equity	Ref.	Civil Aviation Authority		Search & Rescue		A
			30/06/97 Actual \$000	30/06/97 Budget \$000	30/06/97 Actual \$000	30/06/97 Budget \$000	
30/06/96 Actual \$000 3,629	Taxpayers' Equity at start of year		1,447	1,447			1,
-	Transfer of Search & Rescue Output to Civil Aviation Authority				1,659	1,659	
3,629			1,447	1,447	1,659	1,659	1,
1,275	Net Operating Surplus/(Deficit)		(521)	(1,259)	(59)	-	2,
-	Revaluation Reserve		-	-	-	-	
1,275	Total recognised revenues and expenses for the year		(521)	(1,259)	(59)	-	2,
(1,669)	Provision for the repayment of surplus to the Crown		-	-	-	-	(1,
-	Capital Injection from Search & Rescue		600	600	(600)	(600)	
3,235	Taxpayers' Equity at end of year	1.3	1,526	788	1,000	1,059	3,

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Notes to the Consolidated Financial Statements for the year ended 30 June 1997

Note 1: Segmental Reporting (continued)

Consolidated	Statement of Financial Position		Civil Aviation Authority		Search & Rescue		Avia
30/06/96		Ref.	30/06/97	30/06/97	30/06/97	30/06/97	30/06/97
Actual			Actual	Budget	Actual	Budget	Actual
\$000			\$000	\$000	\$000	\$000	\$000
3,235	TAXPAYERS' EQUITY		1,526	788	1,000	1,059	3,109
	Represented by:						
	CURRENT ASSETS						
597	Bank Account - Bank Balance		410	145	480	780	431
1,950	- Short Term Investments		500	-	-	-	2,800
1,938	Receivables		1,330	1,069	2	5	872
61	Prepayments		4	-	69	40	68
376	Work in Progress		246	344	-	-	
4,922	Total Current Assets		2,490	1,558	551	825	4,171
3,027	Fixed Assets		1,127	962	608	291	1,902
7,949	Total Assets		3,617	2,520	1,159	1,116	6,073
	CURRENT LIABILITIES						
	Payables						
800	Trade Creditors		737	320	128	35	471
99	GST		47	73	12	8	58
195	Other Creditors		134	170	2	-	80
	Provisions						
1,951	Employee Entitlements		1,173	1,169	17	14	918
1,669	Repayment of Surplus to the Crown		-	-	-	-	1,437
4,714	Total Current Liabilities		2,091	1,732	159	57	2,964
3,235	NET ASSETS	1.4	1,526	788	1,000	1,059	3,109

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Notes to the Consolidated Financial Statements for the year ended 30 June 1997

Note 1: Segmental Reporting (continued)

Consolidated	Statement of Cash Flows	Ref	Civil Aviation Authority		Search & Rescue	
			30/06/97 Actual \$000	30/06/97 Budget \$000	30/06/97 Actual \$000	30/06/97 Budget \$000
30/06/96 Actual \$000	Cash Flow from Operating Activities					
	Cash was provided from:					
3,142	Crown funding		3,142	3,142	1,084	1,085
2,227	Fees & Charges		2,274	2,220	-	-
18,120	Levies		8,193	8,182	-	-
213	Interest		59	12	107	98
32	Other Revenue		61	-	-	-
23,734			13,729	13,556	1,191	1,183
	Cash was applied to					
8,010	Payments to suppliers		5,167	5,654	554	664
13,191	Payments to employees		7,886	8,195	137	142
417	Payments of Capital Charge to the Crown		166	168	191	191
21,618			13,219	14,017	882	997
2,116	Net Cash Flow from Operating Activities		510	(461)	309	186
	Cash Flows from Financing Activities					
	Search & Rescue cash on 1 July 1996 transfer				1,293	1,293
	Repayment of Surplus to Crown		-	-	(99)	(99)
(1,353)	Capital Transfer		600	600	(600)	(600)
(1,353)			600	600	594	594
	Cash Flow from Investing Activities					
	Cash was provided from:					
76	Sale of Fixed Assets		78	284	2	-
(983)	Cash was applied to: Purchase of Fixed Assets		(446)	(446)	(425)	-
(907)	Net Cash Flow from Investing Activities		(368)	(162)	(423)	-
(144)	Net Increase/(Decrease) in Cash Flow		742	(23)	480	780
2,691	Add Opening Cash balance 1 July 1996		168	168		
2,547	Cash held at 30 June 1997	1.5	910	145	480	780
597	Bank Account - Bank Balance		410	145	480	780
1,950	- Short Term Investment		500	-	-	-
2,547	Cash held at 30 June 1997	1.5	910	145	480	780

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

Notes to the Consolidated Financial Statements for the year ended 30 June 1997

Note 1: Segmental Reporting (continued)

Consolidated	Statement of Cash Flows	Re f	Civil Aviation Authority		Search & Rescue	
			30/06/97 Actual \$000	30/06/97 Budget \$000	30/06/97 Actual \$000	30/06/97 Budget \$000
	Reconciliation of Net Operating Surplus/(Deficit) with Cash Flow from Operating Activities					
1,275	Net Operating Surplus/(Deficit) (as per Statement of Financial Performance)		(521)	(1,259)	(59)	-
	Add non-cash items					
1,175	Depreciation		632	572	387	220
1,175	Total Non-cash items		632	572	387	220
	Movements in Working Capital					
(416)	Decrease/(Increase) in Debtors & Receivables		(267)	(6)	(2)	(5)
(207)	Decrease/(Increase) in Work in Progress		130	31	-	-
13	Decrease/(Increase) in Prepayments		(4)	-	(19)	11
325	(Decrease)/Increase in Creditors & Payables		510	158	(12)	(50)
(70)	(Decrease)/Increase in Employee Entitlements		48	43	13	10
(355)	Total Movements in Working Capital		417	226	(20)	(34)
	Movements in Investing Activities					
21	(Gain)/Loss on Sale of Fixed Assets		(18)	-	1	-
21	Total Movements in Investing Activities		(18)	-	1	-
2,116	Net Cash Flow from Operating Activities	1.6	510	(461)	309	186

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
Notes to the Consolidated Financial Statements
for the year ended 30 June 1997 (Continued)

Note 2: Taxpayers' Equity

a) General Funds

<u>30/06/96</u> <u>\$000</u>		<u>30/06/97</u> <u>\$000</u>
3,629	Opening balance as at 1 July 1996	3,235
-	Transfer of Search and Rescue Output to Civil Aviation Authority at 1 July 1996	1,659
3,629		4,894
1,275	Net Operating Surplus	2,057
(1,669)	Provision for the payment of surplus to the Crown	(1,437)
<u>3,235</u>	Closing balance as at 30 June 1997	<u>5,514</u>

b) Revaluation Reserve

<u>30/06/96</u> <u>\$000</u>		<u>30/06/97</u> <u>\$000</u>
-	Opening balance as at 1 July 1996	-
-	Revaluation	121
-	Closing balance as at 30 June 1997	<u>121</u>
<u>3,235</u>	Taxpayers' Equity as at 30 June 1997	<u>5,635</u>

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
Notes to the Consolidated Financial Statements
for the year ended 30 June 1997 (Continued)

Note 3: Fixed Assets

30/6/96 Cost \$000	30/6/96 Accum. Depn \$000	30/6/96 Book Value \$000		30/6/97 Cost \$000	30/6/97 Accum. Depn \$000	30/6/97 Book Value \$000
			Civil Aviation Authority			
549	389	160	Furniture and Fittings	565	443	122
906	554	352	Plant and Equipment	908	634	274
174	135	39	Office Equipment	182	146	36
409	114	295	Motor Vehicles	448	133	315
2,596	2,070	526	Computer Equipment	1,283	903	380
4,634	3,262	1,372		3,386	2,259	1,127
			Search and Rescue			
-	-	-	Furniture and Fittings	19	18	1
-	-	-	Plant and Equipment	317	271	46
-	-	-	Office Equipment	9	5	4
-	-	-	Computer Equipment	2,110	1,553	557
-	-	-		2,455	1,847	608
			Aviation Security Service			
567	47	520	Auckland Building (at valuation)	720	13	707
102	19	83	Furniture and Fittings	121	30	91
2,328	1,752	576	Plant and Equipment	2,504	1,961	543
17	4	13	Office Equipment	17	7	10
544	207	337	Motor Vehicles	602	206	396
345	219	126	Computer Equipment	515	360	155
3,903	2,248	1,655		4,479	2,577	1,902
			Consolidated			
567	47	520	Auckland Building	720	13	707
651	408	243	Furniture and Fittings	705	491	214
3,234	2,306	928	Plant and Equipment	3,729	2,866	863
191	139	52	Office Equipment	208	158	50
953	321	632	Motor Vehicles	1,050	339	711
2,941	2,289	652	Computer Equipment	3,908	2,816	1,092
8,537	5,510	3,027	TOTAL FIXED ASSETS	10,320	6,683	3,637

Valuation

The Auckland Building was revalued to net current value as determined by a valuer (Registered Valuer) of Seagar & Partners as at 31 January 1997.

Note 4: Employee entitlements

<u>30/06/96</u> <u>\$000</u>		<u>30/06/97</u> <u>\$000</u>
1,194	Annual Leave	1,204
14	Long service leave	15
-	Retirement leave	46
743	Salaries and Wages	843
1,951	Total	2,108

Note 5: Financial Instruments

The Civil Aviation Authority is party to financial arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable, accounts payable, loans and foreign currency forward contracts.

Credit risk is the risk that a third party will default on its obligation to the Civil Aviation Authority causing the Civil Aviation Authority to incur a loss.

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

The Civil Aviation Authority place its investments in registered banks. This reduces the risk of any loss which could arise from its investment activities. The Civil Aviation Authority does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Civil Aviation Authority has no exposure to currency risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 1998 (1997 nil). The interest rates on Civil Aviation Authority's investments range from 6.4% to 7.0%.

