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Civil Aviation Authority of New Zealand  
(Including the Aviation Security Service)

# ANNUAL REPORT

for the year ended 30 June 2003

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*Presented to the House of Representatives Pursuant to  
Section 44A of the Public Finance Act 1989*

## **The Minister of Transport**

This Annual Report has been prepared in accordance with:

- 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 of the Civil Aviation Authority of New Zealand for the year 1 July 2002 to 30 June 2003.



**Rodger Fisher**  
**Chairperson**

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## Abbreviations

ACAS	Airborne Collision Avoidance System
ACNZ	Airways Corporation of New Zealand
AIA	Aviation Industry Association
AIP	Aeronautical Information Publications
AIS	Aeronautical Information Service
APEC	Asia Pacific Economic Co-operation
AQI	Audit Quality Index
ASAR	Aviation Security Statistics Recording
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
CIRAG	CAA / Industry Rules Advisory Group
CNS	Communications, Navigation and Surveillance
EAP	Employee Assistance Programme
EDD	Explosive Detector Dogs
EEO	Equal Employment Opportunities
ELT	Emergency Locator Transmitters
ETOPS	Extended Twin-engine Operations
GPWS	Ground Proximity Warning Systems
GST	Goods and Services Tax
ICAO	International Civil Aviation Organisation
ISO	International Organisation for Standardisation
LUT	Local User Terminal
GEOLUT	Geo-stationary Satellite Local User Terminal
HSE	Health and Safety in Employment
LEOLUT	Low Earth Orbit 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
NZAAA	New Zealand Agricultural Aviation Association
NZHGPA	New Zealand Hang Gliding and Paragliding Association
NZSRR	New Zealand Search and Rescue Region
RNZAF	Royal New Zealand Air Force
RVSM	Reduced Vertical Separation Minimum
SAR	Search and Rescue
SSC	State Services Commission
TAIC	Transport Accident Investigation Commission
TAOC	Transitional Air Operator Certificate

## Directory

### Civil Aviation Authority of New Zealand



	<b>Civil Aviation Authority</b>	<b>Search &amp; Rescue Services</b>	<b>Aviation Security Service</b>
<b>Head Office</b>	10 Hutt Road Petone  Tel: +64 4 560 9400 Fax: +64 4 569 2024	1 Market Grove Lower Hutt  Tel: +64 4 5609549 Fax: +64 4 566 2525	109 Featherston Street Wellington  Tel: +64 4 495 2430 Fax: +64 4 495 2432
<b>Airport Offices</b>	Auckland Christchurch		Auckland Hamilton Palmerston North Wellington Christchurch Dunedin Queenstown
<b>Postal Address</b>	P O Box 31 441 Lower Hutt	P O Box 31 441 Lower Hutt	P O Box 2165 Wellington
<b>Auditor</b>	Audit New Zealand on behalf of the Auditor General		
<b>Solicitors</b>	Crown Law Office		
<b>Bankers</b>	Westpac Trust		
<b>Insurance Brokers</b>	Marsh Limited		

## Profile

# Civil Aviation Authority of New Zealand

### Overview

The Civil Aviation Authority (the “CAA”) was established under the Civil Aviation Act 1990 on 10 August 1992 and is deemed a Crown Entity for the purposes of the Public Finance Act. Its prime function is undertaking activities that promote civil aviation safety at reasonable cost.

The Civil Aviation Authority of New Zealand is a five member board 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, like the CAA, was also previously part of the Ministry of Transport and remained under the umbrella of the Ministry until 1993 when responsibility for the Service was transferred from the Ministry to the Authority. The Authority is required to perform its functions in respect of the Service separately from its other CAA functions, including the maintenance of separate accounts, records and reports.

The Authority also has direct responsibility for the provision of Class III Search and Rescue Services. These services are now a direct output of the CAA with separate staffing, resourcing and financial accounting.

This separation of Search and Rescue services from the CAA’s regulatory functions is in line with the principles on which the Civil Aviation Authority was set up. It also keeps the financial arrangements vis a vis Crown funding of Search and Rescue Services separate from Crown funding of the Civil Aviation Authority’s policy advice functions.

### Members of the Authority

#### Rodger Fisher (Chairperson)

Rodger Fisher, retired from the position of Managing Director of the Owens Group in 1999, has extensive transport sector experience and a strong background in business management. Mr Fisher is also a Director of Waste Management New Zealand Limited, Fletcher Challenge Forests Limited, Lyttelton Port Company Limited, Deputy Chairman of Wel Networks Limited, and a Director of several other companies. Mr Fisher was appointed Chairperson of the Authority in 1998.

