

Annual Report

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

(Including the Aviation Security Service)

for the year ended 30 June 1999

*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 Statement of Intent of the Civil Aviation Authority of New Zealand covering the activities of the Civil Aviation Authority, Aviation Security Service, and Class III Search and Rescue Services.

The report covers the activities for the year 1 July 1998 to 30 June 1999.

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ABBREVIATIONS

ACNZ	Airways Corporation of New Zealand
AIA	Aviation Industry Association
AIAL	Auckland International Airport Limited
AIP	Aeronautical Information Publications
AIS	Aeronautical Information Service
ANZCERTA	Australian and New Zealand Closer Economic Relations Treaty Agreement
APANPIRG	Asia/Pacific Air Navigation Planning and Implementation Regional Group
APEC	Asia Pacific Economic Co-operation
ASMS	Aviation Safety Monitoring System
ATM	Air Traffic Management
ATS	Air Traffic Services
AVSEC	Aviation Security Service
BASA	Bilateral Aviation Safety Agreements
CAA	Civil Aviation Authority
CAR	Civil Aviation Rule
CASA	Civil Aviation Safety Authority (Australia)
CHRIS	Complete Human Resource Information System
CIRAG	CAA / Industry Rules Advisory Group
CNS	Communications, Navigation and Surveillance
DCA	Director of Civil Aviation
EAP	Employee Assistance Programme
EEO	Equal Employment Opportunities
ELT	Emergency Locator Transmitters
EPIRB	Emergency Position Indicating Radio Beacon
ETOPS	Extended Twin-engine Operations
GST	Goods and Services Tax
ICAO	International Civil Aviation Organisation
ISO	International Organisation for Standardisation
LUT	Local User Terminal
MHz	Mega-hertz
MoT	Ministry of Transport
NOTAM	Notice to Airmen
NPRM	Notice of Proposed Rule Making
NRCC	National Rescue Co-ordination Centre
NZHGPA	New Zealand Hang Gliding and Paragliding Association
NZAF	New Zealand Aviation Federation
NZPF	New Zealand Parachute Federation
RNZAF	Royal New Zealand Air Force
SAR	Search and Rescue
SLA	Service Level Agreement
SRR	Search and Rescue Region
TAIC	Transport Accident Investigation Commission
TTMRA	Trans-Tasman Mutual Recognition Act

WIAL Wellington International Airport Limited

Foreword by Chairperson

The aviation industry is undergoing some of the most momentous changes in its history. These changes will result in significant safety benefits.

Aircraft operators are now converting to the new Rule structure envisaged by the Civil Aviation Act 1990. The support industries, including air traffic control aerodromes and maintenance engineering, have already undertaken this staged process.

The operators of the largest aircraft have until 28 February 2000 to recertificate to their new operating Rule Part 121. No significant problems are expected with this group. The regional airlines operating aircraft of between 10 and 30 seats have until 30 June 2000 to go through this process for Part 125. Again this is not expected to be a problem as many of the operators already have in place the quality management systems which are the foundation of many of the new provisions.

However, many of the operators of aircraft of less than 10 passenger seats, and of helicopters, who need to recertificate to Rule Part 135 are finding this a hard hurdle to manage. Those operating twin-engined aircraft have until 28 February 2001, and the rest have until 28 February 2003. All efforts are being made to facilitate a smooth transition.

These safety changes would not have been possible without the passage of Part 135. There were delays as industry contested some key elements of the Rule. The successful outcome depended on industry input to a revised Rule that was signed by the Minister in early 1999. This partnership approach is a hallmark of aviation, and has been formally carried forward by the CAA's initiative of a Civil Aviation Authority/Industry Rules Advisory Group (CIRAG). The CIRAG process is an adjunct to the normal consultation and will ensure both a high quality Notice of Proposed Rule Making (NPRM) and a high level of industry buy-in and compliance.

The CAA's surveillance of the operation of a Beechcraft Baron aircraft which crashed in the Tararua on a night freight run on 11th June 1997 was subject to a Ministerial Inquiry. This stemmed from the Transport Accident Investigation Commission report that was critical of the CAA. The CAA argued strongly against factual inaccuracies in the report and against its recommendations. Unable to decide on the arguments put forward by the two agencies, the Minister called for an independent review. The inquiry committee was John Upton QC and former Air Transport Canada Director Don Spruston. The inquiry concluded that the CAA's systems were generally well founded and described the CAA operations as excellent, world leading, and a model for other countries to follow. The inquiry found the Director's powers were generally adequate and that the Director had acted reasonably and properly. The inquiry offered constructive suggestions for further improvement, which are being implemented by the CAA. The Authority is updated monthly on the implementation of those recommendations.

The CAA is to be subject to an International Civil Aviation Organisation (ICAO) audit in August 1999. This is part of the universal safety oversight programme of ICAO's 185 member countries to improve conformity in standards and practices between countries, ensure that states are adequately discharging their responsibility for safety oversight of aircraft operations, the licensing and training of personnel, and aircraft certification. The ICAO audit results will be made public and there may well be suggestions for us to consider and implement.

The CAA earlier this year again subjected itself to scrutiny through a survey conducted by Colmar Brunton Research Limited. This latest poll showed industry was polarised with just

as many satisfied as were dissatisfied, and one third was neutral. As a result of this survey the Authority delivered a strong message to the CAA for an improvement in “customer” focus. We are already well underway with the fixes in a process being led by the Director, Kevin Ward.

There is no doubt that the CAA is a highly capable safety regulatory agency. Its focus since its inception has been to manage its safety functions effectively. This focus will not change, but for the coming year the recognition that relationships with our clients are an integral part of the safety function, and improving those relationships will be a very high priority.

At the same time, industry must recognise that the CAA must protect standards on behalf of the public. The CAA cannot let up its firm line against operators who fail to uphold their safety responsibilities. The Quality Index developed for safety audit will enable a transparent rating of safety performance of industry participants and permit both early intervention against poor performers, and consideration of benefits to those who are leading the field.

The CAA has been heavily involved in Y2K compliance issues to ensure there is no risk to public safety. It has worked with the international agencies ensuring co-ordination in the Asia-Pacific region, with the New Zealand industry co-ordination group, and has assisted smaller operators in raising awareness and compliance. Its own contingencies are well in hand.

Financially, the CAA, after ending several years in significant deficit, has just concluded its second straight year in surplus. The surplus for the current year is \$650,000. Revenue was higher than budgeted due to the increase in fees and charges work. Lower operating costs were the result of continuing to carry a number of vacancies, together with lower corporate overhead costs. The surpluses have allowed the CAA to repay the July 1997 capital injection of \$1 million by the end of June 1999, some two years ahead of schedule.

Search and Rescue

The National Rescue Co-ordination Centre (NRCC) carried out 17 major searches, rescuing 85 people and recovering 21 bodies from throughout New Zealand and the South Pacific.

In February the NRCC led its first multinational search when a yacht with three on board foundered during Hurricane Frank. They were rescued uninjured from a dinghy after a two-day search involving military aircraft of New Zealand, Australia and New Caledonia.

Several searches drew on Royal New Zealand Air Force resources. Bad weather and high seas damaged an American yacht containing two crew off the north east of New Zealand in November. After extensive searching one crew member was winched to safety, but sadly the other was lost during the rescue phase. Again during bad weather two people were rescued uninjured in May from a sailing yacht's life raft near Samoa.

Hundreds of non-emergency Emergency Locator Beacon signals on 121.5 MHz were resolved during the year. The four-nation consortium that owns the processing satellites announced in October that it intended to cease monitoring 121.5 MHz signals from the year 2008, after which only signals received on 406 MHz will be processed. The many benefits of the 406 MHz beacon is expected to assist future search and rescue efforts. However, this will require substantial upgrading of beacons by industry.

The Authority agreed near the end of the year to invest in enhancements of the New Zealand local user terminal to improve the accuracy and speed of determining the location of distress signals received via satellite. This will allow the polar-orbiting satellites currently in use to be augmented by a geo-stationary search and rescue satellite situated above the central Pacific.

The NRCC has ended the year with a \$50,000 surplus.

Aviation Security Service

The Aviation Security Service continued to develop its regional airport operations. New staff were appointed in Hamilton, Palmerston North and Queenstown and locally based supervisors appointed in Palmerston North and Dunedin.

Planning for Asia Pacific Economic Co-operation (APEC) dominated much of the year, with Service officials working closely with officials from other agencies co-ordinating arrangements for the APEC meeting. Involvement in the border control review, announced by the government in December, also proved to be a major commitment for the Service. Work also continued during the year on the development of a new Business Plan.

The year saw the introduction of new internal audit arrangements that include monthly checklists on a variety of operational aspects for all stations to complete.

As expected, a major focus of the year was the Y2K readiness preparations. The Service was subject to several independent audits to test its preparedness and in addition has been reporting on a regular basis to the Civil Aviation Authority and the Y2K Readiness Commission. The results of the independent audit by the State Services Commission and the last audit for the period ended 31 July 1999 rated the Service 4.6 out of 5 in terms of preparedness. All equipment deemed Y2K non-compliant have now been replaced.

The year also saw heavy commitments in the IT area, including preparations for the Millennium changeover. Good progress was made on the implementation of the new AIM ID card and ASAR, statistical data reporting systems and on clearing a backlog of maintenance clearance work. This included the implementation of new processes to minimise the risk of viruses.

The Service's explosive detector dog unit will be extensively involved in APEC operations. In August a third dog handler for Auckland commenced training and in December a fifth dog handler was appointed and commenced training in early 1999. Domiciled in Auckland until the completion of the APEC conference, that handler relocates to Christchurch in late 1999.

Accommodation projects for Christchurch and Wellington were completed during the year. In September the Prime Minister opened the new Christchurch terminal and screening point and in April the Wellington branch moved to its new accommodation situated alongside the Rescue Fire Station. After twenty years of "temporary" accommodation Wellington now has a permanent modern base. The move of the Wellington screening point is scheduled for late September 1999.

The second triennial independent performance review of the Service was undertaken in November 1999. This review was conducted by PricewaterhouseCoopers, joined by a representative from the Ministry of Transport and the Aviation Security Service and an industry member, Mr Silva Kandiah, General Manager of Singapore Airlines subsidiary, SATS Security. The report, presented to the Minister in late December 1998, described the Service as effective and efficient in delivering a professional and quality service. Some areas for improvement have been identified by the review team with the main recommendations covering rostering processes, risk management planning, communications with airlines and airports at both strategic and operational levels, costing of services and strategic human resource management and training.

The Aviation Security Service \$0.348m deficit for the year is an improvement on the budgeted deficit of \$0.962m. Total revenue was 2% above budget due to higher than

expected passenger departures during the year. Passenger departures were 4.8% higher compared with the same period last year. And total expenditure was 4% below budget due to effective cost control, and the deferral of projects because of pressure created by APEC planning and Border Control Review.



Rodger Fisher
Chairperson

THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND

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 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 provision 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.

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.

Members of the Authority

R H Fisher
Chairperson

Mr Fisher has recently retired from the position of Managing Director of the Owens Group and has extensive transport sector experience. He has a strong background in business management and transport.

J E Aburn
Deputy

Mr Aburn is a former President of the New Zealand Stock Exchange and a former Director of the Reserve Bank. He is self-employed as a company director and consultant in Wellington. He holds a private pilot licence. Mr Aburn is a member of the Authority Committee that oversees the Aviation Security Service operations.

C J Hales

Ms Hales is a consultant to the aviation industry after working for Wellington International Airport Limited for a period of eight years. She was responsible for the day-to-day operations of the airport encompassing the airside and terminal operations.

R M Inglis

Mr Inglis is the managing director of Northwood Hop Company and Shaaba Properties Ltd. Having a strong background in aviation, including the foundation of Air Nelson prior to its sale, he has recently set up a new aviation organisation, Origin Pacific Airways.

M R Dean

Ms Dean is a self employed lawyer with experience in general commercial law and competition practice and an active interest in alternative disputes resolution. She has had some exposure to the aviation industry through legal work and is a former deputy chair of the Commerce Commission. Ms Dean is also a member of the Authority Committee that oversees the Aviation Security Service operations.

Chief Executives

K W Ward

Director of Civil Aviation

Under the provisions of section 72I of the Civil Aviation Act 1990, the Director of Civil Aviation is appointed by the Authority as Chief Executive of the Civil Aviation Authority, with overall responsibility for the day-to-day management of the organisation and the appointment of all other CAA employees (not including Aviation Security Service personnel).

The Director also has specific statutory powers and functions including exercising control over entry into the civil aviation system through the granting of aviation documents, and enforcement including the monitoring of performance through inspections and audits.

In exercising these latter responsibilities in respect of any particular case, the Director must act independently and may not be directed by the Minister or the Authority.

M T Everitt

General Manager of the Aviation Security Service

The General Manager of the Aviation Security Service is appointed by the Authority under section 72L of the Civil Aviation Act 1990 and is responsible for the day-to-day management of the Service including the appointment of Aviation Security Service personnel.

In exercising in any particular case any functions or powers conferred on the General Manager by statute, regulations or Rules made under any Act, the General Manager is charged with acting independently and may not be directed by the Minister, the Authority, or the Director of Civil Aviation.

CIVIL AVIATION AUTHORITY

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

FUNCTIONS

The primary function of the Civil Aviation Authority (CAA) 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 that 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

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.
Job Satisfaction	Enjoying the work, taking satisfaction from it, and celebrating success.

STRATEGIC GOALS

To achieve its mission, the CAA 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 CAA 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, Legislation Development, and Maintenance of International Aviation Safety Related Agreements	Crown funded
	- Rules and Standards Development	Crown funded, except standards development work for CNS/ATM (Communications, Navigation and Surveillance/Air Traffic Management) and standards development for airworthiness directives which are levy funded, and the assessing and granting of exemptions which are funded through fees and charges
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 ACTIVITIES DURING THE YEAR

Introduction

The following is an overview of significant aviation safety activities undertaken by the CAA during the year. Details of the more specific and/or routine activities undertaken are contained in the Statement of Service Performance later in this report.

1. Safety and Security

1.1 Civil Aviation Rule Part 115, 119, 125, and 135

Following industry concern over the requirements of Part 135, *Air Transport Operations - Small Aeroplanes and Helicopters*, that came into effect in April 1997, the CAA undertook significant work with the aviation industry to review all Rules covering the operation of aircraft during the year.

A package of Rules comprising a revised Part 135 and Part 125, *Air Operations - Medium Aeroplanes (10 to 20 seats)*, came into effect on 30 April 1999. Remaining air service certificates and aerial work certificates that had been issued under the old Civil Aviation Regulations have been replaced with Transitional Air Operator Certificates issued under Part 119, *Air Operator Certification*.