Note 6: Related Party Transactions

The combined Civil Aviation Authority (i.e. the Civil Aviation Authority and the Aviation Security Service) is a wholly owned entity of the Crown. All transactions entered into with Government Departments and Crown entities are conducted either at arm's length or under specific agreements on normal business terms.

Note 7: Contingent Liabilities

Contingent liabilities are noted at the time the contingency becomes evident. Such contingencies are evidenced by action taken by a third party and will in the normal course of business be rigorously defended

Note 8: Commitments

Commitments disclosed include those operating and capital commitments arising from non-cancellable contractual or statutory obligations.

Operational commitments are related to term leases on buildings and operational leases.

Note 9: Budget Figures

The budget revision for the Civil Aviation Authority was required by an anticipated revenue shortfall together with an increase in expenses. The outcome was a revised budget deficit of \$1.26m (previously nil deficit). The Crown accepted the need for a staff increase to perform the functions entrusted to the Civil Aviation Authority. The staff increase was planned to be spread over 1996/97 and 1997/98.

The actual deficit for 1996/97 (\$0.521m) was less than the revised budget due to delays in recruiting appropriate staff and the expenditure constraints imposed within the Civil Aviation Authority until revised financial arrangements could be agreed with the Crown which occurred late in the financial year.

The Crown agreed that \$0.6m would be transferred from Search and Rescue to the Civil Aviation Authority as an equity injection prior to the end of the financial year. This change was reflected in the revised budget for Search and Rescue.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

STATEMENT OF SERVICE PERFORMANCE BY OUTPUT CLASS

Year ended 30 June 1997

OUTPUT CLASS : POLICY ADVICE

Description

This Output class includes:

- Advice on civil aviation safety and security.
- Recommendations on and implementation of government policy relating to the recovery of the costs of regulating civil aviation safety and security in New Zealand.
- The administration of New Zealand's responsibilities as a member of the International Civil Aviation Organisation (ICAO) with respect to matters relating to civil aviation safety and security which have been delegated to the Authority.
- The development and administration of civil aviation safety and security agreements with other countries and international agencies.
- The development and review of civil aviation safety and security legislation, standards and rules for the regulation of New Zealand civil aviation.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost.
2. Enhanced economic, social and environmental well-being.

Resources Used (\$000s)

Actual 12 months to 30 June 1996	OUTPUT CLASS : POLICY ADVICE	12 month 1 July 1996 - 30 June 1997			
				Variance	
		Actual	Budget	\$	%
OUTPUT :ADVICE TO GOVERNMENT (INCLUDING INTERNATIONAL AGREEMENTS)					
	Revenue - Crown	1,332	1,332	0	0%
	Expenditure	1,358	1,332	+26	+2%
	Surplus/(Deficit)	(26)	0	-26	
OUTPUT: STANDARDS DEVELOPMENT					
	Revenue				
	- Crown	1,810	1,810	0	0%
	- Fees and Charges (for exemptions)	42	0	+42	+100%
	- Levies	156	0	+156	+100%
	Total Revenue	2,008	1,810	+198	+11%
	Expenditure	2,142	1,822	+320	+18%
	Surplus/(Deficit)	(134)	(12)	-122	

Actual 12 months to 30 June 1996	OUTPUT CLASS : POLICY ADVICE	12 month 1 July 1996 - 30 June 1997			
				Variance	
		Actual	Budget	\$	%
OUTPUT CLASS: POLICY ADVICE					
3,142	Revenue				
-	- Crown	3,142	3,142	0	0%
204	- Fees and Charges	42	0	+42	+100%
	- Levies	156	0	+156	+100%
3,346	Total Revenue	3,340	3,142	+198	+6%
3,434	Expenditure	3,500	3,154	+346	+11%
(88)	Surplus/(Deficit)	(160)	(12)	-148	

Service Performance

A. ADVICE TO GOVERNMENT

1. Ministerial Servicing

Quantity

Target It is estimated that during the 1996/97 year the following will be produced:

- **80 replies to correspondence to the Minister;**
- **75 Reports to Minister (including Speech notes and Press releases);**
- **30 answers to Parliamentary Questions.**

Actual 12 months to 30/6/96	POLICY ADVICE Quantity	12 months 1 July 1996 - 30 June 1997			
		Actual	Estimate	Variance	
				Quantity	%
Ministerial responses					
81	No. received requiring a response	56	80	-24	-30%
81	No. completed requiring a response	55	80	-25	-31%
Policy Papers					
83	Reports to the Minister	98	75	+23	+31%
Parliamentary Questions					
31	No. of PQs received and answered	23	30	-7	-23%

Ministerial correspondence related to new Civil Aviation Rule Part 77 concerning the marking of cables, various safety concerns, cockpit voice recorders, and CAA funding.

Reports to the Minister included the regular weekly "No Surprises" reports, plus special reports on a number of events such as Tussock Moth eradication, various aircraft accidents, the suspension of Air Chathams air service certificate, bogus aircraft parts, Soundsair, helicopters and logging in West Coast forests.

Parliamentary Questions concerned Tussock Moth eradication, Soundsair, and services to Maori.

Timeliness

Target All Ministerial responses, reports to the Minister, and Parliamentary Questions will be completed to the following deadlines:

Ministerial responses Within an average of 10 business days with the maximum response time no more than 30 business days.

Reports to the Minister By any deadline set by the Minister's Office or by the Secretary for Transport.

Parliamentary Questions By the deadline set.

All Ministerial responses were completed within an average of seven business days, with all responses completed within 12 business days.

All Reports to the Minister were completed within the deadline set by the Minister's Office or the Ministry of Transport.

Seven (30%) of the 23 responses to Parliamentary Questions were marginally late, the longest being two hours and 40 minutes overdue.

Quality

Target Less than 5% of Ministerial responses, and answers to Parliamentary Questions provided by the CAA will be rejected by the Minister's Office or the Minister's advisers as failing to meet requirements.

No Ministerial responses, Reports to the Minister or Parliamentary Questions were rejected during the year.

Target Policy advice and other related services provided to the Minister will conform with quality criteria relating to purpose, logic, accuracy, options, consultation, practicality and presentation, as measured by annual surveys on the quality of advice and service received from the CAA against the agreed criteria, of: the Minister in respect of reports and advice received directly from the CAA; and the Ministry of Transport in respect of draft responses to Ministerial and Parliamentary Questions prepared by the CAA.

Surveys of the Minister of Transport were carried out in August 1996 and again following the appointment of the new Minister in December 1996. The responses confirmed that both Ministers were satisfied with the advice provided by the CAA. The response of the Ministry of Transport to the August 1996 survey indicated that they were generally very satisfied.

Target To maintain ISO certification of policies and procedures for this area of activity.

ISO certification was maintained. The first surveillance audit of the Government and International Relations Group for its ISO certification gained in May 1996 was undertaken during the third quarter of 1996/97. The one minor corrective action found was rectified immediately.

2. Policy Projects

Quantity and Timeliness

- Target** During the 1996/97 year, the following policy projects will be undertaken:
- Review of specific areas of CAA cost recovery.**
 - Review of CAA policy on contracting out.**
 - Review of the consistency of approach to compliance measures, including the Civil Aviation Authority's enforcement policy.**
 - Review of the application of Human Factors to Personnel Licensing and Operator Certification.**
 - Review of policies and strategies relating to international agencies, including ICAO, and to bilateral civil aviation agreements.**

Cost Recovery

Due to the deficit experienced at the end of the 1995/96 financial year, an urgent review of the CAA's overall activity levels, costs and revenue replaced the review of specific areas of cost recovery. This review was aimed at putting recommendations to Government for changes to the CAA's overall funding regime for implementation by the end of the 1996/97 year. Following consultation with industry, final recommendations were completed in the fourth quarter. Government approval of these recommendations enabled the project to be completed and the revised funding measures to come on stream one week after the planned implementation date.

This review occupied a high proportion of time during the year and diverted resource from other policy projects.

Review of CAA policy on Contracting Out

This review was put on hold until completion of the Rules project to enable the full extent of the regulatory intervention needed to be determined. However, a paper was developed for the Authority on the functions and work currently contracted, devolved or delegated outside the CAA, together with the extent to which outside contractors are used in the CAA. This project has been given priority in the coming 1997/98 year.

Other Reviews

Lack of resource restricted progress on other policy projects. Some progress was made on the review of the CAA's enforcement policy (the "regulatory tools review") to identify and finalise the formal information flows within the CAA and the CAA units with responsibility for each regulatory tool. This project was a necessary precursor to the implementation of the Civil Aviation Offence Regulations.

Some work was also carried out to specify the objectives of the review of application of Human Factors to Personnel Licensing and Operator Licensing. A policy review and consultation with certain industry representatives was also conducted on certain issues relating to "virtual airlines". This review concluded that appropriate policies and laws were already in place in relation to such operations. Progress on these outstanding reviews is expected in the 1997/98 year.

3. Aviation Security Policy and Regulatory Activities

Target: All threats to aviation security requiring action by the CAA's Aviation Security Regulatory Unit will be responded to in accordance with established processes and procedures.

All threats to aviation security were responded to in accordance with established processes and procedures.

In the first half of the year, a number of general threat alerts issued by the United States aviation authorities relating to likely Islamic Extremist activities against United States and Israeli targets remained active with some impact on United Airlines flights from Auckland. No additional security measures for flights to/from New Zealand were considered necessary.

In early 1997 tensions between North and South Korea led to some additional security measures being applied in the North Pacific area and for Korean Airlines elsewhere including some additional measures for flights from New Zealand. These measures were eased in the last quarter.

In May 1997 additional security measures were applied to flights from New Zealand to Thailand at the request of the Thailand authorities based on a perceived threat to Thai International, but were cancelled by the Thai authorities after inquiries revealed that there was little cause for concern.

Although no serious incidents were reported in New Zealand and Australia, a significant increase in risk was noted from the carriage of persons seeking refugee status and the return of inadmissible persons to their state of origin. Some 38% of all acts of unlawful interference with aircraft over the last 5 years were attributed to such persons.

Problems with unruly and disruptive passengers also increased with a number of incidents, some serious on flights to and from New Zealand.