#### Hazel Armstrong (Deputy)

Hazel Armstrong is a Wellington based barrister. Ms Armstrong has recently worked as counsel for the Rail Maritime Transport Union at the Ministerial Inquiry into Tranzrail safety. Ms Armstrong has a strong background in research and in the application of work place health and safety and personal injury litigation, and was a member of a government advisory committee on occupational safety and health. Ms Armstrong has held a variety of union positions and has been a Wellington City Councillor, a Government appointee to the ACC regulations review panel, a Director of Capital Power and a Director of ACC. Ms Armstrong is also an author of the Brooker’s publication “Personal Injury in New Zealand” and member of the New Zealand Law Society committee on ACC. Ms Armstrong was appointed to the Authority in 2001.

**John Gabriel**

John Gabriel flew with National Airways Corporation (NAC), serving as a DC3 training Captain and F27 Captain before joining Air New Zealand in 1971. Mr Gabriel was a B747 flight instructor with Air New Zealand and a B747 line Captain with Thai Airways International. After retiring from active flying he served as a B747 flight simulator instructor with Air New Zealand Ltd until August 1999. Mr Gabriel was appointed to the Authority in 2000.

**Gordon Vette**

Gordon Vette flew as senior check and training Captain with Air New Zealand on B747 and other types. Mr Vette is well known for his work in pilot training and flight safety enhancement systems. Mr Vette was appointed to the Authority in 2000.

**Ron Tannock**

Ron Tannock is a graduate of The University of Strathclyde, Glasgow, a Chartered Engineer and a Fellow of The Royal Aeronautical Society. Mr Tannock completed his apprenticeship in design with Scottish Aviation, a period as a flight development engineer with Hawker Siddeley's de Havilland Division before joining the Engineering Division of NAC. His career with NAC and Air New Zealand covered all aspects airline operations and marketing before retiring from the position of General Manager Operations in 2000. Mr Tannock was appointed to the Authority in 2003.

**Director of Civil Aviation****John Jones**

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 under the Civil Aviation Act 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.

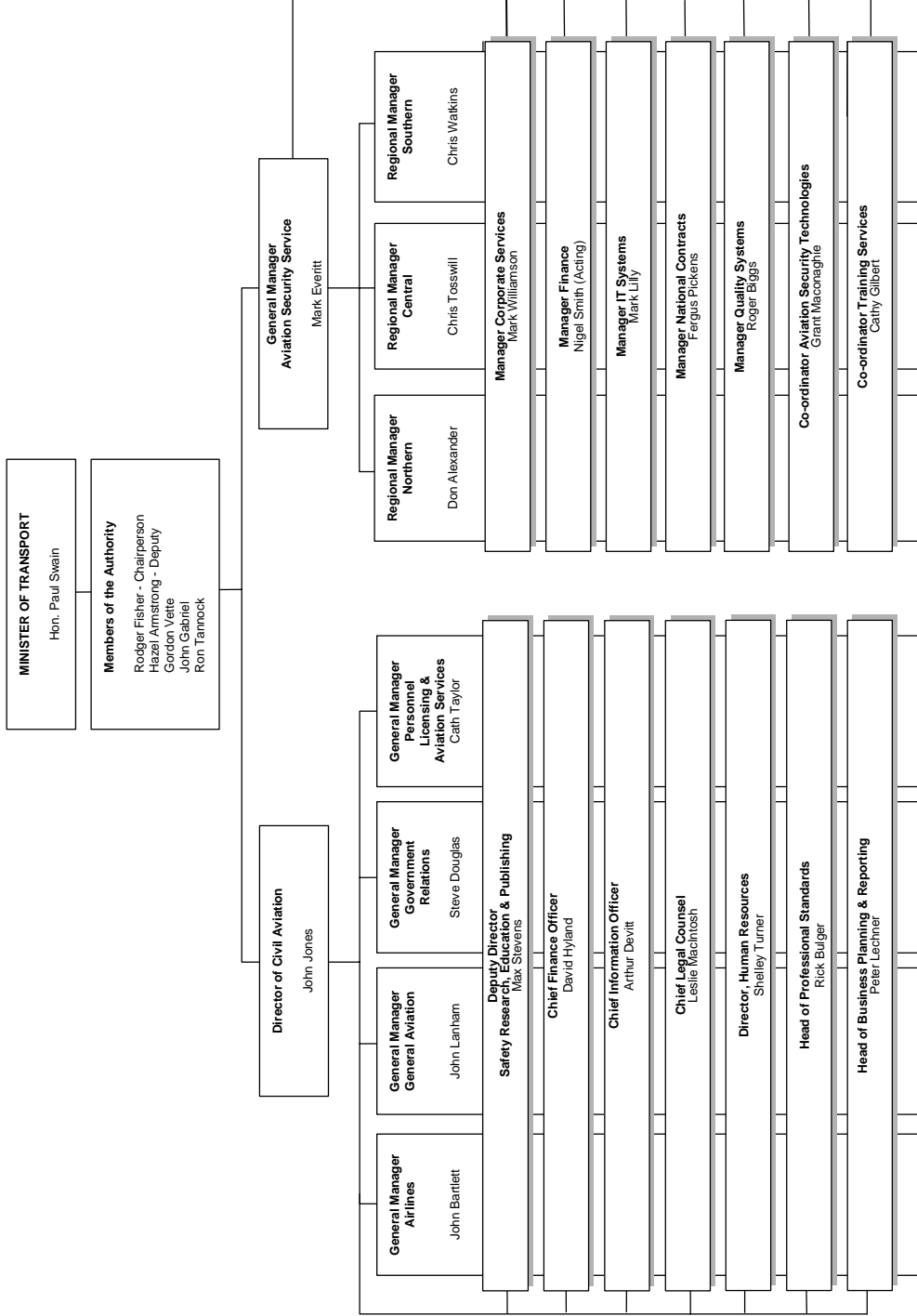
**General Manager of the Aviation Security Service****Mark Everitt**