CAR Part 115, *Adventure Aviation*, work progressed to a Notice of Proposed Rule Making (NPRM). The development of the proposed requirements has been complex and extensive consultation has been carried out with affected operators, in particular, the New Zealand Parachute Federation (NZPF). It is the CAA's intention to produce a separate NPRM covering the tandem parachuting requirements later in 1999.

The full impact of the package of Rules for air operator certification will not be apparent until nearer the end of the transition provisions in February 2003. However, the operators of larger aircraft must be fully certificated under those Rules well before that date.

1.2 CAA / Industry Rules Advisory Group (CIRAG)

Discussions between the Director of Civil Aviation and the Aviation Industry Association (AIA) during 1998 resulted in the establishment of the CIRAG. This joint body was established to facilitate improved early consultation on new and revised Rule making activities.

The CIRAG Executive, comprising CAA and AIA representatives, established seven technical study groups at their first meeting - adventure aviation, pilot licences, engineer licences, general airworthiness, warbirds, rescue fire services, and ATS fatigue.

Near the end of the year, the CIRAG Executive reviewed the progress of the technical study groups and established a new technical study group to review and update the advisory information relating to the Rules on extended range operations of twin engine aeroplanes (ETOPS).

The introduction and bedding down of the CIRAG continues to be enhanced with CAA development and documentation of the supporting procedures.

1.3 Ministerial Inquiry

In June 1998 the Minister of Transport established an inquiry into various aspects of the Civil Aviation Authority's performance. The Inquiry Chairman issued his Report to the Minister in October 1998.

The Report substantially enclosed the CAA's current safety systems and decision making processes. Recommendations for further developments made in the Report have also been accepted. Quarterly implementation progress reports to the Minister of Transport commenced in April 1999.

The Inquiry resulted in an additional unbudgeted cost to the CAA of \$182,540 and a commitment of some 2,290 hours of staff time.

1.4 Audit Quality Index

Development work continued on the Quality Index system of rating the audit performance of industry participants. The proposed system, which responds to one of the main recommendations of the Ministerial Inquiry, has been developed such that results are used to initiate further CAA action such as special purpose audits or inspections. The pilot application of the index has proved that it will be an effective tool for ensuring that those operating marginally are quickly brought to the attention of CAA management.

The next stage of this project will be to advise industry how the Quality Index works, its future role in the surveillance process, and to implement the process across the whole industry.

1.5 Suspension of Certificates

Great Barrier Airlines – Progress and Certification

A routine audit of Great Barrier Airlines in June 1998 raised concerns about the management control of the airline. Following an investigation, the airline's air service certificate was suspended and then revoked.

A series of meetings were subsequently held with senior management of the airline that led to a co-operative approach being adopted by both parties. As a result the airline re-emerged with a changed senior management structure and certification as an air operator under Part 119. The adoption of this approach ensured the minimum disruption to air services without compromising the appropriate standards of safety.

Investigation and Suspension of Aircraft Maintenance Engineer Licences

The Safety Certification Group has taken action against a number of holders of Aircraft Maintenance Engineer Licences following some recent audits and investigations. The audits disclosed a number of instances of poor safety practices. The actions relate to individual licence holders carrying out maintenance of general aviation aircraft under Part 43, *General Maintenance Rules*, where there is currently no requirement for issue of an organisation certificate. It is believed that these recent actions are having a beneficial effect on the level of compliance in this activity area, and CAA has received positive feedback.

Welair Suspension / Revocation of Certificates

On 19 February 1999 the Air Service Certificate, Training Organisation Certificate and Aerial Work Certificate held by Paraparaumu operator Welair Limited were suspended pending investigation. This action followed an audit of the company carried out while its operations were suspended under a voluntary agreement.

Further investigation conducted under Section 17 of the Civil Aviation Act 1990 confirmed deficiencies in the control and supervision of Welair's flight operations and training activities and the control and conduct of maintenance on its aircraft. As a result the operating certificates held by Welair were revoked. The aircraft were subsequently returned to service as the conditions imposed on their airworthiness certificates were met.

1.6 Coroner's Inquests

Queenstown Fatal Accident

The Coroner's report into the deaths of six people at Queenstown following the crash of a Cessna 310 in January 1997 made 7 recommendations to the Director of Civil Aviation. The CAA is presently identifying the most appropriate action to be taken. Notwithstanding this process, a number of the recommendations will be addressed in a review of pilot training and licensing requirements that is currently under action.

Foveaux Strait Fatal Accident

The Invercargill Coroner conducted an inquest into the deaths of 5 people following the ditching into Foveaux Strait on 19 August 1998 of a Cessna 402C owned by Southern Air (1997) Limited. The CAA was represented at the hearing and made a submission on the involvement of the NRCC in respect of the search and rescue conducted after the accident. The Coroner was expected to release his finding in July 1999.

1.7 Aeronautical Information Service Funding

As a Contracting State to ICAO, New Zealand is required to provide an Aeronautical Information Service (AIS). The service is presently provided by the Airways Corporation of New Zealand (ACNZ) under the authority of two certificates issued under Rule Part 175, *Aeronautical Information Service Organisations - Certification*.

In December 1997 ACNZ advised that the increasing costs of providing the AIS, in particular the publication of the New Zealand Aeronautical Information Publications (NZAIP) and aeronautical charts, could no longer be recovered from the sales of those documents.

Proposals from ACNZ to recover some of the costs from a selected sector of the aviation industry were not accepted by the CAA. However an agreement was reached between the CAA and ACNZ for the latter to continue publishing the NZAIP and aeronautical charts while a review of the AIS funding is undertaken. The agreement included a one off payment from the CAA to the Corporation to cover some of the shortfall in funding for the 1997/98 period.

The CAA negotiated with ACNZ the amount of subsidy that the CAA will pay for the production of the Aeronautical Information Publication (AIP) for the 1998/99 financial

year. The CAA will negotiate a fixed price contract with ACNZ for the provision of the AIP in the 1999/2000 financial year.

The CAA plans a competitive tender process for the future provision of the AIP and the Notice to Airmen (NOTAM) service. A joint project with the ACNZ and CAA has been set up to establish a contractual agreement with a suitable provider for the provision of a reliable and effective AIP at a reasonable price. The project completion date is 30 June 2000, with an implementation plan joint-agreement date of 30 November 1999.

1.8 Gisborne Safety Assessment

A safety assessment of the effects of a planned air traffic services withdrawal by ACNZ from Gisborne was carried out by the CAA during February - March 1999. A final report adopted by the CAA was sent to interested parties in May 1999. ACNZ subsequently notified CAA that services would continue until further notice.

1.9 Enforcement

During the year 16 persons appeared before the District Courts on a total of 36 charges under the Civil Aviation Act 1990. Convictions resulted on 27 of the charges. Of the remaining nine charges three were withdrawn after the defendants had completed a diversion scheme, one charge was dismissed although the defendant was convicted on another charge, three charges were withdrawn as the defendant had left the country, and two defendants were discharged without conviction.

1.10 Americas Cup Airspace

The CAA made significant progress in planning and implementing systems for the control of aviation activity associated with the Americas Cup Challenger and Cup Defence races to be held in Auckland between October 1999 and March 2000.

As a result detailed airspace control procedures, developed in consultation with the Auckland Airspace User Group, are available on the CAA's Web site. The Americas Cup 2000 Web site also has a link to the CAA site for this information.

1.11 APEC Aviation Security Issues

The threat of terrorist or other acts of unlawful interference with aviation in New Zealand and the South Pacific remained low over the year. Planning continued with the Domestic and External Security Committee and at the airport level for the APEC Leaders Meeting in September 1999.

An Aviation Security intelligence threat assessment was issued to relevant agencies and industry elements involved in the Trade Ministers Meeting on 29-30 June 1999. Contingency procedures were established to respond to any increase in the intensity of aviation threats.

APEC airspace requirements were implemented, with full information available on the CAA web site. Internal arrangements for control of the event and contingency planning for dealing with any incidents were finalised with the relevant agencies.

2. Risk Management

2.1 Levy Funding

Sixty six percent of CAA revenue is sourced from levies on domestic and international passengers. Reliance on this level of revenue from third party activity/productivity is recognised as a key area of financial risk.

Levies received to the end of June 1999 show a 4.4% growth over the results for the same period in 1997/98. Expected drop off in Asian arrivals occurred but was more than offset by higher than anticipated numbers of New Zealanders travelling overseas and increases in Australian, European, and American visitors.

However, domestic travel was lower than budget by approximately 4.1% due to a slight overall levy revenue drop in actual domestic passenger traffic.

2.2 Legal

Claims against the CAA

There are nine outstanding civil cases involving the CAA or the Director of Civil Aviation. Six of those cases involve claims for damages as a result of alleged tortious conduct on the part of the Director or the CAA. One action is a judicial review application that apparently has been abandoned by the applicants and two other actions are appeals from decisions of the Director under the Civil Aviation Act 1990.

Legislation Development

A schedule of amendments of legislation for consideration by Parliament was developed and finalised at the end of the period. The main changes being considered are not controversial but do have the potential to enhance the CAA's safety regulatory functions.

2.3 Year 2000 Readiness

CAA Year 2000 Readiness Progress

Year 2000 readiness for CAA internal mission critical IT systems was achieved in February 1999 when the remediation package was successfully introduced into the production system following extensive testing. An independent auditor was commissioned to carry out a second independent audit during February - March 1999. The auditor's report concluded that the CAA has in place an appropriate state of Year 2000 readiness and awareness that addresses CAA's business safety concerns, and a sound process for continuing monitoring and checking throughout the remaining period. The results of a third independent audit, reported in July 1999, rated the CAA 4.6 out of 5 in terms of readiness.

The CAA website was update to provide information on the state of the Year 2000 readiness of; Air Traffic Services and the major airports (as required by ICAO); the CAA internal systems; informative articles; links to other aviation related Y2K sites; and information on millennium events planning with which the CAA is involved.

Industry Year 2000 Readiness Progress

The aviation industry continued to make good progress toward achieving Y2K readiness.

The Aviation Industry Working Group on Y2K issues continued to maintain a close relationship with key power and telecommunications industry activities and continued with its work on the specific needs of the aviation industry.

The basic Air Traffic contingency plan is due for completion in September 1999 with publication of an AIP Supplement, effective in November 1999, that will finalise arrangements for the critical rollover period.

Representatives from CAA, ACNZ and MetService reviewed a range of Year 2000 matters to be discussed at the ICAO's Asia/Pacific Air Navigation Planning and Implementation Regional Group's (APANPIRG) subgroup meetings in Bangkok in mid July 1999.

The CAA continued to visit air transport operators who conduct operations under Instrument Flight Rules and completed assessment of 35 of the 50 listed in the CAA's database. The results of these industry visits indicated that, at 30 June 1999, the majority of operators (69%) are well on the way to being adequately *Year 2000 Ready*. There is small number who have more work to do and the CAA will be revisiting these operators late 1999.

2.4 CAA Internal Risk Management

Each CAA Unit has completed a Risk Profile, a gap analysis of the identified risk and current controls, and developed action plans to mitigate risk where appropriate.

3. Strategic Management

3.1 Regulations Review Committee of Parliament

The Regulations Review Committee of Parliament carried out a review of instruments that are deemed to be regulations. These instruments include the Civil Aviation Rules.

The CAA provided information to the Ministry of Transport on the quality control and consultation procedures for the making of Civil Aviation Rules, and also provided details directly to the Committee on the CAA Emergency Rule procedures. Senior representatives from the CAA attended the Committee hearing on 9 December along with representatives from the Ministry of Transport and the Land Transport Safety Authority.

The comments and questions from the Committee suggest that they are comfortable with the CAA quality control and consultation procedures for Rule making.

The Committee is expected to complete its report in July 1999.

3.2 Relationship with the Aviation Industry Association

Issues arose during the year with the AIA over the provisions proposed for Part 135 covering air transport operations, the certification process under Part 119, and the proposed review of the monopoly position of the examination services provider Aviation Services Limited.

At the AIA annual conference the Director of Civil Aviation announced the formation of a joint CAA-Industry Rules Advisory Group to assist the Rules development and consultation process (refer to section 1.2 page 19).

Memoranda of Understanding between the CAA and the Aviation Industry Association, Aircraft Owners and Pilots Association, New Zealand Aviation Federation, and the Recreational Aircraft Association of New Zealand were ratified for a further three years.

3.3 CAA Staff and Client Satisfaction Surveys

During late 1998 Colmar Brunton Research Limited completed a survey of 300 CAA industry clients. In parallel to the client questionnaire the same questions were put to the CAA staff in order to gauge any perceptual differences. In addition a staff climate survey was also completed.

Further work has involved careful consideration of the survey findings and a decision taken to establish a project to identify and co-ordinate actions that the CAA can take to improve client relations. A summary report of the key findings from the CAA Client Satisfaction Survey was distributed to all CAA clients during May 1999.

3.4 ICARUS Funding

At a previous meeting of aviation industry representatives, the CAA agreed to provide \$35,000 per year to fund ICARUS (Information Confidentially Accepted then Reported Universally for Safety). At the same meeting it was agreed that the general aviation sector of the industry would contribute \$30,000 per year. The CAA and the Ministry of Transport agreed to pay this amount in 1998/99 (\$22,000 and \$8,000 respectively) while a suitable collection mechanism was found.

The CAA, the Aviation Industry Association and the New Zealand Aviation Federation initially agreed that the CAA's Participation Levy could provide this funding. However the CAA subsequently received advice that it would not be legal to increase the Participation Levy for this purpose. The AIA and NZAF were advised of this and an alternative means of collection is to be devised that does not involve the CAA.

3.5 Leadership and Communication Development Programmes

One 'Achieving Through Leadership' course, developed by the CAA, was held for managers during June 1999. This course followed a series of workshops for all staff on developing interpersonal communications skills in 1998.

3.6 Payroll and Personnel System Development

During the year the CAA moved from the Peterborough Payroll and Personnel System to the Complete Human Resource Information System (CHRIS). The system is a windows based product that has been fully integrated into CAA's computer systems. Through an intranet application staff can now access their personal employment details including payroll and leave information. The system also provides the opportunity to record and report on a wide range of human resource issues.

3.7 Meetings and Seminars

South Pacific States Forum

In May 1998, aviation representatives of 15 South Pacific States agreed to the development of two significant aviation co-operative initiatives and established an Action Plan for officials:

- (a) The development of an Upper Airspace Management system. This is at the stage where a detailed report will be submitted to member States for consideration prior to the next meeting in September 1999. This system would provide aircraft operators with a near seamless means of air traffic control across the South Pacific and has the potential to provide substantial economic benefit for the air operators and the travelling public while enhancing air safety.
- (b) The establishment of a Forum States Aviation Safety Oversight Co-operative to provide safety oversight and advisory services. This work has been largely finalised and will also be ready for timely consideration by state officials and the aviation ministers.