Three bomb threats against aircraft were reported in New Zealand during the year. As a result of an attack on an Air New Zealand Link aircraft in Nelson, one person was convicted and sentenced on one charge of kidnapping and another charge under the Aviation Crimes Act 1972.

A total of 42 significant intelligence communications from various overseas sources were processed and actioned within 72 hours. As a result, three Special Aviation Security Notices were promulgated to Government intelligence agencies and the aviation industry as appropriate. Four aviation security information briefs promoting awareness and aviation security motivation were also distributed to selected industry and agencies within New Zealand and some relevant South Pacific Islands. Where appropriate, information and intelligence received from overseas sources were passed to the New Zealand Police, the Aviation Security Service, and the New Zealand Intelligence Service.

Target: To develop and review aviation security policy as and when required in consultation with other government agencies and the industry.

In addition to the frequent issue of policy advice and interpretations to industry, two major policy reviews were carried out.

A draft policy was developed following a request early in the year from ICAO urging all member States to address the significant accountability concerns for air safety and security arising from the increasing airline use of code share and other inter-airline agreements. Feedback from industry consultation was supportive of the draft policy, and interim policy was implemented by incorporating requirements into Civil Aviation Rules Part 108 - Airline Security Programme requirements.

Following a number of reported safety incidents, a review was completed of policy, practices and procedures employed by Government agencies and airlines with respect to the carriage of persons in custody or otherwise compelled to travel. This review involved consultation with the Department of Corrections, Police and the Department of Social Welfare, airlines and the Aviation Security Service.

Target To maintain ISO certification of policies and procedures for this area of activity.

ISO certification was maintained. An independent audit of the Aviation Security Regulatory Unit was carried out in the first quarter of the year with fully satisfactory findings.

B INTERNATIONAL, MULTILATERAL & BILATERAL AVIATION SAFETY RELATED AGREEMENTS

1. *International Civil Aviation Organisation (ICAO)*

Quantity, Timeliness and Quality

Target All delegated responsibilities in respect of ICAO specified in Part A to Schedule Two to the Performance Agreement between the Authority and the Minister of Transport for 1996/97 will be fulfilled in accordance with the standards and requirements set out in Schedule Two and in the relevant Annexes to the ICAO Convention.

Target All information required by ICAO, including statistics and the notification of accidents and incidents, will be provided to the standards and by the deadlines set by ICAO.

During the year, the CAA continued to undertake the various responsibilities in respect of ICAO delegated to the Authority.

A major area of activity was the continued participation in the Asia/Pacific Air Navigation Planning and Implementation Regional Group (APANPIRG) and its specialised Sub-Groups, including attendance at the Seventh Meeting of APANPIRG held in October 1996.

APANPIRG is the guiding and co-ordinating organ for all activities conducted within ICAO concerning the Air Navigation Systems of the Asia and Pacific Regions. APANPIRG has created several Sub-Groups to deal with specific problems in the areas of Navigation and Surveillance, Communications and Meteorology, Air Traffic Services and Aeronautical

Information Services, that require expert advice for their resolution. The Asia/Pacific Regional Implementation Plan for the new Communications, Navigation, Surveillance/Air Traffic Management Systems continued to evolve with Issue Four being amended again in October 1996.

During the year, ICAO established a Guidance Material Task Force, a Training Task Force and an Implementation Co-ordination Task Force to foster and facilitate the implementation of CNS/ATM in the Asia and Pacific Region. In addition to attending the first meetings of these Task Forces, the CAA established a project to co-ordinate and oversee the implementation of CNS/ATM in New Zealand.

The CAA also provided an aviation perspective to matters under the jurisdiction of the Communications Division of the Ministry of Commerce representing the ICAO co-ordinated or nationally derived interests and concerns of international civil aviation with respect to the regulation of radio spectrum utilisation and management.

The Civil Aviation Authority acknowledges the valued contribution made by technical experts from the Airways Corporation and the Meteorological Service to the work of APANPIRG, its Sub-Groups and the Aeronautical Fixed Telecommunications Network (AFTN) Management Task Force.

The CAA reports annually to ICAO statistics related to civil aviation activities and pilot licences, aircraft on the register, and aircraft accidents. Various ICAO publications containing information regarding the civil aviation system in New Zealand were updated during the year. Procedures to improve, and where possible automate, the notification and reporting of accidents in accordance with Annex 13 to the ICAO Convention are being developed.

**Target All State Letters setting out proposals and actions required which are relevant to aviation safety (including security) in New Zealand will be identified on receipt and action taken to ensure that:
New Zealand input and comments are provided where required to proposals, within any deadline set by ICAO;
Formal acceptance or rejection of ICAO decisions, including amendments to Annexes, Standards or Recommended Practices, is notified to ICAO within any deadlines set, including the filing of differences to Standards;
ICAO Standards accepted by New Zealand are implemented to the standards required and by the deadlines agreed.**

During the year, the CAA received 228 State Letters issued by ICAO. Replies to 41 State letters were due, of which 23 responses (56%) were made on time. A total of 1823 ICAO documents under 151 different titles were received and distributed; and the CAA sold ICAO documents to the value of \$22,728.66.

The CAA continued to contribute to the on-going development of ICAO Standards and Recommended Practices and operational procedures which, once adopted by New Zealand are reflected in the Civil Aviation Rules. An integral part of this process is consultation with the aviation industry and advice to international operators regarding the implementation of new or revised operating procedures and equipment standards.

Twelve Annexes, Annex Volumes or Parts were affected by the adoption of amendments to ICAO Standards and Recommended Practices during the year. New Zealand's compliance status on eleven of these amendments will be notified within the next year, the year of applicability for all but one of these amendments. Compliance status on Annex 17, one of the

Annexes for which an amendment became applicable during the year, has been notified and differences with respect to Annex 7 were notified following a review of the provisions of that Annex and Civil Aviation Rule Part 47, Aircraft Registration and Marking.

Following a proposal to amend Annex 6 in respect of the carriage of ground proximity warning system equipment, the CAA petitioned the Minister of Transport to amend Civil Aviation Rules 121.379 and 135.375. This petition proposed to extend the requirement for the mandatory carriage of such equipment to piston engined aeroplanes in excess of 5,700 kg maximum certificated take-off mass or authorised to carry nine or more passengers.

2. South Pacific

Target Civil aviation advice and assistance will be provided to Western Samoa, the Cook Islands, and Niue in accordance with the intergovernmental agreements with those countries, the provisions of Part B to Schedule Two to the Performance Agreement between the Authority and the Minister of Transport, and the CAA's annual plan for 1996/97.

Advice and assistance was provided to Samoa, the Cook Islands, and Niue in accordance with the above Agreements and the CAA's annual plan.

Samoa

Assistance was provided with the selection of a suitable person for the position of civil aviation technical administrator in Samoa. Since this appointment in early 1997, substantial progress has been made towards the introduction of new civil aviation legislation. The Samoan Government has agreed to take the New Zealand Civil Aviation Rules as the regulatory tools for their civil aviation, and to replace the 1963 Government to Government agreement with a contract between the Civil Aviation Authority and the Ministry of Transport for Samoa for the provision of advice and technical assistance on a cost recovery basis. The Ministry of Foreign Affairs and Trade contributed substantially to the progress achieved with advice and assistance. Rapid progress is expected in the coming year.

Cook Islands

A joint New Zealand/Cook Island study in 1995 identified the need for revision of the intergovernmental agreement under which the New Zealand Director of Civil Aviation continues to be the Director of Civil Aviation for the Cook Islands and for substantial changes to Cook Islands legislation. Little progress had been achieved due to the economic problems of the Cook Islands and the resulting changes in priorities.

In May 1997, meetings with officials in the Cook Islands resulted in a comprehensive plan of action being developed and agreed. Further assistance in the drafting of legislation was also provided. Action to change from the existing Government to Government agreement to a contract for the provision of advice and technical assistance between the Civil Aviation Authority and the Cook Islands Ministry of Tourism and Transport is also being advanced. Further progress is expected to be achieved before the end of 1997.

Niue

Agreement was reached with officials and the Premier of Niue (as Minister of Civil Aviation) in the first half of the year to address the outstanding legislative and operational concerns that have been adversely affecting assistance to the Niuean Government.

3. *Other International aviation safety related Agreements*

Target Input and representation will be provided in respect of the Government's involvement in other international agreements, projects and fora in accordance with Part C of Schedule Two to the Performance Agreement between the Authority and the Minister of Transport for 1996/97.

APEC activities included development work for consideration by the APEC Transport Experts Sub-Group on the harmonisation of personnel licensing requirements, and analysis of the safety priority checklist for the Safety Experts meeting in November 1996. In the event, attendance was not possible at this meeting in Phuket or the later one in Seattle in April 1997. However, considerable progress was made through correspondence such that the final recommendations were able to be delivered to the Ministerial meeting held in Victoria, Canada, in June 1997. Support to the Minister was provided at that APEC meeting and at a meeting with the Chinese Taipei Minister of Transport at which some aviation safety assistance and co-operation projects were raised.

Considerable focus was given to aviation matters relating to the Trans Tasman Mutual Recognition Agreement (TTRMA) and the Single Aviation Market in the first half of the year. In the fourth quarter, two small teams visited from the Australian Civil Aviation Safety Authority to further matters on harmonisation and Trans Tasman Mutual Recognition.

A team of consultants from South Africa also visited the CAA to follow up on matters relating to the reorganisation of their civil aviation system

Target During 1996/97 work will continue on reviewing the existing agreements with the civil aviation authorities of Australia, Canada and the United States and on investigating the possibilities of entering into agreements or working arrangements with the United Kingdom and the European Union.

During the first half of the year, discussions were held with the United States Federal Aviation Administration (FAA) on possible amendments to the existing NZ-US Agreement. In April 1997, five specialists from the FAA visited the CAA and the New Zealand aviation industry to assess the system used by the CAA to certify certain aircraft products and repairs. This visit set the scene for further visits that will be necessary if a bilateral Aviation Safety Agreement between the two countries is to be pursued.