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.

**Organisational Structure**

**Civil Aviation Authority of New Zealand as at end of 30 June 2003**





## Purpose

### Civil Aviation Authority of New Zealand

#### Civil Aviation Authority

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*.

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.

#### Search and Rescue Services

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.

## Aviation Security Service

The Aviation Security Service is responsible for:

- screening all departing international passengers and baggage at all international airports in New Zealand to standards laid down in relevant legislation, regulations and rules as may be determined from time to time;
- screening all departing domestic passengers and baggage travelling on aircraft with a capacity for 90 or more regular air passengers;
- providing such other aviation security services and screening, such as screening of hold baggage, as is judged advisable by the Director of Civil Aviation from time to time;
- undertaking searches, where necessary, of passengers, baggage, cargo, aircraft, aerodromes, and navigation installations;
- carrying out patrols at security designated aerodromes and navigation installations;
- reviewing, inquiring into, and keeping itself informed on security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it;
- undertaking, encouraging or supervising such experimental or research work in respect of any aspect of aviation security as the Director of Civil Aviation may specify;
- co-operating with the Police, Government departments, airport authorities, operators, and authorities administering the airport security services of other countries, and with any appropriate international organisation for the purpose of better carrying out the Service's functions;
- exercising and performing such other functions and duties as may be conferred on it by any enactment.

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

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

During the course of the 2002/2003 financial year, the Director of Civil Aviation required the Aviation Security Service to maintain enhanced security measures in place post 11 September 2001.

## **Chairperson's Report**

### **Civil Aviation Authority of New Zealand**

#### **Civil Aviation Authority**

Although events that affected the world and local aviation industry again presented major challenges to the CAA in 2002-2003, I am pleased to report that the organisation was able to meet these challenges and continued to operate in a professional manner while meeting or exceeding its statutory and public obligations.

The security events of 12 October 2002 in Bali and the severe acute respiratory syndrome (SARS) posed new security issues and financial risks for the CAA. It was necessary to review security measures and developments already in place from the 2001 terrorist attacks. Also the potential loss in revenue through the possible decline in passengers required the CAA to closely monitor its spending. In the event the domestic passenger numbers in New Zealand actually increased while departing international passenger numbers recovered quickly. This reflects the growing international perception of New Zealand as a safe haven.

Due to the volatility in the international aviation arena CAA management continued to maintain a firm control on discretionary expenditure while ensuring that 'Safety' was not compromised. Again this year, the effectiveness of this approach was apparent in the year-end result of a \$1.173m surplus which was significantly better than budgeted. A major contributor to this surplus was the growth in passenger levy income.

The financial risk to the CAA arising from the dependence on third-party based levy revenue continues to be of concern. Consequently, the CAA is pressing on with a full funding review. The pending recommendations from the review, due in late 2003, will hopefully enable this risk to be largely mitigated.

The decision of Air New Zealand to re-equip its fleet with Airbus aircraft is a major change not only for the company but for the regulator. The CAA has worked closely with both Air New Zealand and Airbus to ensure that it is fully conversant with the new technologies and can certificate the new aircraft from an expert position. Along with the pending arrival of Airbus in New Zealand, we are also seeing the return of business jets and the increasing segmentation of the airline industry. This requires wider and technically progressive surveillance from the CAA now and into the future.