Key Overseas Visits

- (a) The Deputy Director of Civil Aviation attended a seminar in Seattle, entitled "*Human Error Investigation and the 'Just Culture': Improving Aviation Safety through Disciplinary System Design*". This was run by David Marx, one of the leading thinkers in the management of human error. Marx's research indicates that the aviation industry supports accountability for individual actions rather than blanket immunity when reporting incidents. His disciplinary model promotes Rule compliance and at the same time facilitates learning from mistakes.
- (b) The Director of Civil Aviation and Assistant Directors of Safety Certification and Government International visited the senior management team of the Civil Aviation Safety Authority, Australia (CASA). The visit was designed to institute a twice yearly senior management meeting process, sign a new Memorandum of Co-operation and pursue matters of Single Aviation Market and Trans Tasman Mutual Recognition.
- (c) The Assistant Director Safety Certification and Manager Aircraft Certification attended a meeting of bilateral partners in Kuala Lumpur in April 1999. The forum, established in Singapore in 1998, addresses issues relating to operation under the bilateral agreements existing between the USA and states in the Asia Pacific region. Presentations covered updates on the extensive investigations into some recent accidents and FAA experience with their new Air Transport Oversight programme. Of particular interest was the discussion on progress with negotiating the Bilateral Aviation Safety Agreements (BASA). The CAA received a commitment from the FAA that the process of negotiating a new agreement with New Zealand will commence in 2000.
- (d) The Assistant Director Safety Investigation and Analysis attended the International Air Safety Seminar of the Flight Safety Foundation, the International Federation of Airworthiness and the International Air Transport Association in Cape Town on 19 November 1998 and presented a paper on "*Tools for Making Systems Safer*".

3.8 Official Overseas Visitors

- a) Mr Trevor Abrahams, designate Director of Civil Aviation of South Africa visited the CAA early in the year to ascertain what the CAA was doing in specific areas of systems and support. Mr Abrahams subsequently expressed interest in using the CAA's Aviation Safety Monitoring System (ASMS) computer system.

- b) Officials travelling with the Minister of Communications and Transport of the Republic of Zambia also visited the CAA early in the year. The contingent was briefed on topical issues in connection with Communication Navigation Surveillance / Air Traffic Management (CNS/ATM) and the regulation of ACNZ.
- c) Mr Alvin Tuala, the designate Assistant Secretary for Transport in Samoa (replacing the present New Zealand civil aviation consultant to the government) visited the CAA. Mr Tuala also made visits to the ACNZ and Auckland International Airport Limited (AIAL) during the process of being briefed on matters concerning the regulation of civil aviation safety and security.
- d) Mr Mick Toller, Director of Aviation Safety from CASA visited in June 1998. Mr Toller received a briefing on the CAA and its systems and an update on the interaction between CAA and CASA including background on Trans-Tasman Mutual Recognition Act (TTMRA) and single aviation market issues.
- e) Senator Michael Forestall, Chair of the Canadian Special Senate Committee on Transportation Safety, accompanied by two Committee members and a representative of the Canadian High Commission, visited the CAA during October 1998.

Senator Forestall expressed a keen interest in the New Zealand aviation security organisation, and was sufficiently impressed by all aspects of the CAA's safety functions to announce his intention to return in 1999 accompanied by the entire Senate Committee.

- f) The CAA hosted a visit by the Director of Civil Aviation and the Chief Air Traffic Services, Lesotho Department of Civil Aviation during February 1999. The visitors were briefed on CNS/ATM developments in New Zealand and the South Pacific. They also visited ACNZ Oceanic Control Centre to view CNS/ATM operations.
- g) In February 1999 the CAA hosted a visit by Mr John Gratton, Manager International Relations, CASA. Matters discussed included the Single Aviation Market and Trans Tasman Mutual Recognition Agreement, personnel licensing, and aircraft certification issues of common interest.
- h) Three air traffic services representatives of the Japan Civil Aviation Bureau visited the CAA and ACNZ in March 1999 to learn about CNS/ATM operations in this area. The visit was conducted along the same lines as the earlier DCA Lesotho visit.
- i) A delegation of eight senior civil aviation safety and security officials from Mongolia was hosted during April - May 1999. They were given comprehensive briefings on all the disciplines involved with the CAA. Arrangements were also made for them to visit with AvSec and ACNZ. The Mongolian CAA intends to take on a similar Rules based approach to New Zealand.
- j) A delegation from Tonga was hosted during June 1999. They requested safety oversight assistance on an on-going basis. Considerable effort was devoted to the preparation of a composite safety oversight package and presented to their Officials. Formal acceptance of the package by the Government of Tonga is awaited.

GOOD EMPLOYER REQUIREMENTS

All CAA's human resource policies, procedures and programmes encompass the good employer requirements set out in sections 28 to 30 of the Third Schedule to the Civil Aviation Act 1990.

1. Staff Numbers

	as at 30/6/1998	as at 30/6/1999	Variance
Female	40	37	-3
Male	102	104	+2
TOTAL	142	141	-1

2. Employment Contracts

The CAA continues to maintain and update documented employment contracts for all personnel. These contracts define the terms and conditions of employment with the CAA. Review and amendment where necessary has also been undertaken throughout the year on other CAA employment related documentation. These documents include a *Guide to the Employment Relationships*, human resource policy and procedures and the *Code of Conduct*.

3. Equal Employment Opportunities

A revised Equal Employment Opportunities (EEO) policy was developed and extensively circulated throughout the organisation for comment. Supporting information covering EEO issues was also widely distributed to ensure all personnel were aware of the issues and the specific impact and implications for the CAA. Recruitment and selection, advancement and career development, training and staff development and conditions of employment were identified during the year as areas where the CAA would take an active approach to achieve equal opportunities.

4. Employee Assistance Programme

Several people obtained assistance through CAA's Employee Assistance Programme (EAP) facilitated by two trained in-house EAP officers. Adequate resources were allocated to maintain the continued success of this programme.

5. Maori Perspective

An annual resource allocation is available to CAA personnel requesting assistance to increase individuals' knowledge and understanding of Te Reo Maori. Resources are also available for projects that further enhance Maori initiatives within the CAA's business operations. CAA's obligations with respect to Maori are also encompassed in the development, review and amendment of human resource policies and procedures.

6. Training

A strategic training review undertaken during the year focused on ascertaining training requirements for the next five years. Consequently a comprehensive database was developed

for all technical staff that includes qualifications, licences, and experience along with courses, seminars and workshops attended. Further development of this database will be undertaken to include all CAA personnel.

Staff attended a wide variety of both technical and general training seminars, conferences and workshops throughout the year as a result of CAA's ongoing commitment to staff development.

SEARCH AND RESCUE SERVICES

1. Significant Activities & Issues for the Year

A number of search and rescue operations were undertaken, of which the following are of significance:

- (a) On 19 August 1998 a Cessna 402 aircraft ZK-VAC crashed in Foveaux Strait with ten people on board. The NRCC passed SAR co-ordination to the Invercargill Police. Five injured people were rescued, four bodies were recovered and one person is still missing presumed drowned.
- (b) On 20 August 1998 fishing vessel Endeavour III was reported overdue in bad weather conditions near the Bay of Islands. A search by military and civilian aircraft over two days failed to locate the vessel or three crew. The search was eventually suspended.
- (c) On 14 September 1998 a Cessna 177 aircraft ZK-DKL with three people on board was reported overdue in the Tasman Glacier region in failing weather conditions. A two day search resulted in the location of the crashed aircraft and recovery of the deceased occupants.
- (d) On 27 November 1998, as a result of an Emergency Position Indicating Radio Beacon (EPIRB) transmission from the yacht *Freya* while north/east of New Zealand in extreme weather conditions, three uninjured crew were winched off by helicopter.
- (e) On the 27 November 1998 a MAYDAY call was received from the yacht *Salaciac* with two people on board in the same area as the yacht *Freya*. A merchant vessel was tasked to effect a rescue at night and although one person was rescued the other was lost during transfer. Further searching failed to locate the lost person.
- (f) On 21 February 1999 a MAYDAY call was received from the yacht *Armini 55* with three people on board. They were caught in Hurricane Frank south of Noumea. Over two days the NRCC co-ordinated a search involving French, Australian and New Zealand military aircraft. The crew were located in a life raft and rescued uninjured.
- (g) On 2 April 1999 an Emergency Locator Transmitter (ELT) signal indicating a distress in the Lumsden area resulted in a search aircraft locating crashed helicopter ZK-HBH. The five occupants of the helicopter had perished.
- (h) On 18 April 1999 floatplane ZK-EKJ was reported overdue in the Southern Lakes area. No emergency beacon transmission was detected. A search, hampered by bad weather, resulted in the crashed aircraft being located below the Fohn Saddle. The five occupants of the floatplane had perished.
- (i) On 24 May 1999 a MAYDAY call from the yacht *Lucifero* south of American Samoa resulted in a searching RNZAF P3 Orion aircraft locating the two occupants in a life raft. The rescue was effected by another yacht in the vicinity.
- (j) On 4 June 1999, a search commenced for the yacht *Totorore* with two crew, overdue on a voyage to pick up Department of Conservation staff from the Antipodes Islands. A RNZAF P3 Orion searched a large oceanic area for either the vessel or life raft. Meanwhile a land search located wreckage from the vessel in South Bay of the Main

Island. Further extensive air and land search failed to locate the yacht's crew. The search was suspended.

2. Meetings and Seminars

- (a) During 26-29 October 1998, the Manager NRCC attended the 21st Session of the COSPAS-SARSAT Council in London. Key topics discussed were testing protocols for GEOLUTs, agreement to cease monitoring 121.5MHz ELTs from year 2008 and satellite Y2K compliance.
- (b) On 2 December 1998 the Manager NRCC attended the 4th AusSAR Consultative Council Meeting in Canberra. Assistance in providing professional training of New Zealand staff was explored.

POLICY DIRECTIVES

During this year, no new Policy Directives were issued.

Since the establishment of the Civil Aviation Authority, only one Policy Directive has been issued to the Authority on 1 September 1992 under the provisions of section 72C of the Civil Aviation Act 1990.

DELEGATIONS TO PERSONS OUTSIDE THE CAA

Section 23B of the Civil Aviation Act 1990 empowers the Authority and the Director of Civil Aviation to delegate any of their functions and powers under the Act, Rules or regulations to any person who is not an employee of the Authority. Section 23B(2) expressly provides that the Director cannot delegate his powers to revoke aviation documents under sections 18 or 41, suspend aviation documents under section 41, or issue infringement notices pursuant to section 58. No delegation can be made pursuant to section 23B without the written consent of the Minister of Transport.

The Authority has not exercised its power under section 23B of the Act. The Director has delegated functions and powers as described below to persons not employed by the Authority.

The current Performance Agreement between the CAA and the Minister of Transport requires that each person outside the Authority to whom any powers are delegated must sign a letter of acknowledgement that

- (a) he or she will at all times comply with:
 - (i) all terms and conditions of the delegation as recorded in the Instrument of delegation; and
 - (ii) the standards of service specified in the current Service Charter of the Authority; and
 - (iii) any other terms or conditions relevant to the exercise of the delegation which the Director may from time to time determine; and
- (b) any breach of these requirements may result in the revocation of the delegation.

Letters of acknowledgement have been signed by all persons holding a delegation made by the Director pursuant to section 23B of the Act.

1. Aviation Services Limited

In April 1998, with the consent of the Minister of Transport, the Director delegated to Mr Michael Lynskey, General Manager of 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 members. This delegation expires on 30 June 2002 unless suspended or revoked by the Director. The delegation is subject to various conditions and limitations specified in the Schedules to the Delegation.

The CAA Safety Audit Unit conducts regular audits of the company to monitor compliance with the conditions and limitations on the delegation.

2. Airways Corporation of New Zealand

In March 1997, the Director delegated his powers, with the consent of the Minister of Transport, under Rule 19.155 of the Civil Aviation Rules 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;

to Mr Dennis Hoskin, the Navigation Services Manager of Airways Corporation. The delegation is valid until 31 March 2000, provided that Mr Hoskin continues to be employed as Navigation Services Manager for the Airways Corporation.

3. Microlight Organisations

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act 1990 in relation to issuing, granting and renewing Microlight Pilot Certificates and Microlight Pilot Instructor Certificates prescribed by Civil Aviation Rule Part 103 to four individuals holding senior positions in the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 103 provides that Microlight Pilot certificates and Microlight Pilot Instructor Certificates are to be issued by holders of delegations issued by the Director employed by organisations certificated under Part 103. Both the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand hold Microlight Organisation Certificates issued by the Director pursuant to Civil Aviation Rule Part 103.

The Civil Aviation Authority conducts an annual audit of the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated.

4. Gliders

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act 1990 in relation to issuing, granting and renewing Glider Pilot Certificates and Glider Pilot Instructor Ratings prescribed by Part 104 and Part 19 of the Civil Aviation Rules to three senior persons nominated by the New Zealand Gliding Association. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 104 requires glider certificates to be issued by the holder of a delegation from the Director for that purpose. The New Zealand Gliding Association is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

5. Hang Gliding and Paragliding

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act 1990 in relation to issuing, granting and renewing Hang Gliding and Paragliding Certificates prescribed by Part 106 of the Civil Aviation Rules to two senior persons nominated by the New Zealand Hang Gliding and Paragliding Association (NZHGPA). He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 106 requires hang gliding and paragliding certificates to be issued by the holder of a delegation from the Director for that purpose. The NZHGPA is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

6. Parachuting

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act 1990 in relation to issuing, granting and renewing Parachutist Certificates prescribed by Part 105 of the Civil Aviation Rules to Mr Keith Gallaher, Chief Executive of the New Zealand Parachute Federation. He has also delegated to those individuals his powers under sections 8 and 10(3) of the Act in relation to receiving applications for those certificates and receiving information regarding whether applicants are fit and proper to hold those certificates.

Civil Aviation Rule Part 105 requires parachutist certificates to be issued by the holder of a delegation from the Director for that purpose. The New Zealand Parachute Federation is the holder of a Civil Aviation Rule Part 149 Aviation Recreation Organisation Certificate.