Discussions were also held with the Australian Civil Aviation Safety Authority to finalise a replacement Memorandum of Co-operation between the two Authorities.

No progress was possible on the aviation aspects of the Mutual Recognition Agreement with the European Union. During the year, the CAA kept in contact with the Ministry of Commerce, who are primarily responsible for this project. Progress with the United Kingdom is tied to the situation with the European Union.

C LEGISLATION AND STANDARDS DEVELOPMENT

1. Legislation

Quantity and Timeliness

Target Civil Aviation legislation will be reviewed as and when needed with any proposed legislative changes to keep the legislation up-to-date, relevant and abreast of important new developments, actioned in accordance with principles and timescales agreed with the Ministry of Transport.

Work in the legislative area (other than rules development) focused primarily on the development of the Civil Aviation Offence Regulations.

These Regulations were initially expected to come into force in November 1996 to coincide with the expiry of the Civil Aviation Regulations and the coming into force of the new Rules, but in the event came into force on 1 May 1997. At year's end, no prosecutions had been made under these Regulations.

Some amendments to civil aviation legislation may result from the policy review on the release of Cockpit Voice Recorder information generated from the Transport Select Committee examination of the Civil Aviation Law Reform Bill in 1996. Amendments may also result from the review on post accident drug and alcohol testing being led by the Ministry of Transport.

Quality

- Target** All legislative proposals will:
- (a) align with government policies, civil aviation safety policies, cost recovery policies and the Civil Aviation Act;
 - (b) be accompanied by such supporting papers and information as the Ministry of Transport requires to introduce the intended legislation; and
 - (c) be handled in accordance with the procedures specified in the “Guidelines and Protocols for the Handling of Legislative and Administrative Matters;
- as measured by the acceptance or rejection by the Ministry of Transport and the Minister of Transport of the need for and policy position of legislative proposals put forward by the Civil Aviation Authority; and a survey of the Ministry of Transport’s views on the quality, timeliness and manner in which legislative proposals are handled and the quality of the support provided by the Civil Aviation Authority.

The Ministry of Transport essentially managed the passage of the Civil Aviation Law Reform Bill through the House in October 1996, as well as the amendments to the Civil Aviation Charges Regulations and the Civil Aviation Levies Order that were introduced in 1997. Some concern about the Civil Aviation Charges Regulations arose from last-minute changes required. However, in general these items proceeded smoothly through due process.

2. Standards Development

Quantity and Timeliness

- Target** The Civil Aviation Rules Development Programme as set out in Appendix A to Schedule Four to the Performance Agreement between the Authority and the Minister of Transport for 1996/97 will be completed by November 1996.

The expiry date of the Civil Aviation Regulations 1953 was amended from 27 November 1996 to 31 March 1997 by the Civil Aviation Amendment Act 1996 which came into force on 13 August 1996.

On 1 April 1997, the new Civil Aviation Rules system Completely replaced the old Regulations and tertiary level requirements. However, a transitional Rule Part was required to carry forward some Civil Aviation Regulation provisions which did not fit readily into the new Rules system. Further research and consultation will be carried out to determine whether there is a continuing need for these provisions. This transitional Part also carried forward the necessary regulatory provisions for three Rule Parts that did not meet the 1 April deadline due to unforeseen issues.

At 30 June 1997, the rules rewrite project was 82% complete against the 1996/97 plan. However the 1996/97 plan included some Rules that were not critical to the expiry of the Civil Aviation Regulations and work on these rules was delayed to enable the other critical Rules to meet the Regulations expiry deadline.

Work achieved during the year included the production of—

- (a) 7 consultation draft CAR Parts;

- (b) 11 Notices of Proposed Rule Making (NPRM);
- (c) 19 final Rule Parts;
- (d) 12 amendments to Rules;
- (e) 23 Advisory Circulars to the Rules and 3 amended Advisory Circulars; and
- (f) One Emergency Rule.

Target: A programme establishing priorities for the rules to be reviewed by 30 June 1997 will be established by 30 November 1996.

This programme was deferred with the delay in the expiry date of the Civil Aviation Regulations, and the work required for the completion of the new Civil Aviation Rules and the servicing of those Rules in force.

In addition to the rules rewrite programme, significant ongoing servicing of the Rules in place was required:

- (a) Fifteen (15) petitions for rule making (rule amendment or new rules) were received.
- (b) Six (6) determinations regarding the correct interpretation or application of rules were given.
- (c) Sixty nine (69) petitions for exemptions from individual rules were received, of which 32 were granted, 21 were not applicable or were withdrawn, two were denied, and 14 are still under action.

Most of the exemption actions resulted from external petitions, but some were required to address issues that had not been identified during the development and consultation on the relevant rule. A significant number of external petitions for exemptions were associated with the requirements for imported used or damaged aircraft. The relevant rule is now being reviewed to redefine the requirements to enable rule compliance without the need for an exemption.

A programme for the development of additional new Rules, and the ongoing maintenance and review of the existing Rules was developed. In addition to petitions for rule making, industry has been invited to identify issues needing attention in some of those Rules scheduled for review.

Quality

Target The Rule making and review process will meet the requirements of sections 28 - 36 of the Civil Aviation Act 1990, as measured by the number of successful challenges such as judicial reviews or challenges in the High Court.

The Notices of Proposed Rule Making (NPRM) that were processed to final rule stage during the year attracted some 500 written submissions.

The CAA continued consultation with industry and other interested parties to ensure their acceptance of the new Rules using the following mechanisms -

- (a) The Regulatory Review Consultative Group, established in 1991 with a listing of over 200 industry representative organisations and individuals;
- (b) The Civil Aviation Rules Register Information Leaflet (CARRIL) which is mailed to all aviation document holders (approximately 15,400);
- (c) a wide range of industry meetings, both formal and informal; and
- (d) industry presentations at conferences and AGMs.

The Civil Aviation Rules Register Information Leaflet (CARRIL) continued to be published at approximately six weekly intervals to ensure industry awareness of the new Rules and of the rule making activities. In addition to the hard copy publication, the CARRIL is also now available on the CAA's website on the Internet.

There was one unsuccessful legal challenge to the Regulations Review Committee concerning the rules requiring the fitting of flight recorders in air transport aircraft.

Target To maintain ISO certification of policies and procedures for this area of activity.

ISO certification was maintained. This area of the CAA was audited by Standards Association of New Zealand in August 1996. One minor con-conformity was issued and this has been rectified.

OUTPUT CLASS: SAFETY ASSESSMENT AND CERTIFICATION

Description

This Output Class covers:

A. Aviation Document Assessment

- The exercise of control over entry into the New Zealand civil aviation system through the assessment of applications for aviation documents to or in respect of: flight crew and aircraft maintenance engineers; aircraft airworthiness; commercial organisations involved in the operation, design, manufacture and maintenance of aircraft; and organisations operating aviation navigation systems, air traffic services, airports, aviation security services, and aviation meteorological services.

B Monitoring and Corrective Action Identification

- The monitoring of adherence to safety and security standards within the civil aviation system including the carrying out or requiring of inspections and audits in respect of personnel, operations and organisations that are or should be licensed within the civil aviation system.
- The identification and ensuring of implementation of corrective action which needs to be taken by applicants or holders of aviation documents to ensure adherence to aviation safety and security standards.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost.
2. Enhanced economic, social and environmental well-being.

Resources Used (\$000s)

Actual 12 months to 30 June 1996	OUTPUT CLASS : SAFETY ASSESSMENT AND CERTIFICATION	12 months 1 July 1996 - 30 June 1997			
		Actual	Budget	Variance	
				Quantity	%
OUTPUT :AVIATION DOCUMENT ASSESSMENT					
	Revenue -				
	- Fees and Charges	1,673	1,547	+126	+8%
	- Levies	2,754	2,960	-206	-7%
	Total Revenue	4,427	4,507	-80	-2%
	Expenditure	4,584	5,227	-643	-12%
	Surplus/(Deficit)	(157)	(720)	563	
OUTPUT: MONITORING AND CORRECTIVE ACTION IDENTIFICATION					
	Revenue				
	- Fees and Charges	721	653	+68	+10%
	- Levies	857	1,312	-455	-35%
	Total Revenue	1,578	1,965	-387	-20%
	Expenditure	2,161	2,504	-343	-14%
	Surplus/(Deficit)	(583)	(539)	-44	

Actual 12 months to 30 June 1996	OUTPUT CLASS : SAFETY ASSESSMENT AND CERTIFICATION	12 months 1 July 1996 - 30 June 1997			
		Actual	Budget	Variance	
				Quantity	%
OUTPUT CLASS: SAFETY ASSESSMENT & CERTIFICATION					
	Revenue				
2,267	- Fees and Charges	2,394	2,200	+194	+9%
4,128	- Levies	3,611	4,272	-661	-15%
6,395	Total Revenue	6,005	6,472	-467	- 7%
6,303	Expenditure	6,745	7,731	-986	-13%
92	Surplus/(Deficit)	(740)	(1,259)	519	

Service Performance

A Aviation Document Assessment

Quantity

Target All significant deviations from the number of applications forecast for the year, and any other indicators of changes in the aviation environment, will be reported under the following headings:

- Personnel licensing
- Medical Assessments
- Operator Certification
- Aeronautical services
- Aircraft Certification
- Aircraft Registration.

Note: *With the implementation and application of many of the new Civil Aviation Rules coupled with the customer driven nature of this area of activity, forecast of the numbers of applications for many types of aviation documents were difficult to predict for the 1996/97 year. Most of the categories have therefore been compared to previous year totals.*

Personnel Licensing

Demand was steady throughout the year for flight crew and aircraft maintenance engineering (AME) personnel documents. Total flight crew documents processed were down by about 7% on forecasts, whilst the AME total was exactly as forecast.

Medical assessments

The total for the year of 7515 assessments was 2% below the 1995/96 total of 7687. External Medical Assessors continued to handle about 65% of total assessments.