The safety performance of parts of the traditional general aviation sector continues to be of concern. With the rapid increase in the sport and recreation sector, especially in the microlight area, the CAA is quite concerned with the increasing number of accidents that are occurring. Appropriate approaches to best meet and deal with these issues will continue to be developed and implemented by the CAA.

The review of Part 61 concerning the requirements and standards for the issue of pilot licences progressed again this year with the more significant developments required separated from less important aspects. This was done to expedite the more crucial Rule changes that are needed.

An independent review of the Rules process to ensure that the process adequately involves all stakeholders was completed by Wellington QC, Mary Scholtens during the year. The recommendations from the review have been analysed and accepted by the CAA. It is

expected that the first set of Rules development to follow the recommended process will be initiated later in 2003.

A major survey of CAA client satisfaction carried out during the year showed an improvement compared with the last survey completed in 1998. It was pleasing to see the CAA is now seen to be professional, authoritative and approachable. In some areas, such as the usefulness of CAA publications, forums, workshops and seminars, a large majority of clients rated the CAA as excellent. It is acknowledged, however, that there are still areas that could be improved and these will be dealt with in the medium term.

Progress has been made in the way in which the CAA develops and implements its safety and business strategies with the further development of the work involved in measuring aviation community culture. The second CAA Safety Forum was successfully held in October 2002 and the success of this forum mirrors the ongoing good working relationships the CAA has with the aviation community.

During the year Mr Tom Ryan retired from the Authority and I thank him for his significant input to the Authority throughout his term. Mr Ron Tannock joined the Authority in January 2003 and brings a wealth of aviation and business experience to the Authority.

There have been no significant staff changes in the management of the CAA and I am pleased that the organisation has been able to move quickly to address the complex issues that an increasingly changeable aviation community poses for the regulator.

### **Search and Rescue Services**

The National Rescue Co-ordination Centre (NRCC) co-ordinated 16 major and 872 minor search and rescue operations throughout New Zealand and the South Pacific during the year. As a result of these emergencies 134 people were rescued but unfortunately 34 people lost their lives.

The NRCC returned a deficit of \$0.135m largely due to an extended and costly search for an Auster aircraft missing in the South Island in July 2002.

As a result of various reviews by inter-departmental groups and interested agencies a SAR governance structure was established comprising of the New Zealand SAR Council, supported by a permanent SAR Secretariat. This replaced the existing national Search and Rescue Council.

### **Aviation Security Service**

The Aviation Security Service (Avsec) had a very challenging, but positive year in 2002/03. The year was marked by a number of achievements. Over seven million passengers were screened with only twenty one formal passenger complaints; it delivered a surplus of \$1.892m despite a downturn in passenger numbers in the second half of the year; provided increased services to a range of clients; and put in place new structures in its three regions, as well as increased staff numbers by 41 to accommodate the additional demands for its services. Tight control continued to be maintained over costs.

The key focus of the Aviation Security Service's activities during the year was the implementation of the Avsec 2002-05 Strategic Plan. This Plan reflects a number of recommendations from the Review of Aviation Security Matters Report, approved by Cabinet in May 2002.

Particular emphasis was placed on planning for the implementation of hold stow screening on all international services, for which New Zealand has adopted a target date of 1 October 2005. The mandatory implementation date is 1 January 2006. Avsec participated in a working party of officials and funded the employment of consultant Airplan to provide advice on the most appropriate model for each of NZ's seven international airports. This project involved close consultation with industry.

A further area of activity related to implementation of the Avsec Change Management Plan, developed in the aftermath of 11 September. New structures were put in place in each of Avsec's three regions and plans for a new National Office structure approved, with implementation of the latter due to commence in early in the 2003/04 financial year. These new structures are required to help Avsec cope with its workload post 11 September 2001 and to meet the challenges presented by its 2002-05 Strategic Plan.

In the second half of the year Avsec was invited to advise Government on new maritime security arrangements to apply from 1 July 2004. Avsec participated in an officials working party co-ordinated by the Maritime Safety Authority.

The domestic passenger charge introduced on 1 April 2002 to fund enhanced domestic security measures was subject to review late in the year. The former Director of Civil Aviation, Kevin Ward, carried out the review which included an Avsec presentation to industry and Ministry of Transport officials on its costs structure. The review report was submitted in early July and its recommendations are shortly to be considered by Cabinet.

Operationally, Avsec continued to grapple with the additional measures introduced for most international services post 11 September 2001, with a particular impact on the Auckland operation. Heightened tensions in the Gulf and the outbreak of hostilities in late March resulted in an increase in security measures for US bound and Qantas services that remained in place for the remainder of the year.