7. Search and Rescue Mission Co-ordinators

The Director has delegated, with the consent of the Minister of Transport, his power in Civil Aviation Rule Part 73 to prescribe restricted areas for the purposes of Search and Rescue, Police, Fire Service and National Civil Defence Operations to seven Search and Rescue Mission Co-ordinators contracted to the National Rescue Co-ordination Centre which is established, maintained and operated by the CAA pursuant to section 72B of the Act. The seven Search and Rescue Mission Co-ordinators are not employees of the Authority. These delegations are valid for a period of three years, unless revoked by the Director.

8. Approval of Design Changes – Modifications and Repairs

The Director has delegated, with the consent of the Minister of Transport, the powers contained in Civil Aviation Rules 21.73(a)(2) and 21.505 to approve modifications and repairs:

- (a) in accordance with Civil Aviation Rule 21.81 by approving the modification's technical data under Civil Aviation Rule 21.505; and
- (b) in accordance with Civil Aviation Rule 21.433, by treating repairs as design changes to be approved as modifications.

These powers have been delegated to individuals employed by holders of Design Organisation Certificates issued by the Director under Civil Aviation Rule Part 146 and holders of Certificates of Approval issued under regulation 176 of the Civil Aviation Regulations 1953. The Director has imposed conditions and limitations on the exercise of

the powers having regard to the qualifications of the individual delegates. The organisations are subject to the monitoring activities of the CAA under the Civil Aviation Act 1990.

There have been a number of changes in these delegations in the reporting period due to the transition from Regulations 176 to Rule Part 146. Delegates were required to obtain an exemption under section 37 of the Act from the requirements of Part 146 pending their employer organisation's certification under Part 146.

Individuals employed by the following organisations hold delegations of the power to approve modifications and repairs:

- Air New Zealand Limited
- Ansett New Zealand Limited
- Pacific Aerospace Corporation Limited
- NTech Limited
- Safe Air Limited
- Aviation Design Solutions Limited
- Analysis and Design Associates Limited

The delegations are valid for a period of five years, unless revoked by the Director.

9. Police

In February 1999, the Director delegated to Sergeant Brian Blair and Constable Steven Dunn of the New Zealand Police his powers under section 21 of the Civil Aviation Act 1990 to detain an aircraft; seize an aeronautical product; and prohibit the operation of an aircraft or the use of any aeronautical product. The powers were delegated to those persons for a limited period of time in order to enable those officers to participate in an enforcement matter undertaken by the Director. The delegation expired on 6 March 1999.

STATEMENT OF IMPACTS AND CONSEQUENCES

A. 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 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.

B. OUTCOME MEASURES

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."*

The overall aviation safety measures which relate directly to the first outcome above, and indirectly to the second, are the rates of the following categories of occurrences compared to established targets:

1. **Aircraft accidents**
2. **Aircraft incidents**
3. **Airspace incidents**
4. **Aircraft defects**
5. **Compliance with civil aviation safety rules**

Note: *"Accident" is defined in section 2 of the Civil Aviation Act 1990 as meaning "an occurrence that is associated with the operations of an aircraft in which a person is fatally or seriously injured... or the aircraft sustains damage or structural failure ... or the aircraft is missing or completely inaccessible".*

"Incident" is also defined in section 2 of the Act as meaning " any occurrence, other than an accident, that is associated with the operation of an aircraft and affects or could affect the safety of operation".

The objective of these measures is to identify:

- (a) the safety performance of the aviation industry;
- (b) areas where action needs to be taken by the CAA;
- (c) the consequences of action taken by the CAA (i.e. the impact and consequences of the CAA's outputs).

C. OUTCOME RESULTS

Notes: The establishment of New Zealand Aviation Safety Outcome Targets is an ongoing process. It is important to appreciate that:

- (a) the CAA is only one contributor to the achievement of these targets, with the aviation industry the major contributor;
- (b) while consultation with the aviation industry has taken place on the setting of the aviation accident targets, full agreement has not been possible as some sectors of the industry do not consider such targets to be necessary or desirable;
- (c) the community's expectations in terms of acceptable levels of safety have not yet been established;
- (d) while benchmarking against other countries' rates is a useful measure, it still must be decided whether the rates achieved by these other countries are acceptable in the New Zealand environment.

1. Aircraft Accidents

Fixed Wing Aircraft

- Target:**
1. A downward trend in the rate of aircraft accidents involving fixed wing aircraft.
 2. By the year 2000, to reduce the rate of aircraft accidents involving fixed wing aircraft as shown in the table below.

Measures: The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

TYPE OF OPERATION FIXED WING AIRCRAFT	AIRCRAFT WEIGHT BREAK	MOVING AVERAG E	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2000		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
			Target	Achieved 98/99	Target	Achieved 98/99
Commercial passenger and freight air transport operations	13600kg and above	10 years	0.5	0.65	Trending down	No identifiable trend
	5700kg to 13600kg	10 years	1.0	0.85	Trending down	Trending down
	2730kg to 5700kg	5 years	2.0	6.0	Trending down	Trending down
	Below 2730kg	12 months	2.5	12.0	Trending down	Trending down
Commercial other than passenger and freight air transport operations	Below 2730kg	12 months	5	10.0	Trending down	Trending down
Private non-revenue	Below 2730kg	12 months	25	31.0	Trending down	Trending down

Helicopters

- Target:**
- 1. A downward trend in the rate of aircraft accidents involving helicopters.**
 - 2. By the year 2000, to reduce the rate of aircraft accidents involving helicopters as shown in the table below.**

Measures: The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

TYPE OF OPERATION HELICOPTERS	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2000		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
		Target	Achieved 98/99	Target	Achieved 98/99
Commercial passenger and freight air transport operations	12 months	5	8.5	Trending down	Trending down
Commercial other than passenger and freight air transport operations	12 months	15	21.0	Trending down	No identifiable trend
Private non-revenue	12 months	25	72	Trending down	Trending up

2. Aircraft Incidents

Target: **A downward trend in the rate of aircraft incidents for fixed wing aircraft and helicopters.**

Measures: The number of incidents per 100,000 flight hours with reports based on aircraft weight breaks as per those under Accidents above.

Aircraft Group	Trend
13,608kg and above	No identifiable trend
5,670kg to below 13,608kg	No identifiable trend
2,721kg to below 5,670kg	Trending down
Below 2,721kg	No identifiable trend
Helicopters	Trending up

3. Airspace Incidents

Target: **A downward trend in the rate of pilot-attributable and ATS-attributable airspace incidents for fixed wing aircraft and helicopters.**

Measures: Airspace incidents will be recorded by the number of incidents:

- per 100,000 flight hours to allow comparison with accident and other incident rates, and overseas trends; and
- in the case of ATS attributable incidents, per 100,000 movements in view of the relevance of movements to ATS operations.

Pilot-attributable airspace incidents will be categorised by weight breaks as per those under Accidents above.

Aircraft Group	Trend (ATS and Pilot)
13,608kg and above	Trending up
5,670kg to below 13,608kg	Trending down
2,721kg to below 5,670kg	Trending down
Below 2,721kg	Trending down
Helicopters	No identifiable trend

4. Reportable Aircraft Defects

Target: A downward trend in the rate of reportable aircraft defects for fixed wing aircraft and helicopters.

Measures: The number of defects per 100,000 flight hours with reports based on aircraft weight breaks as per those under Accidents above.

Aircraft Group	Trend
13,608kg and above	Trending up
5,670kg to below 13,608kg	Trending down
2,721kg to below 5,670kg	Trending down
Below 2,721kg	No identifiable trend
Helicopters	No identifiable trend

5. Level of Compliance with Civil Aviation Safety Rules

Target: An upward trend in the average compliance figure for specific industry sectors as measured against audit checklists.

Measures: Until all new civil aviation safety Rules are implemented plus an automated monitoring system to measure compliance with each specific Rule or Rule Part, measurement of compliance will be based on the audit ratings for each sector across all existing audit checklists relevant to that sector. Each of these existing checklists covers a compilation of standards, regulations and Rules relevant to the sector concerned rather than one specific Rule or Rule Part.

With the full implementation of the new Rules which are in most instances sector-specific, compliance rates will be recorded on the basis of the number of times compliance or non-compliance is found compared to the number of times each specific Rule or Rule Part is tested (e.g. during audits and spot checks using more rule-specific checklists).

This will allow comparison of compliance with each Rule or Rule Part with the safety achievement of the sector to which that Rule or Rule Part relates, and also provide a means of testing whether the Rules are targeting the correct safety elements to produce safe operations.

D. CAUSAL FACTORS

Two six-monthly Aviation Safety Reports covering the period 1 January 1998 to 31 December 1998 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 (i.e. accidents, incidents) that were reported during the six-month period.

Starting from 1999/2000 financial year, Safety Summary Reports will be produced and submitted to the Minister on a quarterly basis thus replacing the six-monthly Aviation Safety Reports. The first of these quarterly reports is scheduled for early July 1999. This document will contain details of causal factors relating to aircraft accidents.

AVIATION SECURITY SERVICE

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 ICAO standards;
- providing 24 hour mobile perimeter patrols at security designated aerodromes;
- providing security services as required including aircraft guards, aircraft searches and passenger reconciliation;
- issuing Airport Identity Cards and maintaining the National Airport Identity Card database;
- providing advice on aviation security to the Government and the aviation industry; and
- collecting, analysing and disseminating intelligence.

In addition to and in furtherance of the above statutory functions, the Aviation Security Service also 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 or Rules as may be determined from time to time;
- Providing mobile perimeter patrols at security designated aerodromes to standards laid down in relevant legislation or regulations or otherwise as determined by the Director of Civil Aviation from time to time;
- Providing aviation security services as required by the aviation industry, including aircraft guards, aircraft searches and passenger reconciliation to standards laid down in relevant legislation, regulations or Rules;
- Undertaking services on behalf of the Director of Civil Aviation;
- Providing advice on aviation security to the Government and the aviation industry;
- The collection, recording and analysis of all relevant aviation security information and the production of reliable intelligence reports; and
- Providing draft replies for Ministerial correspondence as requested by the Secretary for Transport on behalf of the Minister.

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 1998/99 financial year were:

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

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 Output for which the Aviation Security Service was responsible during the 1998/99 financial year was **Aviation Security Services**.

SUMMARY OF ACTIVITIES DURING THE YEAR

1. Changes to Funding Regime

11 July 1997 saw the introduction of a new funding regime for the Aviation Security Service with a reduction in the international departing passenger levy from \$5.00 (GST inc.) to \$4.00 (GST inc.). The change to the levy continued to have significant impact on revenue during the 1998/99 year, coinciding with a downturn in passenger numbers, primarily precipitated by Asian economic difficulties. However, the last four months of the year saw a strong rebound in passenger numbers, resulting in projected revenue from the departing passenger levy for the year exceeding budget.

2. Trans-Tasman Operations

During the year the Service continued to develop its regional airport operations. New staff were appointed in Hamilton, Palmerston North and Queenstown and locally based supervisors appointed in Palmerston North and Dunedin. The Queenstown operation continues to be directly managed from Christchurch.

3. VIP Movements

During the year, the Service committed 187 hours to VIP visits. A prominent visitor during the year was the US Secretary for State.

4. Planning

Planning for APEC dominated much of the year, with Service officials including the General Manager working closely with officials from other agencies on co-ordinating arrangements. In November two senior Auckland officers travelled to Malaysia as part of a New Zealand contingent to observe the security arrangements for the APEC meeting. Towards the end of the planning year those two officials commenced working on APEC on a full time basis. Involvement in the border control review, announced by the government in December, also proved to be a major commitment for the Service. Work also continued during the year on the development of a new Business Plan.

5. Internal Audits

The year saw the introduction of new internal audit arrangements that include monthly checklists on a variety of operational aspects for all stations to complete.

6. Appointments

During the year a number of appointments were made, using new appointment procedures introduced during 1997/98.

7. IT Developments

The year saw heavy commitments in the IT area, including preparations for the Millennium changeover, covered separately below. Good progress was made on the implementation of the new AIM ID card and ASAR, statistical data reporting systems and on clearing a backlog

of maintenance work. This included the implementation of new processes to minimise the risk of viruses.

There was some disruption to IT programmes early in the year with the unexpected resignation of the IT Systems Manager, who was replaced after a gap of one month.

8. Y2K Readiness

As expected, a major focus of the year was the Y2K readiness preparations. The Service was subject to several independent audits to test its preparedness and in addition has been reporting on a regular basis to the Civil Aviation Authority and the Y2K Readiness Commission. The results of the independent audits have been published on a three monthly basis by the State Services Commission and the last audit for the period ended 31 July 1999 saw the Service rated 4.6 out of 5 in terms of preparedness (above the then target of 3.9).

All equipment deemed non-compliant for Y2K purposes has now been replaced.

9. Explosive Detector Dog Unit

The year saw the ongoing development of the explosive detector dog unit. In August a third dog handler for Auckland commenced training and in December a fifth dog handler was appointed and commenced training in early 1999. Domiciled in Auckland until the completion of the APEC conference, that handler relocates to Christchurch in late 1999. At that stage there will be three dog units in Auckland and one each in Christchurch and Wellington.

The dog units will be extensively involved in APEC operations.

10. Accommodation

Accommodation projects for Christchurch and Wellington were completed during the year. In September the Prime Minister opened the new Christchurch terminal and screening point and in April the Wellington branch moved to its new accommodation situated alongside the Rescue Fire Station. After twenty years of "temporary" accommodation Wellington now has a permanent modern base. The move of the Wellington screening point is scheduled for late September 1999.

11. Triennial Independent Performance Review

In November the second triennial independent performance review of the Service was undertaken. This review was conducted by PricewaterhouseCoopers, joined by a representative from the Ministry of Transport and the Aviation Security Service and an industry member, Mr Silva Kandiah, General Manager of Singapore Airlines subsidiary, SATS Security. The review involved extensive consultation with the industry and other agencies.

The report that was presented to the Minister in late December 1998 is highly complimentary describing the Service as effective and efficient and delivering a professional and quality service. Some areas for improvement have been identified by the review team with the main recommendations covering rostering processes, risk management planning, communications with airlines and airports at both strategic and operational levels, costing of services and strategic human resource management and training.

12. Review of Border Control Machinery

In December 1998 the Minister for Food, Fibre, Biosecurity and Border Control announced a review of border management arrangements and the four agencies directly involved in these, including the Aviation Security Service. A review team was appointed in late January, headed by Sir Ron Carter, former chairperson of the Civil Aviation Authority and a secretariat appointed to support it. The secretariat includes an official from the Service's National Office, participating on a part time basis. The review has proved to be a major commitment for the Service, particularly as it has coincided with the increased intensity of APEC planning. As a result of this review it has been necessary to delay a number of planned initiatives.