Operator Certification

A total of 2374 application assessments were closed - an 18% increase on the 1995/96 total of 2013, and 39% up on the 1994/95 total of 1710. Major activities included:

- the certification of Freedom Air and their introduction of B737-300 aircraft, and of Origin Pacific Airways Limited and their introduction of Jetstream 31 aircraft as a first of type.
- the re-certification of Air Chathams.
- the suspension of Soundsair's Air Service Certificate, and of NZ Helipart's approved firm certificate.

- the completion of Rule Part 145 maintenance organisation certification entry inspections/audits and assessment of operators' Maintenance Manual amendments as a result of the introduction of Civil Aviation Rule Part 43.
- the continued implementation of systems and procedures for the transition to the new Civil Aviation Rules generally and for Part 119 (Air Transport Operator Certification) in particular.

Aeronautical Services

During the year, work included the completion of:

- One Civil Aviation Rule Part 139 application (Aerodrome Certification, Operation and Use), and 17 amendments to Part 139 certificates.
- 16 notification applications under Rule Part 157 (Aerodromes - construction, alteration etc.).
- Two applications for amendment to certificates issued under Rule Part 171 (Aeronautical Telecommunications Organisation Certification)
- One amendment to an aeronautical telecommunications certificate under Rule Part 174, and of two amendments to aeronautical information certificates under Part 175.
- Eight applications for the issue of an air traffic service certificate, 11 Dangerous Goods training certificate renewals, and two revocations of certificates no longer necessary.
- Three Instrument Flight Rule Procedure approvals for Global Positioning System (GPS) procedures at Queenstown and Milford Sound.
- 204 other miscellaneous tasks relating to Dangerous Goods, Airspace and Aeronautical Information Publication approvals.

Further work was also undertaken in relation to the planned removal by Airways Corporation of Aerodrome Flight Information Service at Taupo and Paraparaumu from August 1997, involving an on-going review of required procedures and publication of information in the NZAIP.

Aircraft Certification

Total transactions at 1343 were 7% down on the 1995/96 total of 1441.

Aircraft Registration

Aircraft registration transactions at 1233, were virtually equal to the 1995/96 total of 1239.

Timeliness

Target Achievement of an improvement in the average elapsed time for completion of the assessment of applications for aviation documents.

All personnel licensing applications which met the required entry standard were actioned in a timely manner. An improvement in the turn around time for flight crew licences was achieved with an average for the year of 1.90 days compared to 2.1 days in June 1996. No written complaints relating to any personnel licensing services were received.

The average 90 percentile turnaround figure for Routine Medical Assessments at 6 days improved on the 7 day average achieved in 1995/96. The average completion time of 4.6 days was better than the 5 day limit, but slightly down on the 1995/96 year average of 4 days. With the full-time employment of only one permanent full-time Medical Officer during the year, the special medical assessment average 90 percentile figure at 76 days and average turnaround time at 28 days were down on the averages of 50 days and 14 days achieved in the fourth quarter of 1995/96. However, a review of hours spent on Special Assessments conducted in June 1997 found that despite the longer completion time, the actual hours per case had dropped dramatically, thereby also significantly reducing the average cost of a Special Assessment.

All Aircraft Certification applications were acknowledged or actioned within 10 working days based on a 10% sample across all types of transactions raised and completed in each quarter.

All Aeronautical Services applications and other correspondence were acknowledged within 10 working days, and with no exceptions, action on other tasks at least commenced within the same time frame. All assessment processes were carried out in accordance with documented Unit procedures and criteria, with no complaints from applicants regarding timeliness where acknowledgement or the issue of documentation was concerned. In almost all cases elapsed time for completion of assessments following receipt of appropriate documentation from the applicant depends on the level of work involved. Each task is very different and it is not possible to give, or work to an "average elapsed time" for completion.

A sample check of new Operator Certification applications received between January 1997 and June 1997 showed that 90% of all applications received were acknowledged within 10 working days. The remaining 10% acknowledged after the 10 day period was made up of applications which were forwarded without application fees and those applications which did not require an up front application fee.

Quality

Target All assessment processes, decisions and documentation will comply with CAA specified procedures and approval criteria, including the standards of service to be provided under the CAA's Service Charter, as measured by an annual sample-based audit.

This audit was not undertaken during the year.

B MONITORING AND CORRECTIVE ACTION IDENTIFICATION

1 *Audit and Monitoring*

Quantity and Timeliness

Target **Revised audit and monitoring policy and strategies will be implemented with effect from 1 July 1996.**

Revised audit and monitoring policy and strategies were drafted in the 1995/96 year. As a result, a reconstruction of the audit and monitoring area was commenced in November 1996.

In the first phase, work was directed at the way audit tasks are defined and scheduled for the different sizes of organisations. Audit modules, which define a discrete amount of auditing, were standardised and the data they contain checked. The second phase commenced in early 1997 to establish customised programmes for larger operators. This resulted in schedules based on multiple visits, and more importantly audits being carried out in a way that produces a more complete picture of each larger organisation's state of compliance. By the end of the year, better utilisation of productive time and reduced travel costs had begun to accrue from this approach and the firmer line now taken with audit deferrals.

In the fourth quarter work continued to define the size of the future surveillance task, and the planning necessary to meet this demand. Programmes were developed to cover participants not required to hold documents under the new Civil Aviation Rules or for which a different approach to auditing may be required. A revamped internal course of surveillance training was also commenced. Work continued on the priority management tasks of agreeing and publishing the surveillance policies being developed under the reconstruction plan, and completion of an overall audit programme ready for implementation from 1 July 1997.

Target **All audits and inspections will be carried out in accordance with the revised audit and monitoring policy and strategies.**

Quantity

During the year, the following aviation document holders were subjected to CAA surveillance in accordance with the draft audit and monitoring strategies described in the above target:

Document type	Number of Aviation Document Holders <i>Note 1</i>	Total number audited <i>Note 2</i>	Total number spot-checked	Number of major operators	Number of audits of major operators <i>Note 7</i>
Air Service Certificate	199	207 <i>Notes 3, 4</i>	7	6	40
Aerial Work Certificate	200	161	-	0	0
Aircraft Maintenance Organisation	41	34 <i>Note 3</i>	-	4	31
Training Organisation	68	50	-	<i>Note 6</i>	-
Security, NZ Operators			-	<i>Note 6</i>	-
Security, Foreign Operators			16	<i>Note 6</i>	-
Security, Aerodrome			1	<i>Note 6</i>	-
Aviation Security Service	1	1	-	<i>Note 6</i>	-
Aerodrome	23	19	16 <i>Note 5</i>	<i>Note 6</i>	-
Design, Construction, Supply Organisation	61	33	1	<i>Note 6</i>	-
Agricultural Operator	98	70	-	<i>Note 6</i>	-
Airways Services	8	17	-	1	14
Delegations		2	-	<i>Note 6</i>	-
Meteorological Services	1		-	1	2
Microflight Organisation	2		2		

Notes

1. Number of approvals as at end of year. The number of active approvals varies with time.
2. Includes Major Operators
3. Includes one audit carried out for Cook Islands Government.
4. Includes one audit for the Government of Western Samoa.
5. Includes non-certificated aerodromes published in the NZ Aeronautical Information Publication.
6. Major operators have not been separately identified for this approval type.
7. Where an operator has an organisation that is too large to cover in a single audit, audits of specific aspects within the operator's overall operation have been undertaken.

Timeliness

Audit actions were closed as follows during the year:

(a) Audit Activity Measures	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Number actually started	109	130	162	171	512
Number moved to "Assessed"	88	101	131	169	489
Number moved to "Follow Up"	55	64	77	102	298
Number "Closed"	143	122	227	222	714
(b) Elapsed Time in weeks from Actual Start of Audit to Assessment Complete					
Maximum	46	45	54	54	54
Average	3.5	4.78	4.84	4.84	4.49
Target	2	2	2	2	2

During the fourth quarter the maximum elapsed time data was corrupted. Sampling indicated elapsed time performance to be the same as the previous quarter.

Quality

Target All audits, special purpose audits and spot checks will be carried out and documented in accordance with CAA procedures and checklists.

Periodic samples of audit reports found nine minor deviations from documented requirements. A comprehensive review of procedures scheduled for the 1997/98 year will address the factors contributing to these deviations.

2. Findings and Corrective Actions

Quantity

Target During the 1996/97 year, total Audit Findings and numbers of Corrective Actions identified to be undertaken by the applicants and holders of aviation documents will be reported together with Corrective Actions closed.

(a) Findings made during audits, and resultant Corrective Actions identified

		1996/97 Totals	1995/96 Totals
Non-compliance with legislation	Findings	674	567
	Corrective Actions	876	722
Non-conformance with procedures	Findings	499	340
	Corrective Actions	591	420
Total	Findings	1,173	907
	Corrective Actions	1,467	1,142

The number of findings increased by 29% over the 1995/96 year and the number of Corrective Actions by 28%. The number of Findings and Corrective Actions relating to non-compliance with legislation increased by 19% and 21% respectively, while Findings and Corrective Actions relating to non-conformance with procedures increased by 47% and 41%.

(b) Corrective actions closed

	1996/97 Totals	1995/96 Totals
Non-compliance with legislation	1,034	851
Non-conformance with procedures	731	441
Total	1,765	1,292

The number of Corrective Actions closed during the 1996/97 year was 37% more than in the previous year, despite the actual number of Corrective Actions identified during the year increasing by only 28%. Corrective Actions closed relating to non-compliance with legislative requirements increased by 21%, while those relating to non-conformance with approved procedures increased by 66%.

Timeliness and Quality

Target All Corrective Actions will be checked by the deadline specified in the Audit finding and either closed off or alternative action taken (e.g. suspension/amendment of aviation document, enforcement action.)

During the period 1 July 1996 to 30 June 1997, 1467 Corrective Actions were raised. Of these:

- 362 had been closed on time (2nd, 3rd, and 4th quarter data only)
- 258 were closed late (2nd, 3rd, and 4th quarter data only)
- 2 had been cancelled (2nd, 3rd, and 4th quarter data only)
- 132 had been allocated for recheck action.

As at 30 June 1997:

- 13 corrective actions were open and not yet due; and
- 108 corrective actions were open and overdue.