The onset of severe acute respiratory syndrome (SARS) also impacted on the Avsec operation in the last three months of the year. Avsec participated in cross agency forums to help deliver a "whole of government" approach to this issue. Regular briefings were provided to staff and unions using information co-ordinated by the Ministry of Health. There was also an impact on Avsec workload and finances with international passenger numbers dropping in last three months of the year, attributed largely to the impact of SARS on Asian services.

Avsec also continued with its support to the International Civil Aviation Organisation (ICAO) and the countries of the South West Pacific. A business case was submitted to ICAO for the establishment of a regional training centre operating out of Avsec's new training accommodation at Auckland Airport. At year's end Avsec was awaiting ICAO's decision. Avsec also continued to contribute personnel to ICAO training and audit programmes. Two Avsec managers passed the ICAO audit training programme in January and were invited to assist in audits under ICAO's universal audit programme.

Avsec progressed its three year structured and development programme for the South West Pacific region across a number of initiatives. In September 2002 Avsec hosted in Auckland a meeting of representatives from the Association of South Pacific Airlines. In May 2003 Avsec provided airport security training to senior Fijian Police officials. Avsec also assisted Fijian authorities in the security arrangements for the South Pacific Games held in June/July 2003. Funding for this initiative was sought from the newly established Pacific

Security Fund, approved by Cabinet as part of a Ministry of Foreign Affairs and Trade co-ordinated programme, aimed at better co-ordination of NZ security initiatives in the Pacific region.

Training remained an important priority for Avsec with the launch in January 2003 of its new front line management programme for aspiring supervisors, run in conjunction with the NZ Institute of Management. A large increase in the number of sergeants and additional recruit courses during the year also impacted on the training section.

The year 2002/03 was busy for the Aviation Security Service as it moved to consolidate its operation across a range of fronts. Good progress was made on key initiatives while Avsec continued to make an effective contribution to the management of aviation security risks. Above all Avsec continued to deliver a quality service to the travelling public, airlines and other stakeholders. Management and staff can be proud of their efforts. I also thank Government and government officials for their significant contribution.

Governance of the Aviation Security Service during the year was the responsibility of a sub Authority consisting of myself and Tom Ryan, who completed his term in December, and his replacement John Gabriel. I thank John Gabriel and Tom Ryan for their services on the sub Authority. I also thank the other Authority members, Hazel Armstrong, Ron Tannock and Gordon Vette for their support during the year.



**Rodger Fisher**  
**Chairperson**

## Governance and Accountability Statement

### Civil Aviation Authority of New Zealand

#### Role of the Authority

The Minister of Transport has appointed the *Authority* as the governing board. The Authority's responsibilities include;

- Communicating with the Minister and other Government stakeholders to ensure their views are reflected in the planning of the Civil Aviation Authority.
- Delegating responsibility for the achievement of specific objectives to the Chief Executive of CAA and the General Manager of Aviation Security Service.
- Monitoring organisational performance towards achieving these objectives.
- Accounting to the Minister on plans and progress towards them.
- Ensuring systems of internal control are maintained.

#### Structure of the Civil Aviation Authority of New Zealand

The Authority has appointed a Chief Executive to manage all CAA and Search and Rescue Service operations and a General Manager to manage all Aviation Security Service operations. The Authority directs both Officers by delegating responsibility and authority for achievement of objectives through setting policy.

#### Authority Committees

The Authority has set up several standing committees to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibility for establishing and monitoring the organisations progress toward meeting objectives prescribed by the Authority. The committees contingently involve themselves in operational matters. The Authorities standing committees include:

<b>Committee</b>	<b>Meets</b>
Audit Committee	At least twice a year and as required
Aviation Security Service sub-Board	Monthly
Remuneration Committee	At least twice a year and as required

#### Quality Assurance

The Authority has a policy of maintaining quality assurance through the maintenance of quality management systems and certification to ISO 9000 and its successors.

#### Governance Philosophy

##### Authority Membership

Authority Members are appointed by the Minister of Transport. The Authority is composed of Members who have diverse business, legal and aviation industry skills and experience in order to bring a wide range of thought to bear on policy issues. Once appointed, all Members are required to act in the best interests of the Civil Aviation Authority. Members acknowledge that the Authority must stand unified behind its decisions and that individual Members have no separate governing role outside the Authority.

### **Connection with Stakeholders**

The Authority acknowledges its responsibility to keep in touch with stakeholders, in particular, to remain cognisant of the expectations of the Minister of Transport.

### **Division of Responsibility between the Authority and Management**

A key to the efficient running of the Civil Aviation Authority is that there is a clear division between the role of the Authority and that of the Director of Civil Aviation and management. The Authority concentrates on setting high level policy and strategy, and then monitors progress toward meeting the objectives. Management is concerned with implementing this high level policy and strategy.