An important aspect of the review has been staff communication and at key junctures the Service has co-ordinated joint staff newsletters with the other three agencies to ensure the same message is going to all staff affected by the review. In addition to issuing four newsletters on the review the General Manager has also held meetings at all stations to brief staff on the review.

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 and progressive human resources management.

1. Staff Numbers

	as at 30/6/1998	as at 30/6/1999	Variance
Female	70	85	+15
Male	87	114	+27
TOTAL	157	199	+42

2. Review of Recruitment Strategies

The year saw continued activity in the development of new recruitment strategies. These were initially trialed in mid 1998 and as a result of some of the experiences, modified in advance of the 1999 recruit round that commenced in April. In December the Service's medical assessor met with Service management to discuss medical standards applying to recruits. As a result of that meeting it has been decided that there will be no change to the recruit medical standards.

3. Training

The 1998/99 year involved a heavy commitment to training both within the Service and to overseas clients. During the year the training team was supplemented with the appointment of three Regional Quality Training Officers, one located in each of the three main airports. The last two appointees were still undergoing training at year end.

Staff training packages were developed for APEC operations and for dealing with intoxicated, violent and unruly passengers including those in breach of aircraft smoking provisions.

In January two representatives travelled to Fiji to conduct a further training programme for Guardforce Fiji Ltd, the provider of aviation security services in Fiji. This training was provided on a full cost recovery basis. Training to the South Pacific benefits New Zealand's aviation security interests as there are services linking New Zealand with many of the region's countries. Two senior officers attended an ICAO Aviation Security Management Course in Penang, Malaysia.

There were also four recruit courses conducted during the year, utilising new recruitment procedures developed and subsequently modified. All attendees passed the courses.

A number of staff also underwent dangerous goods and refresher dangerous goods training provided by an external organisation, with several staff scoring in excess of 95% on both courses.

The third First in Line course for aspiring supervisors finished in mid September with a successful pass by all attendees including invited participants from the NZ Customs Service and the AIAL.

STATEMENT OF IMPACTS AND CONSEQUENCES

A. OUTCOME MEASURES

The overall aviation security measures which relate directly to the first and third outcomes above, and indirectly to the second are:

1. **Inflight security incidents**
2. **Airside security incidents**
3. **Dangerous goods introduced into aircraft**

B. OUTCOME RESULTS

1. Inflight Security Incidents

Target: To achieve a nil rate of incidents involving offences against the Aviation Crimes Act 1972 on board of aircraft which have been screened by the Aviation Security Service.

Measure: *Number of inflight security incidents.*

Result: There were no inflight security incidents reported on aircraft screened by the Aviation Security Service.

2. Airside Security Incidents

Target: To achieve a nil rate of incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates.

Measure: *Number of airside security incidents.*

Result: There were no airside security incidents reported in areas covered by the Aviation Security Service.

3. Dangerous Goods Introduced Into Aircraft

Target: To achieve a nil rate of incidents involving the introduction of dangerous goods into aircraft that have been screened by the Aviation Security Service.

Measure: *Number of incidents involving dangerous goods*

Result: There were no dangerous goods incidents reported regarding aircraft screened by the Aviation Security Service.

FINANCIAL STATEMENTS

AND

STATEMENT OF SERVICE PERFORMANCE

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

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 grouped 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,
- b) the provision of Class III Search and Rescue Services, and
- (c) the provision of Aviation Security Services in New Zealand.

STATEMENT OF RESPONSIBILITY

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

- a) The preparation of the grouped financial statements of the Civil Aviation Authority of New Zealand, includes the Civil Aviation Authority, Search and Rescue and the Aviation Security Service (hereinafter referred to as the **Authority**) 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 grouped financial statements for the year ended 30 June 1999 are our responsibility; and
- c) In our opinion the grouped financial statements for the year ended 30 June 1999 fairly reflect the service performance, financial performance, position and cash flows of the Authority.

Rodger Fisher
Chairperson
Civil Aviation Authority
of New Zealand

Kevin W Ward
Director of Civil Aviation
Civil Aviation Authority

Mark T. Everitt
General Manager
Aviation Security Service

20 October 1999

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 1999

30/06/98 Actual \$000		Notes	30/06/99 Actual \$000	30/06/99 Budget \$000
REVENUE				
21,173	Levies		21,349	21,238
4,136	Crown		4,043	4,043
2,819	Fees and Charges		3,175	2,531
612	Interest		450	560
94	Other Revenue	1	32	15
28,834	TOTAL OPERATING REVENUE		29,049	28,387
EXPENDITURE				
15,933	Personnel	2	17,274	18,349
7,679	Other Operating		7,867	7,813
1,374	Depreciation		1,331	1,423
689	Capital Charge	3	1,059	1,046
875	Rental and Leases		949	964
102	Authority Members Fees	4	105	105
87	Bad Debts	5	79	-
30	Audit		33	32
26,769	TOTAL OPERATING EXPENDITURE		28,697	29,732
2,065	NET OPERATING SURPLUS		352	(1,345)

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF MOVEMENTS IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 1999

30/06/98 Actual \$000		Notes	30/06/99 Actual \$000	30/06/99 Budget \$000
5,635	Taxpayers' Equity as at 1 July 1998		8,402	9,635
2,065	Net Operating Surplus		352	(1,345)
2,065	Total recognised revenues and expenses for the year		352	(1,345)
1,000	Capital contribution	6	-	-
(250)	Repayment of capital		(750)	(250)
-	Retention of previous years surpluses	6	1,486	-
(48)	Provision for the payment of surplus to the Crown	6	(50)	-
8,402	Taxpayers' Equity as at 30 June 1999	6	9,440	8,040

⁶⁰ The accompanying accounting policies and notes form part of these financial statements.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 1999

30/06/98 Actual \$000		Notes	30/06/99 Actual \$000	30/06/99 Budget \$000
8,402	TAXPAYERS' EQUITY	6	9,440	8,040
	Represented by:			
	CURRENT ASSETS			
8,076	Cash	7	7,265	4,107
1,944	Receivables		2,563	1,879
389	Work in Progress		345	364
94	Prepayments		319	93
10,503	TOTAL CURRENT ASSETS		10,492	6,443
	NON-CURRENT ASSETS			
3,576	Non Current Assets	8	3,355	4,021
14,079	TOTAL ASSETS		13,847	10,464
	CURRENT LIABILITIES			
1,885	Payables		1,708	834
2,285	Provision for employee entitlements	9	2,408	1,542
1,486	Provision for payment of surplus to Crown	6	50	48
	NON-CURRENT LIABILITIES			
21	Provision for employee entitlements	9	241	-
5,677	TOTAL LIABILITIES		4,407	2,424
8,402	NET ASSETS		9,440	8,040

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999

30/06/98 Actual \$000	Notes	30/06/99 Actual \$000	30/06/99 Budget \$000
Cash Flows from Operating Activities			
Cash was provided from:			
21,212	Levies	20,581	21,487
4,136	Crown	4,043	4,042
2,895	Fees and Charges	3,726	2,630
614	Interest	468	564
59	Other Revenue	-	-
28,916		28,818	28,723
Cash was applied to:			
(15,745)	Payments to employees	(16,100)	(18,454)
(8,668)	Payments to suppliers	(10,600)	(9,580)
(688)	Payments of Capital Charge to the Crown	(1,056)	(1,046)
3,815	Net Cash Flow from Operating Activities	1,062	(357)
Cash Flows from Investing Activities			
Cash was provided from:			
137	Sale of Assets	59	155
Cash was applied to:			
(1,247)	Purchase of Assets	(1,182)	(2,026)
(1,110)	Net Cash Flow from Investing Activities	(1,123)	(1,871)
Cash Flows from Financing Activities			
Cash was provided from:			
1,000	Capital Contribution	-	1,437
Cash was applied to:			
-	Repayment of Surplus of Crown	-	(1,437)
(250)	Repayment of Capital	(750)	(250)
750	Net Cash Flow from Financing Activities	(750)	(250)
3,455	Net Increase/(Decrease) in Cash held	(811)	(2,478)
4,621	Add cash at 1 July 1998	8,076	6,585

62 The accompanying accounting policies and notes form part of these financial statements.

<u>8,076</u>	Cash held at 30 June 1999	7	<u>7,265</u>	<u>4,107</u>
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CIVIL AVIATION AUTHORITY OF NEW ZEALAND
RECONCILIATION OF NET OPERATING SURPLUS
TO NET CASH FLOW FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 1999

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
2,065	Net Operating Surplus	352	(1,345)
	Add non-cash items		
1,374	Depreciation	1,331	1,423
1,374	Total Non-Cash Items	1,331	1,423
	Movements in Working Capital		
260	Decrease/(Increase) in Receivables	(636)	169
(143)	Decrease/(Increase) in Work in Progress	44	(64)
47	Decrease/(Increase) in Prepayments	(225)	-
47	(Decrease)/Increase in Payables	(107)	(461)
198	(Decrease)/Increase in Employee Entitlements	343	(79)
409	Movements in Net Working Capital	(581)	(435)
	Movements in Investing Activities		
-	(Decrease)/Increase in Payables - Assets	(31)	-
(33)	Gain on sale of Assets	(9)	-
(33)	Total Movements in Investing Activities	(40)	-
3,815	Net Cash Flow from Operating Activities	1,062	(357)

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED STATEMENT OF COMMITMENTS
AS AT 30 JUNE 1999

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. Commitments relating to employment contracts are not included.

30/06/98 Actual \$000		30/06/99 Actual \$000
	Capital commitments	
100	Purchase of additional x-ray machines	-
30	Motor Vehicles	-
130	Total Capital commitments	-
	Non-cancellable operating lease commitments	
872	- Less than one year	797
858	- One year but less than two years	676
615	- Two years but less than five years	1,430
243	- Longer than five years	207
2,588		3,110
	Other non-cancellable contracts	
238	- Less than one year	267
190	- One year but less than two years	266
443	- Two years but less than five years	327
-	- Longer than five years	-
871		860
3,589	Total Commitments	3,970

STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 1999

Contingent liabilities are noted at the time that 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.

The outstanding contingent liabilities of the Authority as at 30 June 1999 amounted to \$1.544m (1998 \$2.255). These relate to legal claims against the Authority where the court decisions are uncertain.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
STATEMENT OF OPERATIONS OF INDUSTRY SEGMENTS
FOR THE YEAR ENDED 30 JUNE 1999

Segmental reporting has been applied to identify the 3 Industry segments operated within the Authority.

Industry Segment	Aviation Safety		Class III SAR		Security Service		Elimination		Grouped	
	1997/98 Actual \$000	1998/99 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000
Operating Revenue										
Revenue Outside the Group	17,371	17,682	1,288	1,244	9,563	10,091	-	-	28,222	29,017
Inter-Segment Revenue	100	152	-	-	-	73	(100)	(225)	-	-
Other Revenue	282	32	61	-	269	-	-	-	612	32
Total Revenue	17,753	17,866	1,349	1,244	9,832	10,164	(100)	(225)	28,834	29,049
Segment result	1,889	650	128	50	48	(348)	-	-	2,065	352
Segment Non-Current Assets	1,331	1,114	359	170	1,886	2,071	-	-	3,576	3,355

The Authority operates predominantly in three industries – Regulation of Civil Aviation Safety, Class III Search and Rescue Co-ordination and Aviation Security Service. Regulation of Civil Aviation Safety comprises the development of, and monitoring of compliance, with Aviation Rules. Class III Search and Rescue Co-ordination comprises the provision of a co-ordination search and rescue service for persons in distress. Aviation Security Service comprises the screening of international departing passengers and cabin baggage.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

GROUPED STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The grouped financial statements for the year ended 30 June 1999 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 grouped financial statements have been prepared in accordance with the accounting policies set out in the Statements of Standard Accounting Practice and Financial Reporting Standards approved by the Accounting Standards Review Board published by the Institute of Chartered Accountants of New Zealand.

The grouped financial statements comprise the following Output Classes:

Civil Aviation Authority

- **Policy Advice**
 - Advice to government
 - International Multilateral and Bilateral aviation safety related agreements
 - Legislation and Standards (including Rules) Development
- **Safety Assessment and Certification**
 - Aviation document assessment
 - Monitoring and corrective action identification
- **Safety Analysis and Information**
 - Safety investigation and analysis
 - Safety education and information
- **Enforcement**
 - Responses to Regulatory Breaches

Search & Rescue

- **Search & Rescue**
 - Provision of Class III search and rescue services

Aviation Security Service

- **Aviation Security Services**
 - 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 Grouped Financial Statements for the previous reporting period reflect the transactions for the Authority for the full 1997/98 year. When necessary, comparative figures have been

adjusted to conform to changes in presentation and classification adopted in the current reporting period.

Measurement Base

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

Budget Figures

The budget figures are those approved by the Authority and disclosed in the Statement of Intent 1998/99 – 2000/2001. The budget for SAR was modified during the year to account for the effect of the retained surplus. 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.

Income Tax

The 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 Receivables and Payables, 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 Grouping

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

Revenue Recognition

The Authority earns revenue from levies on air travel, provision of policy to the Crown, services to third parties and interest income from short-term investments. Such revenue is recognised when services are delivered and is reported in the financial period to which it relates.

Output Costing

Criteria for Direct and Indirect Costs

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

Direct costs account for 91% (1998 72%) of the of the Authority's costs.

Cost Drivers for allocation of Indirect Costs

Personnel costs are charged on the basis of actual time incurred. Property and other occupancy costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Computer costs are charged on the basis of actual PCs in use. Depreciation and capital charge are charged on the basis of asset utilisation.

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

Leases

Operating leases - where the lessors effectively retain substantially all the risks and benefits of ownership of leased items, lease charges are expended in the period in which they are incurred.

Receivables

Receivables are stated at their estimated realisable value after providing for doubtful and uncollectable debts.

Non Current Assets

Buildings are stated at net current value as determined by an independent registered valuer as at 31 January 1997. Buildings are revalued every three years.

Upward revaluations of buildings are credited to the appropriate asset revaluation reserve. Downward revaluations of these assets are debited to the appropriate asset revaluation reserve. Where this results in debit balance in the asset revaluation reserve, this balance is expended in the statement of financial performance.

The assets of the Authority are recorded at cost at the time of purchase. All non-current assets costing more than \$0.002m are capitalised and recorded at historical cost or valuation.

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 and associated depreciation rates used in the preparation of these statements are as follows:

Buildings	24 years	4.2%
Furniture and Fittings	10 years	10%
Plant and Equipment	5 - 10 years	20% - 10%
Office Equipment	5 years	20%
Motor Vehicles	4 - 5 years	25% - 20%
Computer Equipment	3 - 5 years	33% - 20%

Work in Progress

Work in Progress consists of incomplete safety assessment and certification or other jobs not yet invoiced at the balance date. Work in Progress is stated at its estimated realisable value, after deducting a provision for uncollectable work in progress.