Follow up of corrective actions is now subject to monthly internal review and automatic contact with the client by the assigned auditor. In the event of a nil response after three advisory messages, a recommendation is made to take action against the aviation document(s) held by the client.

OUTPUT CLASS: SAFETY ANALYSIS AND INFORMATION

Description

This Output Class covers:

A. Safety Investigation and Analysis

- The notification to the Transport Accident Investigation Commission of accidents and incidents reported to the Authority in accordance with section 27 of the Civil Aviation Act 1990.
- The investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety and security authority, subject to the limitations set out in section 14(3) of the Transport Accident Investigation Commission Act 1990.
- The analysis of audit and investigation reports and preparation of recommendations for corrective action to be taken by participants in the civil aviation system and/or by the Authority such as amendments to Rules, education and information, or additional monitoring to improve safety.
- The analysis of civil aviation accident and incident reports to establish causal factors and trends.
- The assessment of overseas information such as Airworthiness Directives, aircraft reliability data and flight operations information, and the taking of appropriate action.

B. Safety Education and Information

- The collection, publication and provision of aeronautical charts and information to individuals and organisations within the civil aviation system and liaison with other organisations which promulgate aeronautical information.
- The promotion of safety in the civil aviation system by providing safety information and advice, and fostering safety education programmes.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost.
2. Enhanced economic, social and environmental well-being.

Resources Used (\$000s)

Actual 12 months to 30 June 1996	OUTPUT CLASS : SAFETY ASSESSMENT & CERTIFICATION	12 months 1 July 1996 - 30 June 1997			
		Actual	Budget	Variance	
				Quantity	%
	OUTPUT : SAFETY ANALYSIS AND INVESTIGATION				
	Revenue - Levies	2,092	1,894	+198	+10%
	Expenditure	1,732	1,894	-162	-9%
	Surplus/(Deficit)	360	0	+360	
	OUTPUT: SAFETY INFORMATION AND EDUCATION				
	Revenue - Levies	1,696	1,331	+365	+27%
	Expenditure	1,726	1,331	+395	+30%
	Surplus/(Deficit)	(30)	0	-30	
	OUTPUT CLASS: SAFETY ANALYSIS INFORMATION & EDUCATION				
3,083	Revenue - Levies	3,788	3,225	+563	+17%
3,388	Expenditure	3,458	3,225	+233	+7%
(305)	Surplus/(Deficit)	330	0	+330	

Service Performance

A. SAFETY INVESTIGATION AND ANALYSIS

1 Reports

Quantity and Timeliness

Target Two six monthly Aviation Safety Reports will be completed by 31 December 1996 and 30 June 1997 respectively reporting progress against the Aviation Safety Outcome Targets contained in Schedule Three to the Performance Agreement between the Authority and the Minister of Transport; causal factors for accidents, incidents, and other occurrences; and trends. These Reports will cover the six month periods, 1 January - 30 June 1996 and 1 July - 31 December 1996 respectively.

Both Aviation Safety Reports were completed within the CAA by the above deadlines. The January - June 1996 Aviation Safety Report was delivered to the Minister in April 1997, and the July - December 1996 Report on 30 June 1997.

Target The Aviation Safety Reports will include full and accurate analyses and appropriate statistical data quality measures.

A review of the January - June 1996 report was conducted by the Director of Civil Aviation and the Deputy Director of Civil Aviation which identified a number of minor editorial items which were corrected prior to publication. Overall the reviewers expressed considerable satisfaction with the quality of presentation. A general review of the content and specification of Aviation Safety Reports is planned for early in the 1997/98 year before any further reports are compiled.

2. Investigations

Quantity and Timeliness

Target **Of the investigations of critical or major occurrences closed during the reporting period, more than 70% will be closed within 6 months of registration on the CAA database.**

An average 55% of the 1080 occurrences closed during the 1996/97 year were closed within six months of registration.

Achievement of the target was adversely affected by the project to clear the backlog of occurrences more than 6 months old. There was a considerable increase in the number of occurrences closed but, as many had been open for more than six months, overall performance against the target was down. The addition of two contract staff to the investigation team should enable improved performance in the 1997/98 year.

The table below lists the performance for the four quarters of 1996/97.

Critical and Major Occurrences			
Quarter	Total closures	Closures 6 months or less	Percentage 6 months or less
1996/7 1	467	223	48%
1996/7 2	289	168	58%
1996/7 3	123	80	65%
1996/7 4	201	125	62%

Target **Less than 10% of all investigations of critical or major occurrences will remain open for longer than 12 months from date of registration on the CAA database.**

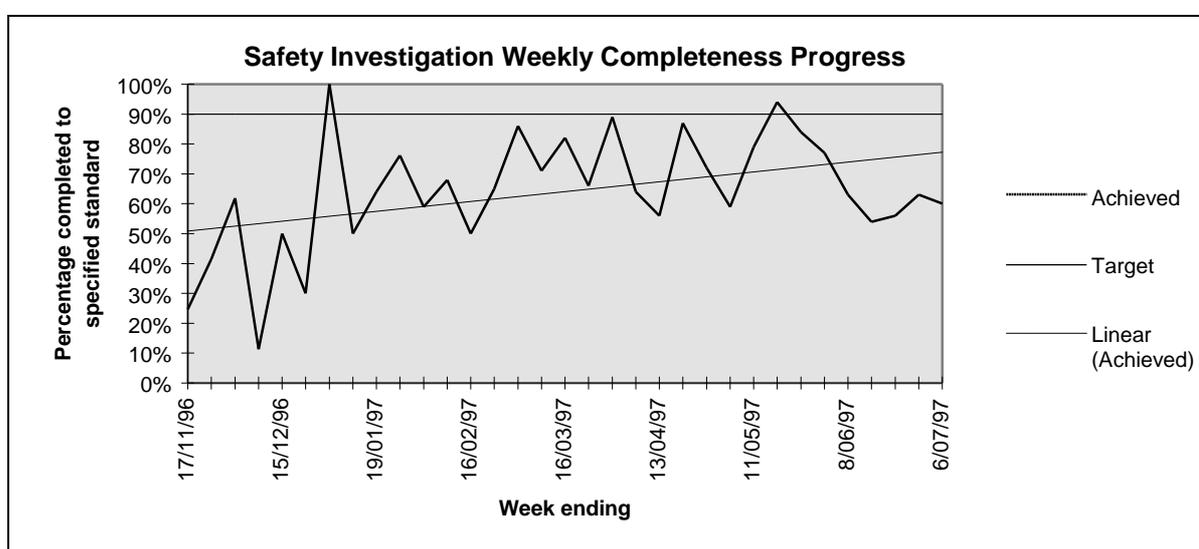
During the 1996/97 year, an average of 18.5% of work requests for critical and major safety occurrences remained open for more than 12 months from the date of registration.

Progress against this target was again influenced by the project to clear the backlog of older outstanding occurrences and the depth of investigation required in a number of cases where the Transport Accident Investigation Commission (TAIC) has exercised their discretion and elected not to investigate the occurrence.

Quantity and Timeliness

Target **More than 90% of investigations closed during the reporting period will meet the requirements for accuracy and completeness specified in the approved CAA procedures for investigations.**

Measurement of performance against this target commenced in November 1996. Over the remainder of the year, 52% of the 1711 occurrences closed met the agreed standards for accuracy and completeness. The standards for quality are specified in the Aviation Safety Investigation and Analysis Group's Quality Manual, which is in the final stages of development.



A progressive improvement in the level of completeness was generally achieved. The downturn in the quality of completeness trend towards the end of the year resulted primarily from the project to clear the backlog of older outstanding occurrences and the absence on extended unplanned leave of an experienced staff member.

The project identified that some data could not be obtained without expending considerable unjustified resource. An improvement in the trend is anticipated in the coming months with the employment of two additional contract staff in the fourth quarter. Notwithstanding these factors, more occurrences were processed during the fourth quarter (655) than in the previous quarter (361).

3. Recommendations of the Transport Accident Investigation Commission (TAIC)

Quantity and Timeliness

Target All TAIC Recommendations in respect of proposed action by the Civil Aviation Authority received during each quarter will be reported together with those TAIC Recommendations implemented during that quarter.

All TAIC recommendations received during each quarter were reported in the Quarterly Reports to the Minister of Transport. Implementation of TAIC recommendations was not reported as procedures are still being established to facilitate meeting this requirement.

Target All TAIC Preliminary and Final Recommendations will be assessed and comments, including acceptance or reasons for rejection of the Recommendation, passed to TAIC by the deadline specified in accordance with section 7 of the Memorandum of Understanding between the CAA and TAIC.

All TAIC Preliminary and Final Recommendations received during the year were assessed and responses sent to TAIC within the time frame required in the Memorandum of Understanding. The following recommendations were received and responded to during the year:

- (a) Preliminary recommendations relating to an accident at Gisborne in August 1996 were received on 31 January 1997 and responded to on 25 February 1997. The final recommendations were received on 6 March 1997 and the response sent on 20 March 1997.
- (b) Three Preliminary Recommendations relating to the Ansett Dash 8 accident at Palmerston North in June 1995 were received on 1 May 1997 and the response was sent on 15 May 1997.
- (c) Two Final Recommendations relating to a wake turbulence accident at Wellington in March 1997 were received on 28 May 1997 and the response sent on 13 June 1997.

Target All TAIC Recommendations accepted by the CAA will be implemented in accordance with any timetable and action plan agreed.

Action has been initiated to ensure that those recommendations accepted by the CAA will be implemented within the time frame agreed with TAIC. Procedures are being documented as to how these will be handled, and agreements are also being developed within the CAA to formalise the process by which accountability is transferred to the Group Manager with responsibility for the implementation of any TAIC Recommendation.

B SAFETY INFORMATION AND EDUCATION

1. *Educational Material*

Quantity and Timeliness

Target: For the 1996/97 year, to produce:
flight safety periodicals to meet agreed publication deadlines on a six- week cycle; these periodicals to comprise a combined total of 96 or more pages.
flight safety Videos.
at least 3 flight safety products other than periodicals or videos, e.g., posters, stickers, pamphlets, etc.