The Authority stands apart and does not have responsibility for the specific regulatory obligations of the Director of Civil Aviation as set out in the Civil Aviation Act 1990.

The Authority clearly demonstrates these roles by ensuring that the delegation of responsibility and authority to the Chief Executive of CAA and the General Manager of Aviation Security Service is concise and complete.

### **Accountability**

The Authority holds monthly meetings to monitor the progress toward its strategic objectives and to ensure that the affairs of the Civil Aviation Authority, Search and Rescue Service, and the Aviation Security Service are being conducted in accord with the Authority's policies.

### **Conflicts of Interest**

The Authority maintains an *Interests Register* and ensures that the Authority Members are aware of their obligations to declare interests. This approach is also reflected in the maintenance of a conflict of interest register for staff.

### **Internal Audit**

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of organisational control remains with the Authority. Internal controls include the policy systems and procedures established to provide assurance that specific objectives of the authority will be achieved. The Authority and management have acknowledged their responsibility by signing the Statement of Responsibility on page 66 of this report.

The Authority has an internal audit function that is responsible for monitoring systems of internal control in each of the CAA, Search and Rescue Service and Aviation Security Service. This function is concerned with the quality and reliability of financial and other information reported to the Authority. Internal Audit operates independently of management and reports its findings directly to the Audit Committee.

### **Risk management**

The Authority acknowledges that it is ultimately responsible for the management of risks. The Authority has charged the Chief Executive of CAA (including Search and Rescue Services) and the General Manager of Aviation Security Service, through its risk management policies, with establishing and operating a risk management programme in accord with the Australia/New Zealand standard ASNZ4360: Risk Management.



**Legislative Compliance**

The Authority acknowledges its responsibility to ensure the organisation complies with all legislation. The Authority has delegated responsibility to the Chief Executive of CAA (including Search and Rescue Services) and the General Manager of Aviation Security Service for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

**Ethics**

The Authority has developed a code of ethics and regularly monitors whether staff maintain high standards of ethical behaviours and practice the principles of 'good corporate citizenship'.

Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions, internal audit reports, or any reports or indications that show non-conformance with the principles espoused in the code of ethics.

Good corporate citizenship involves this entity, including its employees, acknowledging that it is a member of many communities outside of itself and the industry it oversees and making a commitment to act in a manner consistent with the social mores and accepted rights and responsibilities of all citizens of those communities.





## **CIVIL AVIATION AUTHORITY - CAA**

## CIVIL AVIATION AUTHORITY

### Vision, Mission

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#### Vision

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New Zealand aviation free from safety failure.

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#### Mission

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To lead and foster an environment where New Zealand aviation operates safely.

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### Strategic Goals

To achieve its mission, the CAA had the following strategic goals and strategies for the next three to five years:

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#### Strategic Goals

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1. To achieve or exceed Safety Outcome targets.
  2. To be appropriately resourced.
  3. To be professional and competent.
  4. To attain wide credibility and recognition.
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#### Overall Strategies

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1. Improved and consistent delivery of statutory functions.
  2. Informed identification and implementation of solutions to significant aviation problems.
  3. Introduction of specific culture change initiatives.
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### Focus, Values

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#### Focus

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The CAA focus is on the **safety of civil aviation in the public interest** and achieving safety results that meet the test of public scrutiny. Safety will be paramount to any consideration.

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#### Practice Values

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The CAA will undertake its responsibilities in a manner that reflects its conventions of professionalism, skill, communication and service. In particular:

- **Credibility** - Ensuring that staff have the credibility needed to earn the respect of the aviation community.
  - **Capability** – Ensuring the CAA has the expertise it needs to meet its obligations.
  - **Client focus** – Creating an environment where client requirements are dealt with in a courteous and thorough manner.
  - **Consultation** - Undertaking meaningful dialogue with clients and interested parties in a timely manner.
  - **Quality** – The management of systems and people in a manner that delivers optimum service quality to clients through continuous improvement.
  - **Efficiency & effectiveness** - Delivering optimal services at reasonable cost – doing work in ways that achieve the optimum balance of client acceptance and national economic benefit.
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## People Values

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The CAA believes that the essence of success lies in its people undertaking their responsibilities with integrity and independence. In particular:

- **Honesty & ethical conduct** - Being an organisation with integrity that clients and staff can trust to be open, straightforward and reliable.
  - **Fairness & consistency** – Treating all clients and staff in a fair and reasonable manner.
  - **Respect for individuals and their views** – Treating everyone as we would want to be treated. Earning respect in every interaction with clients, the public and other stakeholders.
  - **Teamwork** – Fostering teamwork through achievement and a common ethos, mutual support and respect within the CAA.
  - **Enjoying the work** - Taking satisfaction from the work and celebrating success.
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## Outcomes and Outputs