Employee Entitlements

Provision is made in respect of Authority's liability for annual leave, long service leave and retirement leave.

Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service leave and retirement leave have been calculated on an actuarial basis.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and short term deposits in which the 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 the Authority.

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

Financial Instruments

The 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

There have been no changes in accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with other years.

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
NOTES TO THE GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

Note 1: Other Revenue

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
61	Miscellaneous Income	23	15
33	Gain on disposal of Assets	9	-
94		32	15

Note 2: Personnel

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
15,185	Personnel	16,700	17,575
306	Recruitment	221	186
442	Training	353	588
15,933		17,274	18,349

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

1998	Total remuneration and other benefits	1999
2	\$100,000 to \$109,999	3
2	\$110,000 to \$119,999	-
4	\$120,000 to \$129,999	4
1	\$130,000 to \$139,999	2
1	\$140,000 to \$149,999	2
1	\$150,000 to \$159,999	-
-	\$160,000 to \$169,999	1
1	\$180,000 to \$189,999	-
-	\$190,000 to \$199,999	1

The Director of Civil Aviation lies in the \$190,000 to \$199,999 band and the General Manager of Aviation Security Service remuneration lies in the \$160,000 to \$169,999 band.

Note 3: Capital Charge and Related Party Disclosures

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
689	Capital Charge	1,059	1,046

The Authority pays a capital charge to the Crown based on its taxpayers funds at 30 June and 31 December each year. The capital charge for 1998/99 was 11% (1997/98 11%).

The Authority undertakes transactions with the Crown, Government Departments and other Crown Entities. These transactions are carried out on an arm's length basis and these are not considered to be related party transactions.

Roger Fisher was a director of Owens Group until 30 June 1999. During the year the Authority issued aviation ID Cards to Owens Freights to a value of \$120. These transactions were supplied on normal commercial terms.

Robert Inglis is a director of Origin Pacific. During the year Origin Pacific were billed for Participation Levy, compliance assessment and ID Cards to a value of \$16,935. These transactions were supplied on normal commercial terms.

Catherine Hales, was General Manager – Operations of Wellington International Airport Limited (WIAL) until June 1999. During the year the Authority conducted compliance assessment, issued ID Cards and collected Passenger Levy from WIAL to a value of \$1,112,114. In addition the Authority rented accommodation from WIAL to a value of \$186,208. These transactions were supplied on normal commercial terms.

Note 4: Authority Fees

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
	Sir Ron Carter	-	-
-	R H Fisher	30	32
	J E Aburn	24	22
	C J Hales	15	15
	M R Dean	21	21
	R M Inglis	15	15
102	Honoraria	105	105

The Authority pays honoraria and actual or reasonable expenses to members in accordance with Cabinet Office Circular CO (99) 11 and CO (99) 12. No member received any payment for severance, ex-gratia or consultancy work. J E Aburn and M R Dean form the Aviation Security Service sub-committee.

Note 5: Bad Debts

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
14	Provision	50	-
73	Bad debts written off	29	-
87		79	-

Note 6: Taxpayers' Equity

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
7,781	General Fund	8,819	7,419
500	Risk Reserve	500	500
121	Revaluation Reserve	121	121
8,402	Taxpayers' Equity as at 30 June	9,440	8,040

Previous years surpluses

The retention of previous years surpluses represents the amounts provided for repayment to the Crown in previous reporting periods. The provisions have subsequently been approved by the Responsible Minister for retention as equity, as follows:

Provision for repayment 1997	1,438
Provision for repayment 1998	48
	1,486

Provision for repayment of surplus

Net surplus for the year	352
Less CAA Surplus retained to fund prior years deficit (in accordance with the SOI)	(650)
Add back Aviation Security Services deficit for current year	348
Provision for repayment of surplus	50

Note 7: Cash

30/06/98 Actual \$000		30/06/99 Actual \$000	30/06/99 Budget \$000
66	Cheque	7,235	3,097
2,050	Call	30	1,010
5,960	Term	-	-
8,076	Total	7,265	4,107

Note 8: Non Current Assets

30/6/98	30/6/98	30/6/98	Grouped	30/6/99	30/6/99	30/6/99	30/6/99
Cost or Accumulated	Depreciation	Carrying		Valuation	Cost or Accumulated	Depreciation	Carrying
\$000	\$000	Value		\$000	\$000	Value	Value
		\$000				\$000	\$000
3,770	2,842	928	Plant and Equipment	4,121	3,177	944	1,265
4,093	3,038	1,055	Computer Equipment	4,253	3,347	906	807
1,216	409	807	Motor Vehicles	1,384	602	782	998
721	42	679	Auckland Building ¹	721	73	648	680
575	494	81	Furniture and Fittings	522	471	51	145
168	142	26	Office Equipment	161	137	24	126
10,543	6,967	3,576	TOTAL ASSETS	11,162	7,807	3,355	4,021

Note 9: Employee Entitlements

30/06/98		30/06/99	30/06/99
Actual		Actual	Budget
\$000		\$000	\$000
1,311	Annual Leave	1,132	671
603	Performance Based pay	611	355
350	Salaries and Wages	575	516
21	Long Service Leave	241	-
21	Retirement Leave	90	-
2,306	Total	2,649	1,542
2,285	Current	2,408	1,542
21	Non-current	241	-
2,306	Total	2,649	1,542

Note 10: Financial Instruments

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

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

¹ The Auckland Building was revalued to net current value as determined by Seagar & Partners (Registered Valuers) as at 31 January 1997.

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

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

There is no significant credit risk.

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

The Authority has exposure to currency risk. Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of settlement.

There is no significant 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 1999 (1998 nil). The interest rates on the Authority's investments ranged from 1.9% to 9.13% pa (1998 - 6.87% to 9.79% pa).

ADDITIONAL INFORMATION

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

Financial Performance

Grouped	Statement of Financial Performance	Aviation Safety		Search & Rescue		Security Service		Elimination		Grouped	
		30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000
	Revenue										
21,173	Levies	11,795	11,938	-	-	9,554	9,300	-	-	21,349	21,238
4,136	Crown Funding	2,852	2,852	1,191	1,191	-	-	-	-	4,043	4,043
2,819	Fees / Charges	2,823	2,136	-	-	352	395	-	-	3,175	2,531
612	Interest	212	300	53	50	185	210	-	-	450	560
-	Inter-Group Income	152	150	-	-	73	82	(225)	(232)	-	-
94	Other Revenue	32	15	-	-	-	-	-	-	32	15
28,834	Total Revenue	17,866	17,391	1,244	1,241	10,164	9,987	(225)	(232)	29,049	28,387
	Expenditure										
15,933	Personnel Costs	10,217	11,005	156	199	6,901	7,145	-	-	17,274	18,349
7,679	Other Operating Costs	5,008	4,856	635	644	2,224	2,313	-	-	7,867	7,813
1,374	Depreciation	559	557	197	198	575	668	-	-	1,331	1,423
689	Capital Charge	448	436	124	110	487	500	-	-	1,059	1,046
875	Rental Property and Equipment	709	723	1	1	239	240	-	-	949	964
102	Authority Members' Costs	90	92	-	-	15	13	-	-	105	105
87	Bad Debts	79	-	-	-	-	-	-	-	79	-
30	Audit Fee	33	32	-	-	-	-	-	-	33	32
	Inter-Group Expense	73	82	81	80	71	70	(225)	(232)	-	-
26,769	Total Expenditure	17,216	17,783	1,194	1,232	10,512	10,949	(225)	(232)	28,697	29,732
2,065	Net Operating Surplus/(Deficit)	650	(392)	50	9	(348)	(962)	-	-	352	(1,345)

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999 (CONTINUED)

Movement in Taxpayers' Equity Reporting

Grouped	Statement of Movement in Taxpayers' Equity	Aviation Safety		Search & Rescue		Security Service		Grouped	
		30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000
5,635	Taxpayers' Equity at start of year	4,165	3,961	1,128	1,128	3,109	4,546	8,402	9,635
2,065	Net Operating Surplus/(Deficit)	650	(392)	50	9	(348)	(962)	352	(1,345)
2,065	Total recognised revenues and expenses for the year	650	(392)	50	9	(348)	(962)	352	(1,345)
1,000	Capital contribution	-	-	-	-	-	-	-	-
(250)	Repayment of capital	(750)	(250)	-	-	-	-	(750)	(250)
-	Retention of previous years surpluses	-	-	-	-	1,486	-	1,486	-
(48)	Provision for repayment of surplus to the Crown	-	-	(50)	-	-	-	(50)	-
8,402	Taxpayers' Equity at end of year	4,065	3,319	1,128	1,137	4,247	3,584	9,440	8,040

CIVIL AVIATION AUTHORITY OF NEW ZEALAND

**GROUPED FINANCIAL STATEMENTS
AS AT 30 JUNE 1999 (CONTINUED)**

Financial Position

Grouped	Statement of Financial Position	Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
		30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000
8,402	TAXPAYERS' EQUITY	4,065	3,319	1,128	1,137	4,247	3,584	-	-	9,440	8,040
	Represented by:										
	CURRENT ASSETS										
8,076	Cash	3,186	1,253	1,123	986	2,956	1,868	-	-	7,265	4,107
1,944	Receivables	1,705	1,387	-	-	875	492	(17)	-	2,563	1,879
389	Work in Progress	345	364	-	-	-	-	-	-	345	364
94	Prepayments	110		56	51	153	42	-	-	319	93
10,503	Total Current Assets	5,346	3,004	1,179	1,037	3,984	2,402	(17)	-	10,492	6,443
3,576	Non-Current Assets	1,114	1,520	170	162	2,071	2,339	-	-	3,355	4,021
14,079	Total Assets	6,460	4,524	1,349	1,199	6,055	4,741	(17)	-	13,847	10,464
	CURRENT LIABILITIES										
1,885	Payables	1,035	340	161	45	529	449	(17)	-	1,708	834
	Provisions										
2,306	Employee Entitlements	1,360	865	10	17	1,279	660	-	-	2,649	1,542
1,486	Repayment of Surplus to the Crown	-	-	50	-	-	48	-	-	50	48
5,677	Total Current Liabilities	2,395	1,205	221	62	1,808	1,157	(17)	-	4,407	2,424
8,402	NET ASSETS	4,065	3,319	1,128	1,137	4,247	3,584	-	-	9,440	8,040

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999 (CONTINUED)

Cash Flows

Grouped	Statement of Cash Flows	Aviation Safety		Search & Rescue		Security Service		Grouped	
		30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000
30/06/98									
Actual									
\$000									
	Cash Flow from Operating Activities								
	Cash was provided from:								
21,212	Levies	11,164	11,939	-	-	9,417	9,548	20,581	21,487
4,136	Crown funding	2,852	2,851	1,191	1,191	-	-	4,043	4,042
2,895	Fees & Charges	3,297	2,147	-	-	429	483	3,726	2,630
673	Other Revenue (incl. Interest)	222	300	53	50	193	214	468	564
28,916		17,535	17,237	1,244	1,241	10,039	10,245	28,818	28,723
	Cash was applied to								
(15,745)	Payments to employees	(9,310)	(10,766)	(164)	(199)	(6,626)	(7,489)	(16,100)	(18,454)
(8,668)	Payments to suppliers	(7,405)	(6,057)	(648)	(769)	(2,547)	(2,754)	(10,600)	(9,580)
(688)	Payments of Capital Charge	(448)	(436)	(124)	(110)	(484)	(500)	(1,056)	(1,046)
3,815	Net Cash Flow	372	(22)	308	163	382	(498)	1,062	(357)
	Cash Flow from Investing Activities								
	Cash was provided from:								
137	Sale of Assets	32	-	1	-	26	155	59	155
(1,247)	Purchase of Assets	(324)	(840)	(9)	-	(849)	(1,186)	(1,182)	(2,026)
(1,110)	Net Cash Flow	(292)	(840)	(8)	-	(823)	(1,031)	(1,123)	(1,871)
	Cash Flows from Financing Activities								
1,000	Capital contribution	-	-	-	-	-	1,437	-	1,437
-	Repayment of Surplus to Crown	-	-	-	-	-	(1,437)	-	(1,437)
(250)	Repayment of capital	(750)	(250)	-	-	-	-	(750)	(250)
750	Net Cash Flow	(750)	(250)	-	-	-	-	(750)	(250)
3,455	Net Increase/(Decrease) in Cash Flow	(670)	(1,112)	300	163	(441)	(1,529)	(811)	(2,478)
4,621	Add Opening Cash balance	3,856	2,365	823	823	3,397	3,397	8,076	6,585
8,076	Cash held at 30 June	3,186	1,253	1,123	986	2,956	1,868	7,265	4,107

CIVIL AVIATION AUTHORITY OF NEW ZEALAND
GROUPED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999 (CONTINUED)

Grouped Reconciliation of Net Operating Surplus to Cash Flow from Operating Activities

Grouped	Reconciliation of Net Operating Surplus to Cash Flow from Operating Activities	Aviation Safety		Search & Rescue		Security Service		Grouped	
		30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000	30/06/99 Actual \$000	30/06/99 Budget \$000
2,065	Net Operating Surplus/(Deficit)	650	(392)	50	9	(348)	(962)	352	(1,345)
	Add non-cash items								
1,374	Depreciation	559	557	197	198	575	668	1,331	1,423
1,374	Total Non-cash items	559	557	197	198	575	668	1,331	1,423
	Movements in Working Capital								
260	Decrease/(Increase) in Receivables	(512)	(90)	-	-	(124)	259	(636)	169
(143)	Decrease/(Increase) in Work in Progress	44	(64)	-	-	-	-	44	(64)
47	Decrease/(Increase) in Prepayments	(109)		(4)	1	(112)	(1)	(225)	-
47	(Decrease)/Increase in Payables	(285)	(298)	73	(44)	105	(119)	(107)	(461)
198	(Decrease)/Increase in Entitlements	75	265	(8)	(1)	276	(343)	343	(79)
409	Total Movements in Working Capital	(787)	(187)	61	(44)	145	(204)	(581)	(435)
	Movements in Investing Activities								
-	(Decrease)/Increase in Payables - Assets	(41)	-	-	-	10	-	(31)	-
(33)	Gain on Sale of Assets	(9)	-	-	-	-	-	(9)	-
3,815	Net Cash Flow from Operating Activities	372	(22)	308	163	382	(498)	1,062	(357)

STATEMENT OF SERVICE PERFORMANCE

CIVIL AVIATION AUTHORITY

For the Year Ended 30 June 1999

OUTPUT CLASS : POLICY ADVICE

Description

This Output class covers the following outputs, and associated activities and services:

A. Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements

- 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 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.