Note: In November 1996, the above targets were revised internally due to over-stretched resources in this area of the CAA. The planned quantity under (a) was modified to a minimum of 80 pages, and the timeliness measure to a regularity formula of a delivery to customers every 42 days, plus or minus 11 days. The target quantity under (b) was also set at a minimum of 2 releases in light of the average over the last five years of 2.4 releases.

Ten flight safety periodicals were produced comprising a total of 92 pages. The average delivery period between deliveries was 46 days, with the maximum being 50 days.

Two flight safety videos were produced, both in the fourth quarter - "Helicopter Downfall" and "VFR to Somewhere". These are "case study" productions for controlled release through organisation safety co-ordinators. A third programme, on mountain flying, was in first draft stage at year's end.

Three Posters were produced, namely "Aviation Safety - The Key to Your Success" in August 1996; "Volcanic Ash Cloud" in October 1996; and "Reporting Volcanic Activity" in October 1996. A bookmark for pilot logbooks was also produced, reminding them of their dates for medical and flight test renewals.

Quality

Target: 75% of respondents rank CAA publications as good or better on the basis of an independent client survey against agreed criteria.

This target was not measured during the year. However, the anecdotal rating of *Vector* magazine continued to be very high, particularly with the full-colour issue delivered at year's end.

2. Safety Programmes

Quantity and Timeliness

Target: 8 Heli-Kiwi CAA Safety Seminars will be held predominantly for helicopter pilots to learn more about aeronautical decision-making.

Six Heli-Kiwi seminars drawing 87 participants were held, all during the first quarter. Two earlier seminars had also been held in the late part of the 1995/96 year as these seminars are generally planned for the mid-winter period.

Target: 8 Aero-Kiwi CAA Safety Seminars will be held predominantly for fixed-wing pilots to learn more about aeronautical decision-making.

Nine Aero-Kiwi seminars were held during the first two quarters of the year, drawing 221 participants - one more seminar than scheduled for the full year due to demand. One seminar had also been held in the late part of the 1995/96 year. Thus two extra seminars were run beyond the planned eight.

A further outcome of the Kiwi seminars was that some companies requested, and were given, their own in-house seminars by the CAA-trained presenters.

Target: Training will be provided for 50 Aviation Safety Co-ordinators.

Three Aviation Safety Co-ordinator courses were planned for autumn 1997, but over-stretched resources led to their postponement until the 1997/98 year.

Quality

Target: 75% of attendees rank the Heli-Kiwi and Aero-Kiwi Safety Seminars as good or better on the basis of end-of-seminar feedback.

When asked to rate (on a scale of 1 to 5) how they felt about the benefit they gained from attending the seminar, 87% of the 308 attendees rated the seminars as good (3) or better and 1% rated them as less than 3. The other 12% did not complete the questionnaire. The average score of those who responded was 4.3.

Target: 75% of attendees rank the Aviation Safety Co-ordinators courses as good or better on the basis of an end-of-course appraisal.

No courses were held during the year.

OUTPUT CLASS: ENFORCEMENT

Description

This Output Class covers the taking of appropriate follow-up action in the public interest, including legal action, against individuals or organisations to enforce the provisions of the Civil Aviation Act 1990 and its amendments, and related regulations and rules; and for breaches of conditions of licences, certificates or other aviation documents.

Outcomes

This Output class contributes to the Government's outcomes of:

1. A safe, sustainable transport system at reasonable cost.
2. Enhanced economic, social and environmental well-being.

Resources employed (\$000s)

Actual 12 months to 30 June 1996	OUTPUT CLASS : ENFORCEMENT	12 months 1 July 1996 - 30 June 1997			
				Variance	
		Actual	Budget	\$	%
579	Revenue Levies	680	685	-5	-1%
672	Expenditure	724	685	+39	+6%
(93)	Surplus/(Deficit)	(44)	0	-44	

Comment:

Service Performance

Quantity

- Target** **The following enforcement actions are forecast for the 1996/97 year:**
- 500 alleged offences reported/recorded and initial investigations undertaken
 - 250 detailed investigations commenced
 - 250 detailed investigations completed.

Actual 12 months to 30/6/96	ENFORCEMENT Alleged Offences Reported	1996/97 Year			
				Variance	
		Actual	Estimate	Quantity	Percentage
479	Number reported, recorded and initially assessed	419	500	-81	-16%
229	Detailed investigations commenced	140	250	-110	-44%
48%	Percentage of total number reported investigated in detail	33%	50%		-17%
222	Detailed investigations completed	144	250	-106	-42%

1. Actions Commenced

Alleged offences reported were 16% below forecast, and 12.5% below the 1995/96 total.

A large drop was experienced in the fourth quarter with the coming into force of Civil Aviation Rule Part 12 on 1 April 1997. Reports made under Rule Part 12 may not be used for investigations to establish whether an offence has been committed. Prior to 1 April 1997, the majority of alleged offences were reported by the Airways Corporation of New Zealand and related to breaches of the rules relating to air traffic control - i.e. for the year as a whole they accounted for 62% of all offences reported. No offences of this type were reported during the fourth quarter.

The number of detailed investigations commenced during the year was also 44% below target and 39% below the previous year's total. The proportion of cases able to be investigated in detail was adversely affected by one of the CAA's three investigating officers being tied up for most of the year on two major investigations in co-operation with the NZ Police into bogus helicopter parts. Another investigating officer was on long term sick leave in the first half of the year, and the CAA was unable to take action on breaches of the Civil Aviation Rules until the Civil Aviation Offence Regulations came into force on 1 May 1997.

2. Actions Completed

The following actions was taken as a result of the 144 detailed investigations completed:

- 13 prosecutions were commenced;
- 56 written warnings were issued;
- 8 cases were referred to another authority;
- No offences were disclosed in 25 cases; and
- No further action was taken in 42 cases.

3. Prosecutions

Prosecutions against 18 defendants involving 54 charges were completed during the year, compared to 34 prosecutions involving 51 charges in 1995/96. These prosecutions covered:

- 21 charges against one defendant for performing taxiing manoeuvres without ATC authority;
- Nine charges of flying in controlled airspace without prior ATC clearance;
- Eight charges of operating an aircraft in a manner causing unnecessary danger;
- Three charges relating to low flying;
- Three charges of flying without the appropriate pilot licence/rating; and
- Ten charges relating to a range of other offences.

Timeliness

Target: All investigations into alleged aviation offences will be investigated within six (6) months of the date of the offence being reported.

100% of the 144 investigations completed during the year were completed within six months. None of the 18 investigations still open at the end of the year had been open for longer than six months.

Target: All enforcement actions proposed as a result of the investigation of any alleged aviation offence will be commenced within six (6) weeks of the completion of the investigation.

All enforcement actions were initiated within six weeks of the completion of the investigation. In addition, initial investigations were commenced within six weeks of the alleged offence being reported in 405 (97%) of the 419 alleged offences reported during the year.

Quality

Target Priority will be given to fully investigating those alleged offences which are rated as having high adverse consequences for public safety.

During the year, ten (10) alleged offences were rated as Critical and all were investigated in detail, as were 124 (35%) of the 357 Major cases.

Target: To maintain ISO certification of policies and procedures for this area of activity.

The Enforcement Unit gained ISO certification in December 1995 and passed its first surveillance audit in August 1996.

CLASS III SEARCH AND RESCUE SERVICES

STATEMENT OF SERVICE PERFORMANCE

Year ended 30 June 1997

OUTPUT CLASS : CLASS III SEARCH AND RESCUE SERVICES

Description

This output class involves the purchase of search and rescue (SAR) services and the maintenance and operation of the National Rescue Co-ordination Centre. The services provided include the co-ordination of SAR operations where national civil and military resources are required, for surface vessels and aircraft in distress in the NZ SAR region (NZ SRR). It also involves the maintenance of a Local User Terminal (LUT) system capable of detecting Emergency Locator Transmitters (ELTs) in the NZ SRR and providing the rapid resolution of any detections.

Outcomes

This Output Class contributed to the following Government Outcomes:

1. A safe, sustainable transport system at reasonable cost
2. Enhanced economic, social and environmental well-being.

Resources employed (\$000s)

	12 months 1 July 1996 - 30 June 1997			
	Actual	Budget	Variance	
			Quantity	Percentage
Revenue				
Crown	1,084	1,085	1	0.1%
Other	108	98	10	+10.2%
Total Revenue	1,192	1,183	9	+0.8%
Expenditure	1,251	1,183	68	+5.7%
Surplus(Deficit)	(59)	0	(59)	

Service Performance

A. Quantity

Target **The following are estimates of the level of service activity during the 1996/97 financial year:**

SAR occurrences	470
Hours resolving SAR occurrences	1,765
LUT alerts	182
Hours resolving LUT alerts	690
NRCC activations	24
Hours spent on NRCC activations	342

The actual level of activity will be determined by the demands placed on the services

SEARCH AND RESCUE Quantity	1996/97Year			
	Actual	Estimate	Variance	
			Quantity	Percentage
SAR occurrences	890	470	+420	+89%
Hours resolving SAR occurrences	2200	1,765	+435	+25%
LUT alerts	545	182	+363	+199%
Hours resolving LUT alerts	1,486	690	+796	+115%
NRCC activations	26	24	+2	+8%
Hours spent on NRCC activations	712	342	+370	+108%
People rescued	63			
Bodies recovered and not recovered	7			
Average hours per incident	2.43			

Timeliness

Target **The Local User Terminal or a backup system will be available at all times.**

The New Zealand LUT was available 99% of the time during the fourth quarter, compared to 100% in the three previous quarters.

The upgrade of the LUT took place in January/February 1997. The changeover from ATLUT 320 to ATLUT 500 was sequenced between satellite passes so that its availability was not compromised.

Target **Search and rescue action will be initiated within 10 minutes of receipt by the Search and Rescue Mission Co-ordinator of a distress or other call for assistance in all cases.**

Action was initiated within 10 minutes in 99% of cases during the year. The percentage in the first quarter was 99% compared to 100% in the second, third and fourth quarters.