### Outcomes

The Civil Aviation Authority recognizes the Government’s vision for transport that by 2010 New Zealand will have an affordable, integrated, safe, responsive, and sustainable transport system. Within the constraints of existing legislation, the Authority will have regard to the Governments objectives of the New Zealand Transport Strategy, which are:

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

### Outputs

#### *Civil Aviation Authority*

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
<b>POLICY ADVICE</b>	Advice to Government, Legislation Development, and Maintenance of International Aviation Safety Related Agreements	Crown funded
	Management of Exemption Process	Direct fees and charges
<b>SAFETY ASSESSMENT &amp; CERTIFICATION</b>	Airlines sector safety risk management	Direct fees and charges and levy funding
	General Aviation sector safety risk management	Direct fees and charges and levy funding
	Personnel Licensing and Aviation Services sector safety risk management	Direct fees and charges and levy funding
<b>SAFETY ANALYSIS AND INFORMATION</b>	Safety Investigation	Levy funded
	Safety Analysis	Levy funded
	Safety Information and Education	Levy funded
<b>ENFORCEMENT</b>	Responses to Regulatory Breaches	Levy funded
<b>SEARCH AND RESCUE</b>	Provision of Class III Search and Rescue Services	Crown funded



## **Chief Executive's Report - CAA**

The following is an overview of significant 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.

### **General Overview**

#### **Safety and Security**

##### *Civil Aviation Rules Progress*

Rule packages were completed with regard to Rule Parts 21 and 121 with final drafts prepared for Parts 19 and 137. Related changes were made to a number of other rules.

##### *Airborne Collision Avoidance System and Terrain Awareness Warning Systems*

The development of rule requirements for Airborne Collision Avoidance Systems (ACAS) and Terrain Awareness Warning Systems (TAWS) were completed during the year. CAA/industry technical study groups assisted with the intensive development of the final Rule for large aeroplanes. However, work on a Rule for medium aircraft (10 – 19 seats) has been delayed pending the completion of a cost benefit analysis.

##### *Runway End Safety Areas*

Significant progress on implementing the ICAO requirements for Runway End Safety Areas (RESA) was made during the year with the completion of a very detailed cost benefit analysis, wide public consultation, and the drafting of a Notice of Proposed Rule Making (NPRM). It is expected that the NPRM will be issued in September 2003.

##### *Establishment of Crew, Passenger, and Baggage Weights*

Work on the amendment of Rule Parts 121 and 125 requirements regarding crew, passenger and baggage weights for air transport operations was completed with a draft rule being evaluated by the Ministry of Transport. A further survey of passenger weights is required to adjust parameters set out in the rules which are expected to be effective from April 2004.

##### *Pilots Licenses*

The ongoing review of Rule Part 61 concerning the requirements and standards for the issue of pilot licences has been progressed by dividing the project into three stages so that the most pressing issues can be dealt with sooner. The NPRM covering issues in stage 1 was largely completed and is due for publication in September 2003.

##### *Wire Marking*

Work continued through the year on a detailed cost benefit analysis to determine the most appropriate wire-marking requirements. As part of the overall thrust, various lines companies have entered into a programme to mark the 20 worst transmission line spans in New Zealand. The cost benefit analysis is to be completed on the various options before an NPRM is drafted.

##### *Painted Apple Moth Spraying*

Certification and approval of the Ministry of Agriculture and Forestry aerial spraying programme, against the painted apple moth using a heavily modified Fokker F27 aircraft was completed early in the year. The spraying programme continued through the year without incident.

### ***Summer Safety Initiatives Programme***

The CAA completed its annual Summer Safety Initiatives Programme, this year addressing a range of issues with Rule Part 91 and Part 135 operations. The programme focuses largely on the northern North Island and the West Coast of the South Island.

The CAA carried out a General Aviation sector nationwide surveillance and spot check programme during October – November 2002 targeting specific general aviation safety areas. The results of the programme were largely positive.

### ***Law Enforcement Programme***

A high proportion of law enforcement actions taken by the CAA during the year have been successful. Every complaint received of alleged or suspected offences against the Civil Aviation Act continue to be assessed in a procedural manner and where warranted made subject of detailed investigation and report to serve the public interest.

### ***Re-certification Programme***

Rule Part 135 operator re-certification programme was completed on time in February 2003 with all Transitional Air Operator Certificate holders also completing re-certification. All fixed wing and rotary operators covered by this Rule are now fully included in the CAA audit programme.