B. Rules and Standards Development

- The development and review of civil aviation safety and security legislation, standards and Rules for the regulation of New Zealand civil aviation.
- The assessment of overseas information such as Airworthiness Directives and the taking of appropriate Airworthiness Directive action.

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

Output Cost

Actual 1997/98 \$000	Output Class: Policy Advice	1 July 1998 – 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
2,852	Crown	2,852	2,852		
508	Other	254	340	86	34
3,360	Total Revenue	3,106	3,192	86	3
	Expenses				
1,194	Personnel	1,504	1,418	86	6
2,057	Operating (<i>Incl. Overhead Allocations</i>)	1,572	1,949	(377)	(24)
15	Depreciation	16	12	4	25
9	Capital Charge	13	8	5	38
3,275	Total Output Expenses	3,105	3,387	(282)	(9)
85	Net Surplus/(Deficit) for distribution	1	(195)	(196)	1,000

Service Performance

A. ADVICE TO GOVERNMENT

Performance Measures	1998/99 Results	
Quantity	Targets	Actual
Ministerial Servicing		
Draft responses to Ministerial correspondence.	70-90	60
Provide reports and briefings to the Minister.	70-90	62
Provide responses to Parliamentary Questions.	20-40	37
Provide reports and responses to Select Committees.	2-4	5
Safety Policy Advice		
Implement contracting out review recommendations.	15-Dec-98	Completed
Promulgate all current CAA policy in accessible format.	1-Mar-99	Project framework completed. Installation rescheduled to FY 99-2001
Review and recommend drug and alcohol limits and testing applicable to aviation.	31-May-99	Project rescheduled to FY 99-2000^(*)
Complete review of the application of Human Factors to operator certification and personnel licensing.	30-Jun-99	Project rescheduled to FY 99-2000^(*)
<i>(*) These projects were rescheduled because the examination policy project, unanticipated when the Performance Agreement was established, became a high priority for the industry and the Authority. In addition the work arising from the Ministerial Inquiry impacted on the policy projects.</i>		
Identify project framework and establish milestones to formalise aviation operational safety policies in relation to the three year transport strategic policy framework project.	30-Nov-98	Completed
Security Policy Advice		
Review security standards for domestic airline operations.	1-Apr-99	Completed 28 June 99
Develop and promulgate security policy advice to maintain the national aviation security programme, taking into account changes: (a) to ICAO Standards and Recommended practices; (b) to government policy; and (c) within those sectors of the industry involved in the implementation of security tasks and standards.	5 to 10 changes	11
Develop, from analysis of intelligence and information likely to affect security risk, advice and directions where appropriate to alter specific industry requirements.	30 to 50 actions	18
Provide security advice to industry and government agencies of high profile events including APEC, America's Cup, Olympics 2000.	10 to 20 actions	26
Legislation Development		
Provide draft amendment to the Civil Aviation Act 1990 to the Ministry of Transport.	30-Jun-99	Completed
Provide draft amendment to Civil Aviation (Offences) Regulations 1997 to the Ministry of Transport.	New target 1/3/1999	Completed
International Aviation and Safety Related Agreements		
Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters.	36-48	56
Petition for rule changes to implement ICAO Standards and Recommended Practices adopted by New Zealand.	5-15	10
Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptances or differences	17-28	11
Provide aviation safety and security advice and assistance to Samoa, Niue, and the Cook Islands.	30-50	82
Provide advice and representation in support of international agreements, projects, and other forums.	5-10	24

Quality / Timeliness	
<p>The Minister and Secretary for Transport will be formally requested, at least every six months, to indicate his/her level of satisfaction with the overall quality and timeliness of CAA policy advice legislation development and correspondence/ reports - <i>To achieve a minimum rating of good.</i></p> <p>Percentage and number of clients surveyed who rate aviation security advice as useful, credible, and timely - <i>To achieve a target of 75% or better.</i></p>	<p>Results of the survey completed in December 1998 show that CAA met the minimum rating of “good” in all areas except for the area of “timeliness” of legislation development – The rating in this area was marginally below “good”.</p> <p>Results of the survey returned the following ratings:</p> <ul style="list-style-type: none"> • 57% usefulness as good. • 61% credibility as good. • 79% timeliness as good. <p><i>(Good = 6 out of 10 or better)</i></p>
<p>Maintain ISO certification of the Government and International Group.</p>	<p>ISO certification was maintained.</p>

B. Rules and Standards Development

Performance Measures	1998/99 Results	
Quantity		
	Standard Target Completed by 30-Jun-99	Actual
New Rule Development		
Part 173 Air Navigation Service Organisations		97%
Part 95 IFR and Navigation Rules		97%
Part 115 Adventure Aviation		93%
Part 11 Subpart C Airspace designation procedures		90%
Part 34 Aircraft Engine Emissions		95%
Part 36 Aircraft Noise Certification		95%
Part 62 Recreational Pilot Certificates		75%
Rule Revisions		
Petitions for rule amendment to be assessed	(estimated range) 20-30	36
NPRM's to be published and amended	6-9	12
Special Standards Development / Rule Amendment Projects	2-5	11
Exemptions		
Petitions for rule exemptions processed	50-70	
	Petitions	
	Received	97
	Cancelled	46
	Exemptions	
	Granted	58
	Denied	4
Advisory Circular Development / Revision		
Advisory Circulars to be developed and revised	8-12	28

Determinations	
Requests for determinations on rules to be processed	15-20 27*
<i>(* 19 requests for determination on rules are now completed and the remaining 8 are still being processed.</i>	
Airworthiness Directives (AD)	
Airworthiness directives to be developed and published	180-200
	General Aviation AD Issued 179
	Overseas AD Reviewed 108
Requests for alternative means of compliance assessed	70-90 61
Variance:	Work on the 1998/99 new Rules programme identified for the Performance Agreement was influenced by a series of issues that arose with industry. In particular a high level of industry demands for a review of the Part 135 requirements had a considerable impact for the first half of the year with extensive industry consultation required before a Part 135 review package was provided to the Minister of Transport and signed on 29 March 1999. Other areas to impact on the Rules Team workload included ongoing consultation on Part 115 Adventure Aviation, establishment of the Civil Aviation and Industry Rules Advisory Group (CIRAG), and increased demands for exemptions, petitions for Rule amendments, advisory circular information, and determinations on Rules compared with previous years. The Rule making process itself became more prolonged with the increased involvement of the industry, the Ministry of Transport, and the Rules Regulation Review Committee. Despite these factors, significant progress was achieved on the programme and the remaining work has been rescheduled into the 1999/2000 programme.
Quantity / Timeliness	
The Minister and Secretary for Transport will be formally requested, at least every six months, to indicate his/her level of satisfaction with the overall quality and timeliness of Rules and standards development - <i>To achieve a minimum rating of good.</i>	Results of the survey completed in December 1998 show that the Minister of Transport was very satisfied by rating the CAA's quality and timeliness of Rules and standards development as "Excellent" whereas the Secretary of Transport rated his satisfaction in the neutral category.
Maintain ISO certification of the Rules and Standards Group.	ISO certification was maintained.

OUTPUT CLASS: SAFETY ASSESSMENT AND CERTIFICATION

Description

This Output Class covers:

A. *Aviation Document Assessment*

- The exercise of control over entry into (and exit from) the New Zealand civil aviation system through the issue or amendment of aviation documents and approvals.

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 within the civil aviation system.
- The identification and follow-up of corrective actions which need to be taken by participants and holders of aviation documents to maintain 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

Output Cost

Actual 1997/98 \$000	Output Class: Safety Assessment and Certification	1 July 1998 - 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
	Crown				
7,861	Other	9,149	9,038	(111)	(1)
7,861	Total Revenue	9,149	9,038	(111)	(1)
	Expenses				
3,764	Personnel	4,756	4,334	422	9
4,335	Operating (<i>Incl. Overhead Allocations</i>)	4,729	4,588	141	3
36	Depreciation	41	18	23	56
16	Capital Charge	32	24	8	25
8,151	Total Output Expenses	9,558	8,964	594	6
(290)	Net Surplus/(Deficit)	(409)	74	483	(118)
500	Transfer to Risk Reserve				
(790)	Net Surplus/(Deficit) for distribution	(409)	74	483	(118)

Service Performance

A. AVIATION DOCUMENT ASSESSMENT

Performance Measures -	1998/99 Results	
Quantity		
Number of:	Estimated Range	Actual
- Personnel Licensing work requests (*)	3,000-3,500	2,481
- Medical Assessments (98% assessed externally)	7,000-8,000	7,109
- Operator Certification work requests (*)	1,700-2,000	1,844
- Aircraft Certification work requests (*)	1,200-1,400	1,173
- Aircraft Registration work requests (*)	1,200-1,250	1,417
<p>Variance: The variances recorded against Personnel Licensing and Aircraft Registration reflect the customer driven nature of these activities. The small variance in Aircraft Certification is judged to be insignificant given there were a number of large jobs involving the export of a number of Boeing 747.</p> <p>Note: (*) Work requests include new licences/certifications, amendments, endorsements, and provision of advice on implementation of new Rules.</p>		
Quality		
Percentage of entry assessments that are accurate and complete. <i>Entry applications assessed where the assessment process complies with Rules and standards, and policy and procedures, as confirmed by internal audit.</i>	The Aircraft Certification Unit and Personnel Licensing Unit were subject to internal audit in April. The Aeronautical Services Approval Unit was subject to internal audit in May. In all cases these units were found to be fully compliant as confirmed by the internal audit reports.	
Maintain ISO Certification of Safety Certification Group.	ISO certification was maintained.	
Timeliness		
Percentage and number of clients surveyed who respond and rate the aviation document assessments as accurate and timely. <i>To achieve a target of 75% or better.</i>	<p>Results of the survey completed in December 1998 show that targets were met:</p> <ul style="list-style-type: none"> • 79% of respondents rated timeliness of assessment as good. • 88% of respondents rated accuracy of assessment as good. <p><i>(Good = 6 out of 10 or better)</i></p>	

B. MONITORING AND CORRECTIVE ACTION IDENTIFICATION

Performance Measures -		1998/99 Results			
Quantity					
Programmed routine audits and inspections:					
		<i>Estimated</i>		<i>Actual</i>	
		<i>No. of</i>		<i>No. of</i>	
Certificate	Industry Category	Modules to	No. of	Modules	No. of
		Complete	Hours	Completed	Hours
8	(Large) Air Transport Operators ⁽¹⁾	83	1,702	55	1,337
155	(Small) Air Transport Operators ⁽²⁾	315	2,133	233	3,509
87	Agricultural Operators ⁽³⁾	141	310	65	509
47	Maintenance Organisations ⁽⁴⁾	79	2,185	54	2,112
60	Other Organisations ⁽⁵⁾	61	452	115	1,140
5	Aerodromes ⁽⁶⁾	10	109	69	510
12	Airways Services ⁽⁷⁾	44	518	25	704
Total, routine audits and inspections		733	7,409	616	9,821
Special purpose audits and inspections		-	640	-	367
Spot Checks		-	1,500	-	1,222
Monitoring		-	100	-	36
Activity Totals		733	9,649	616	11,446
Variance:	1) The variance in total number of modules completed is the result of:				
	Deferral due to operator in Entry Certification			10	
	Customised Programme Reassessment			10	
	Module Alignment			3	
	Certificate Holders not operating in NZ (Part 129)			5	
	2) Module numbers decreased for reasons listed below; hours increased due to increase of charged hours for each audit.				
	Deferral due to operator in Entry Certification			11	
	Customised Programme Reassessment			3	
	Module Alignment			21	
	Modules made Inactive (certificates revoked/surrendered)	29			
Note: Historically a large number of audits, for large and small Air Transport Operators, have been carried out in the last quarter. However, to avoid this 'bottleneck' scenario in the future the audit unit has worked to ensure a more even spread of audits through the year. As a result a number of audit modules have now been rescheduled for 1999/2000.					
	3) Total modules are shown for this sector whereas module numbers completed reflect the agreement between CAA and NZAIA where AIA members get audited every 2 years instead of annually (Refer to note (1) page 38 of the Performance Agreement 98/99).				
	Programme Realignment			49	
	Modules made Inactive (certificates revoked/surrendered)	11			
	4) The variance in the yearly total number of modules completed is the result of:				
	Entry Certification			9	
	Module Alignment			7	
	Modules Revoked/Surrendered			4	
	5) There was an under-estimation of the number of modules to be completed for this financial year.				

- 6) The database was rescheduled throughout the year to enable the auditor to carry out aerodrome audits in the same area. This restructuring allowed the audit unit to carry out more audits at a lesser travelling / time cost.
- 7) Airways Services now have new Customised Audit Programme the modules were reassessed causing decrease in numbers for financial year 98/99.

Due to the audit module database being a 'living' document, any remaining variances in module number can be attributed to the natural flow of entry / exit from the system, recertification of operators and further alignments and reassessment made during the course of the year that may have been overlooked.

Quality / Timeliness

Percentage, number and trend of deficiencies present detected as part of the audit process.	Findings Issued	Actual 1,428
	Modules Completed	616
	Average Findings per Audit Module	2.32
Percentage and number of scheduled audit and inspection modules completed by the due date set in the audit programme.	Scheduled in period	Actual 748
	Completed by due date	522
	Percentage	70%
Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance - <i>To achieve a target of 100%</i> .	Actions Registered	Actual 1,834
	Actions Implemented	1,780
	Percentage Implemented	97%
	<i>Actions Overdue at end of Year</i>	54

Variance: There was a major effort at the end of this financial year to complete the large number of audits due in the last quarter. This meant that a directive was given that audit completion was a priority. The overdue action follow up was rescheduled into the first two weeks of the 1999/2000 financial year, where the majority of the overdue actions identified were closed. The result in the variances at the time of this report reflecting an artificially high number of actions overdue.