Quality

Target **Corrective Actions identified by:**

- **National Rescue Co-ordination Centre Management reviews;**
- **internal or external audits; or**
- **Search and Rescue debriefs, will be taken within six (6) weeks.**

Eleven (11) Management Review recommendations were identified and actioned, all within six weeks.

Two audits took place in February 1997 - an internal audit resulted in two corrective actions and three recommendations, while a Standards New Zealand audit resulted in two recommendations. Both corrective actions were complied with and the five recommendations were adopted. All were actioned within six weeks.

Two search and rescue debriefs were held in the 1996/97 year. Both debriefs were undertaken within six weeks of the relevant incident.

Target The Authority will survey persons rescued or accounted for and will report annually in summary form on their perceptions of the services provided.

No survey was undertaken during the 1996/97 year. An appropriate form has been designed and planned surveys of those rescued will be undertaken in the 1997/98 year.

Target The Authority will report quarterly on a summary of media reports relevant to the services.

A summary of any media reports relevant to the search and rescue services was provided in each Quarterly Report to the Minister of Transport. There were numerous media reports, mainly in the October - December 1996 period, none of which reflected badly on the service provided.

While the search for the crashed United Aviation's Beach Baron SK-KVL on 11 June 1997 in which the pilot Timothy Thompson lost his life was accomplished quickly and efficiently, the accident itself resulted in a high media profile for the Civil Aviation Authority.

Target The Authority will maintain ISO certification of policies and procedures for this area of activity.

ISO certification was maintained. The surveillance audit period for the search and rescue area was extended from six monthly to nine monthly. An audit by Standards New Zealand was carried out on 28 February 1997 which resulted in no Corrective Actions but two Recommendations. The Recommendations have been adopted and incorporated in the SAR Operation Plan: Amendment 77/001, effective 1 May 1997.

AVIATION SECURITY SERVICE

STATEMENT OF SERVICE PERFORMANCE BY OUTPUT CLASS

Year ended 30 June 1997

OUTPUT CLASS : AVIATION SECURITY SERVICE

Description

This Output Class involves the provision of aviation security services for international and domestic air operations.

Outcomes

This Output Class contributed to the following Government Outcomes:

1. A safe, sustainable transport system at reasonable cost
2. Enhanced economic, social and environmental well-being.
3. Community Security.

Resources employed (\$000s)

12 months to 30/6/96		12 months 1 July 1996 - 30 June 1997			
		Actual	Budget	Variance	
				Quantity	Percentage
	Revenue				
0	Crown	0	0	0	0
10,594	International Passenger Charge	11,461	11,034	427	+3.9%
296	Other	440	230	210	+91.3%
10,890	Total Revenue	11,901	11,264	637	+5.6%
9,221	Expenditure	9,264	9,723	(459)	- 4.7%
1,669	Surplus(Deficit)	2,637	1,541	1,096	

Service Performance

1. Passenger Screening

Quantity

Target During the 1996/97 year the Aviation Security Service will screen all departing international passengers and their baggage as may from time to time be required by national or international authorities.

Measure *The number of passengers screened. For planning purposes the number is expected to be 2,974,782.*

PASSENGER NUMBERS	1st Qtr	2nd Qtr	3 rd Qtr	4th Qtr	1996/97 Total
Actual	714,910	750,109	809,973	685,337	2,960,329
Estimate	690,487	731,108	823,225	729,962	2,974,782
Variance	+24,423	+19,001	-13,252	-44,625	-14,453
% Var	+3.5%	+2.6%	-1.6%	-6.1%	-0.5%

Actual Passenger Numbers are shown above compared with the estimated quarterly figures based on the estimated annual total contained in the Aviation Security Service Performance Agreement for the 1996/97 year.

Quality

Target 98% compliance with the National Aviation Security Programme as audited.

Measure *Number of Corrective Action Requests issued by auditors.*

No audits of this function were carried out by the auditing authorities.

Target 95% detection rate in the Recurrent Testing Programme.

Measure *Percentage of test objects detected.*

	1st Qtr	2nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Test Objects used	225	269	277	314	1,085
Objects Detected	202	246	248	302	998
% Detected	89.8%	91.5%	90.5%	96.2%	91.9%

Note: These figures are different to those reported previously as an additional statistic has been included in the first three quarterly figures to align these with those for the fourth quarter.

Target During the 1996/97 year there will be no more than 1 formal complaint per 100,000 passengers.

Measure *Number of complaints.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual total
Complaints	0	2	3	0	5
Estimate	7	7	8	7	29
Variance	-7	-5	-5	-7	-24

This equates to one complaint per 592,066 passengers for the 1996/97 year.

Timeliness

Target No flight delays due to screening activities.

Measure *Number of flight delays due to screening activities.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Delays	0	0	0	1	1

One flight was delayed in the fourth quarter due to the off loading of hold baggage to remove a quantity of dangerous goods from a passenger's bag.

2. Aircraft Search**Quantity**

Target During the 1996/97 year the Aviation Security Service will search all aircraft as required by national or international regulatory authorities or the operator.

Measure *Number of aircraft searched. For planning purposes the number is expected to be 920.*

Aircraft Searched	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Actual	219	209	203	215	846
Estimate	258	221	202	239	920
Variance	-15.1%	-5.4%	+0.5%	-10%	-8%

Quality

Target Compliance with the National Aviation Security Programme.

Measure *Number of Corrective Action Requests issued by auditors.*

No audits of this function were carried out by the auditing authorities.

Target During the 1996/97 year there will be no more than 5 customer complaints.

Measure *Number of complaints.*

There were no customer complaints in respect of aircraft search activities.

Target 95% detection rate in the Recurrent Testing Programme.

Measure *Percentage of test objects detected.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Objects used	20	54	46	84	204
Objects Detected	20	54	42	79	195
% Detected	100%	100%	91.3%	94%	95.6%

Timeliness

Target No flight delays due to search activities.

Measure *Number of flight delays attributable to search activities.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Delays	0	0	0	0	0

There were no flight delays due to aircraft search activities.

3. Patrols

Quantity

Target During the 1996/97 year the Aviation Security Service will carry out 24 hours patrols at all Security Designated Aerodromes and patrols as required at navigational installations. For planning purposes this is expected to be 60,000 hours.

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Actual Hours	14,839.5	14,993	14,155.6	14,369.7	58,357.8
Estimated Hours	14,896	16,513	14,617	13,974	60,000
Variance	-56.5	- 1,520	-461.4	+3,957	-1,642.2
% Variance	-0.4%	- 9.2%	-3.2%	+2.8%	-2.7%

Target The Aviation Security Service will attend all incidents, whether they involve offences against the Aviation Crimes Act 1972 or not, occurring

during patrols.

Measure *Number of incidents attended. For planning purposes the number is expected to be 500.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Incidents	135	133	102	193	563
Estimate	89	133	120	158	500
Variance	+46	0	-18	+35	+63

Quality

Target *Persons unlawfully within the security area will be detected within five minutes of entry.*

Measure *Number of persons not detected within five minutes of entry.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number reported	0	0	0	0	0

There were no reports of persons remaining undetected for over five minutes.

Timeliness

Target *Incidents will be attended within three minutes of coming to notice.*

Measure *Number of incidents not attended within three minutes.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number Reported	0	0	0	0	0

There were no reports of incidents not attended within three minutes.

4. Access Control

Quantity

Target *During the 1996/97 year there will be no incidents of unauthorised access through controlled access points.*

Measure *Number of incidents of unauthorised access.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Incidents	0	0	0	0	0

There were no cases of unlawful access through controlled access points.

Target *During the 1996/97 year the Aviation Security Service will issue Airport Identity Cards to all authorised persons requiring them.*

Measure *Number of Airport Identity Cards issued. For planning purposes this is expected to involve 10,000 permanent cards and 12,000 temporary cards.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Permanent Cards	1,512	1,292	1,051	1,452	5,307
Temporary Cards	4,372	4,956	2,527	4,303	16,158

In addition to the above, 919 visitor identity cards were issued during the fourth quarter.

Quality

Target **95% compliance by Airport Identity Cardholders with the requirements for use.**

Measure *Number of holders not complying with the Civil Aviation (Security) Regulations.*

ID Cards	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Checks	1,172	3,320	1,468	3,351	9,311
Number of breaches	32	46	14	40	132
% compliance	97.3%	98.6%	99%	98.8%	98.6%

Timeliness

Target **95% of Airport Identity Cards replaced by expiry date.**

Measure *Number of expired cards in use.*

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Annual Total
Number of Checks	1,172	3,320	1,468	3,351	9,311
Number expired	8	12	12	18	50
Percentage expired	0.68%	0.36%	0.82%	0.54%	0.54%

5. Promote Security Awareness And Airline Co-operation

Quantity

Target **Provide security awareness training to customers on request.**

Measure *Percentage of requests met.*

All requests for training were met.

Quality

Target **Training provided will meet the needs of the customer.**

Measure ***Level of customer satisfaction based on course evaluations.***

All customers were satisfied with the training given.

Timeliness

Target **Training will be provided within one week of request.**

Measure ***Percentage of training requests met within one week.***

All training requests were met within one week.

6. Maintain Cost Effective Operations**Quantity**

Target **The cost of operations will be within budget.**

Measure ***Number of cases where expenditure exceeds budget.***

There were no cases of expenditure exceeding budget.

Quality

Target **Cost of operations will be maintained by comparative benchmarking.**

Measure ***Number of cases where costs exceed those of benchmark organisation.***

There has been no further benchmarking carried out since the Cost Efficiency Review of December 1995. The Service is embarking on a search for suitable benchmark organisations.

Target **Financial reporting will be in compliance with the Public Finance Act.**

Measure ***Number of non-compliances.***

There have been no non-compliances reported.

Timeliness

Target **All financial reports will be produced within deadlines as may be set by the Civil Aviation Authority, Ministry of Transport or Treasury.**

Measure ***Number of late reports.***

There were no cases of late reporting reported.

AUDIT NEW ZEALAND REPORT