OUTPUT CLASS: SAFETY ANALYSIS AND INFORMATION

Description

This Output Class covers the following outputs and activities:

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 aircraft reliability data and flight operations information, and the taking of appropriate action.
- The assessment of overseas safety information and taking 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

Output Cost

Actual 1997/98 \$000	Output Class: Safety Analysis and Information	1 July 1998 - 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
	Crown				
5,071	Other	4,145	4,608	463	11
5,071	Total Revenue	4,145	4,608	463	11
	Expenses				
1,636	Personnel	1,861	1,759	102	5
1,957	Operating (Incl. Overhead Allocations)	2,438	2,340	98	4
51	Depreciation	50	45	5	10
43	Capital Charge	39	42	(3)	(8)
3,687	Total Output Expenses	4,388	4,186	202	5
1,384	Net Surplus/(Deficit) for distribution	(243)	422	665	(274)

Service Performance

A. SAFETY INVESTIGATION AND ANALYSIS

Performance Measures	1998/99 Results															
Quantity / Timeliness																
Number of Aviation Safety reports - <i>Two 6 monthly reports are produced within 5 months of period end.</i>	Two six monthly reports were completed within the required time frame.															
Number of investigations initiated into aviation safety occurrences.	Estimated Range Actual Investigated Occurrences 2300 - 2700 2371															
Quality																
Percentage of investigations of critical or major occurrences completed: <ul style="list-style-type: none"> 70% within 6 months of registration 90% within 12 months of registration 100% within 2 years of registration <p>TAIC advised by the CAA of acceptance (or rejection) of their recommendations within the timeframe set out in TAIC/CAA Memorandum of Understanding - <i>To achieve a target of 100% within 10-21 days.</i></p> <p>Percentage of accepted TAIC recommendations implemented by the CAA - <i>To achieve a target of 100%.</i></p>	<table> <thead> <tr> <th></th> <th>Target</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>% Completed within</td> <td></td> <td></td> </tr> <tr> <td>6 months</td> <td>70%</td> <td>72% (508)</td> </tr> <tr> <td>12 months</td> <td>90%</td> <td>97% (691)</td> </tr> <tr> <td>2 years</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table> <p>A total of six recommendations were received and responded to within the required time frame.</p> <p>All accepted TAIC recommendations received during the year were implemented as previously reported.</p>		Target	Actual	% Completed within			6 months	70%	72% (508)	12 months	90%	97% (691)	2 years	100%	100%
	Target	Actual														
% Completed within																
6 months	70%	72% (508)														
12 months	90%	97% (691)														
2 years	100%	100%														

<p>Percentage and number of clients surveyed who respond and rate safety information as useful, accurate, timely and credible - <i>To achieve a target of 75% or better.</i></p> <p>Maintain ISO certification of Safety Investigation and Analysis Group.</p>	<p>Results of the survey completed in December 1998 show that targets were largely met.:</p> <ul style="list-style-type: none"> • 84% usefulness as good. • 90% accuracy as good. • 64% timeliness as good. • 86% credibility as good. <p><i>(Good = 6 out of 10 or better)</i></p> <p>ISO certification was maintained.</p>
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B. SAFETY EDUCATION AND INFORMATION

Performance Measures	1998/99 Results												
Quantity													
Number of Vector Periodicals Number Videos Number of Kiwi Safety Seminars	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;"><i>Target</i></th> <th style="text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Vector Periodicals</td> <td style="text-align: center;"><i>Minimum of 7</i></td> <td style="text-align: center;">8</td> </tr> <tr> <td>CAA Safety Videos</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Kiwi Safety Seminars</td> <td style="text-align: center;">24</td> <td style="text-align: center;">26</td> </tr> </tbody> </table>		<i>Target</i>	Actual	Vector Periodicals	<i>Minimum of 7</i>	8	CAA Safety Videos	2	3	Kiwi Safety Seminars	24	26
	<i>Target</i>	Actual											
Vector Periodicals	<i>Minimum of 7</i>	8											
CAA Safety Videos	2	3											
Kiwi Safety Seminars	24	26											
Quality													
<p>Percentage and number of clients surveyed who rate the periodicals, videos, and seminars as useful and credible - <i>To achieve a target of 75% or better.</i></p> <p>Maintain ISO Certification of Safety Education and Publishing unit</p>	<p>Results of the survey completed in December 1998 show that targets were met.</p> <p>periodicals magazines and videos were rated:</p> <ul style="list-style-type: none"> • 88% usefulness as good. • 90% credibility as good. <p>seminars and workshops were rated:</p> <ul style="list-style-type: none"> • 81% usefulness as good. • 86% credibility as good. <p><i>(Good = 6 out of 10 or better)</i></p> <p>ISO certification was maintained.</p>												

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 of regulations and Rules made under the Act; 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

Output Cost

Actual 1997/98 \$000	Output Class: Enforcement	1 July 1998 - 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
	Crown				
1,051	Other	691	816	125	18
1,051	Total Revenue	691	816	125	18
	Expenses				
275	Personnel	379	255	124	33
348	Operating (<i>Incl. Overhead Allocations</i>)	353	424	(71)	(20)
623	Total Output Expenses	732	679	53	7
428	Net Surplus/(Deficit) for distribution	(41)	137	178	(434)

Service Performance

ENFORCEMENT

Performance Measures	1998/99 Results
Quantity	
Number of alleged offences reported/recorded	<i>Estimated</i>
Number of detailed investigations undertaken	<i>Range</i> Actual
	Alleged offences reported/recorded 180-220 265
	Detailed investigations undertaken 120-140 185
Quality / Timeliness	
Percentage of alleged offences reported/recorded in the period initially assessed - <i>To achieve a target of 100%.</i>	100% of alleged offences were reported and recorded in the period initially assessed.
Percentage of detailed investigations completed in the period:	<i>Target</i> Actual
<ul style="list-style-type: none"> • 90% within 6 months of commencement • 100% within 12 months of commencement 	Investigations completed within:
	6 months 90% 92%
	12 months 100% 100%
High proportions of enforcement action taken are resolved in favour of the CAA measured by percentage and number of success.	Actual
	Enforcement Actions Taken* 65
	Number of Success 64
	Percentage of Success 98%
	<i>* Actions taken include prosecutions and formal warnings.</i>
Maintain ISO certification of the Enforcement Unit.	ISO certification was maintained.

CLASS III SEARCH AND RESCUE SERVICES

For the Year Ended 30 June 1999

OUTPUT CLASS : CLASS III SEARCH AND RESCUE SERVICES

Description

This output class involves the purchase of search and rescue 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

Output Cost

Actual 1997/98 \$000	Output Class: Class III Search and Rescue Services	1 July 1998 - 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
1,285	Crown	1,191	1,191	0	0
61	Interest	50	53	3	6
3	Gain/(loss) on disposal of assets				
1,349	Total Revenue	1,241	1,244	3	0
	Expenses				
174	Personnel	199	156	43	22
639	Operating	725	717	8	1
298	Depreciation	198	197	1	1
110	Capital Charge	110	124	(14)	(13)
1,221	Total Output Expenses	1,232	1,194	38	3
128	Net Surplus/(Deficit)	9	50	41	(456)

Service Performance

SEARCH AND RESCUE

Performance Measures	1998/99 Results
Quantity	
Number of SAR incidents responded to	<i>Estimated Range</i>
Number of SAR Missions undertaken	Actual
	Incidents responded to 1100 - 1300 711
	Missions undertaken 26 - 30 18
	<p>Notes:</p> <p>1. The estimated range of incidents responded to is inflated due to the inadvertent double accounting of the LUT alerts (450) in the total. The estimated total number of SAR incidents should have been 650.</p> <p>2. The YTD result includes SAR incidents occasioned by 527 LUT alerts.</p>
Quality	
Maintain ISO Certification of National Rescue Co-ordination Centre	ISO certification was maintained.
Timeliness	
100% of SAR incidents responded to within 10 minutes of notification	100% of SAR incidents were responded to within the required time frame.

AVIATION SECURITY SERVICE

For the Year Ended 30 June 1999

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

Output Cost

Actual 1997/98 \$000	Output Class: Aviation Security Service	1 July 1998 - 30 June 1999			
		Budget \$000	Actual \$000	Variance	
				\$000	%
	Revenue				
9,561	Other	9,777	9,979	202	2
269	Interest	210	185	(25)	(12)
2	Gain on disposal of assets				
9,832	Total Revenue	9,987	10,164	177	2
	Expenses				
6,543	Personnel	7,145	6,901	244	3
2,354	Operating	2,636	2,549	87	3
545	Depreciation	668	575	93	14
342	Capital Charge	500	487	13	3
9,784	Total Output Expenses	10,949	10,512	437	4
48	Net Surplus/(Deficit)	(962)	(348)	614	(64)

Service Performance

1. Passenger Screening

Description: Screening of all departing international passengers and their baggage as may from time to time be required by national or international authorities.

Performance Measures	1998/99 Results								
Quantity									
Number of passengers screened. <i>Target: 2,720,663</i>	<table> <tr> <td>Actual</td> <td>2,781,990</td> </tr> <tr> <td>Forecast</td> <td>2,720,663</td> </tr> <tr> <td>Variance</td> <td>+61,327</td> </tr> <tr> <td>% Variance</td> <td>+2.25%</td> </tr> </table> <p>The slow increase in passenger numbers accelerated during the final quarter. The resulting annual figure shows a modest improvement over the budgeted estimates for the year.</p>	Actual	2,781,990	Forecast	2,720,663	Variance	+61,327	% Variance	+2.25%
Actual	2,781,990								
Forecast	2,720,663								
Variance	+61,327								
% Variance	+2.25%								
Quality									
98% compliance with the National Aviation Security Programme as audited.	No corrective action requests were raised by external auditors during the period.								
95% detection rate in the Recurrent Testing Programme.	<table> <tr> <td>Test Objects</td> <td>1,590</td> </tr> <tr> <td>Objects detected</td> <td>1,541</td> </tr> <tr> <td>% detected</td> <td>96.9%</td> </tr> </table>	Test Objects	1,590	Objects detected	1,541	% detected	96.9%		
Test Objects	1,590								
Objects detected	1,541								
% detected	96.9%								
During 1998/99 year there will be no more than 1 formal complaint per 100,000 passengers.	<table> <tr> <td>Annual Estimate</td> <td>27</td> </tr> <tr> <td>Actual Formal Complaints</td> <td>1</td> </tr> </table>	Annual Estimate	27	Actual Formal Complaints	1				
Annual Estimate	27								
Actual Formal Complaints	1								
Timeliness									
No flight delays due to screening activities.	There were no flight delays due to screening activities.								

2. Aircraft Search

Description: Searching of all aircraft as required by national or international regulatory authorities or the operator.

Performance Measures	1998/99 Results								
Quantity									
950 aircraft will be searched	<table> <tr> <td>Actual</td> <td>966</td> </tr> <tr> <td>Estimate</td> <td>950</td> </tr> <tr> <td>Variance</td> <td>+16</td> </tr> <tr> <td>%Variance</td> <td>+1.68%</td> </tr> </table>	Actual	966	Estimate	950	Variance	+16	%Variance	+1.68%
Actual	966								
Estimate	950								
Variance	+16								
%Variance	+1.68%								
Quality									
Compliance with the National Aviation Security programme.	There were no external audits of aircraft search activities during the year.								
95% detection rate in recurrent testing programme as measured by the percentage of test	<table> <tr> <td>Objects Used</td> <td>355</td> </tr> <tr> <td>Objects detected</td> <td>337</td> </tr> </table>	Objects Used	355	Objects detected	337				
Objects Used	355								
Objects detected	337								

objects detected.	% test objects detected	94.9%
No more than 5 customer complaints.	Nil	
Timeliness		
Number of flight delays due to search activities.	Nil	

3. Patrols

Description: Patrols at all Security Designated Aerodromes and patrols as required at navigation installations.

Performance Measures	1998/99 Results
Quantity	
Number of patrol hours (58,000)	Actual Hours 52,397 Estimate Hours 58,000 Variance -5,603 %Variance -9.66%
Number of incidents attended (800) Note: The marked number of incidents over the estimate is due to a new reporting system introduced during the year that is capturing statistics that were previously lost.	Number of Incidents 3,280 Estimate 801 Variance +2,479 %Variance +309.5%
Quality	
Persons unlawfully within a security area will be detected within five minutes of entry.	There were no reports of persons remaining undetected for over five minutes.
Timeliness	
Incidents attended within three minutes of coming to notice.	There were no reports of incidents not attended within three minutes.

4. Access Control

Description: Control of unauthorised access through controlled access points. Issue Airport Identity Cards to all authorised persons requiring them.

Performance Measures	1998/99 Results
Quantity	
Number of incidents of unauthorised access Number of Airport Identity Cards issued <ul style="list-style-type: none"> • 6,000 Permanent • 20,000 Temporary 	Nil Permanent Cards Issued 6,011 Temporary Cards Issued 15,375 In addition 3369 visitor and 430 company identity cards were issued during the year.
Quality	
95% compliance by Airport Identity Cardholders with the requirement for use.	Number of checks 13,557 Number of Breaches 210

	Percentage Compliance	98.5%
Timeliness		
95% of Airport Identity Cards replaced by expiry date.	Number of checks	13,557
	Number of expired cards	89
	Percentage expired	0.6
	Percentage Current	99.4

5. Promote Security Awareness and Airline Co-operation

Description: Supply of security awareness training as required.

Performance Measures	1998/99 Results
Quantity	
Number of courses held (<i>Target: 75</i>)	45
Quality	
Level of customer satisfaction – needs of customer met based on course evaluations.	All customers were satisfied with the training given.
Timeliness	
Percentage of training requests met within one week	100%

6. Maintain Cost Effective Operations

Performance Measures	1998/99 Results
Quantity	
The cost of operations will be within budget.	There were no cases of expenditure exceeding budget.
Quality	
Cost of operations will be maintained by comparative benchmarking.	The third party review carried out by PricewaterhouseCoopers included the General Manager of Singapore Air Terminal Services Security in the team. This enabled them to benchmark the Service against that organisation. The issues raised by the review are now being worked through.
Financial reporting will be in compliance with the Public Finance Act.	There were no non-compliances reported.
Timeliness	
All financial reports produced within deadlines as may be set by the Civil Aviation Authority, Ministry of Transport or Treasury.	There were no cases of late reporting reported.

COST EFFICIENCY AND EFFECTIVENESS MEASURES

Performance Indicator	1998/99 Results	
The ratio of output expenditure to the number of access and security breach incidents.	Average cost	\$2,525,702
<i>Trends from year to year and three year rolling average.</i>	Average number of incidents	1,698
	Ratio	\$1,487.46

COST EFFICIENCY

Performance Indicator	1998/99 Results	
The ratio of output expenditure to the number of passengers screened.	Average cost of screening	\$2,901,731
<i>Trends from year to year and three year rolling average.</i>	Average number of passengers	2,816,926
	Ratio	\$1.03
The ratio of output expenditure to the number of aircraft searched.	Average cost of screening	\$74,634
<i>Trends from year to year and three year rolling average.</i>	Average number of aircraft	908
	Ratio	\$82.20

AUDIT NEW ZEALAND REPORT