### ***Ramp Check programme***

The CAA carried out a significant programme of ramp checks (airline operations at aerodromes) during the first half of 2003. A number of areas were observed where satisfactory standards were not being maintained and this was conveyed to the companies' concerned. The CAA intends to continue with such checks to ensure airline ground operations at aerodromes are carried out to the required standards.

### ***Reporting of Incidents***

Several presentations were made to General Aviation audiences around the country on accident investigation and the value and importance of incidents reporting.

### ***New Jet Aircraft***

The pending Airbus A320 introduction by Air New Zealand has required significant compliance management resources from the CAA over the year. The CAA continues to participate with special type introduction teams initiated for the purpose by Air New Zealand and the first of the new aircraft is expected in September 2003.

The year has also seen the re-establishment of a small fleet of business jets in New Zealand.

### ***Security and Intelligence Activities***

The terrorist threat to aviation security continues to be a cause of concern. Intelligence information has made it apparent that all levels of aviation are at risk. As a result the CAA has been promulgating motivational information and conducting "road show" presentations to the general aviation sector to ensure they are conscious of the risks involved.

The CAA has been involved in various international terrorism seminars and meetings on aviation security taking an active leadership role. As part of the review of aviation security in New Zealand, the CAA is leading a combined airport, airlines and Aviation Security Service project for the introduction of 100% hold baggage screening for international departures from New Zealand. This is required by ICAO to be fully implemented by the end of 2005.



The CAA issued warning information to the aviation community and Government agencies involved with aviation security on several occasions alerting them to international issues threatening aviation.

#### ***New Aeronautical Information Publication and Visual Navigation Charts***

The CAA completed work on the development of a new Aeronautical Information Publication (AIP) to be effective from September 2003. This was a complex task that involved a complete rewrite to adopt the prescribed ICAO format. It is planned that the new AIP will be also available through the internet later in 2003.

New visual navigation charts that were introduced in January 2003 have been generally well received. Several issues have been identified that require further improvement and a team involving the aviation community has been established to continue development.

#### ***Air Traffic Services and Airspace Review***

A comprehensive review of the upper North Island airspace requirements of Rule Parts 71 and 73 was completed during the year. Changes recommended by the review were implemented.

#### ***USA/NZ Bilateral Aviation Safety Agreement***

Work continued on the issues regarding the US/NZ airworthiness Bilateral Aviation Safety Agreement (BASA) signed earlier in the year by the Prime Minister. Implementation procedures for the BASA were subsequently signed by the Director and a representative from the Federal Aviation Administration (FAA). Due to the conflict in Iraq, and at the request of the FAA, the CAA agreed to postpone the co-hosted FAA Bilateral Partners Meeting planned for April 2003.

#### ***Australia/New Zealand Mutual Recognition Progress***

The CAA continued to work with the Australian Department of Transport and Civil Aviation Safety of Australia (CASA) on a mutual recognition of safety certification. Enabling legislation has been introduced in both Australia and New Zealand with December 2003 being the target for implementation.

#### ***Pacific Island Support***

Technical assistance and advice provided to various Pacific Island States continues to be well received. During the year the Cook Islands implemented their own Civil Aviation Act and the CAA held discussions with the Cook Island Government on the establishment of a Cook Island aircraft register. A revised agreement has been negotiated with the Tongan Government for the supply of technical assistance and advice and certification and oversight activities under the Tongan civil aviation system.

The CAA continues to provide specific support and assistance to a number of Pacific Island States under individual bi-lateral agreements. During the year the number of such agreements and the level of activity has generally increased such that Pacific Island support work is now a significant activity for the CAA.

#### ***Transport Canada***

A Transport Canada/CAA Technical Arrangement on Maintenance was signed early in the year. The arrangement runs for an initial two-year period and will allow the Christchurch Engine Centre to carry out engine maintenance on engines fitted to Canadian aircraft. In the future we expect these privileges to apply to all New Zealand Part145 organisations undertaking maintenance on Canadian aircraft and components.

### ***Extension of the Auckland Oceanic Flight Information Region boundary***

Temporary arrangements for the maintenance of responsibilities for meteorological services provided in the extended portion of the Auckland Oceanic FIR boundary were put into effect. Longer term arrangements are pending the wishes of the Pacific Island States concerned.

### ***Radio Spectrum***

The CAA continued to monitor Ministry of Economic Development considerations for options for the use of the radio frequency spectrum immediately adjacent to a band used for aeronautical radio navigation.

## **Risk Management**

### ***Funding Review***

Significant continuing effort has been spent on the work involved with undertaking the CAA funding review in liaison with the Ministry of Transport. A strategic resource capability review project was completed to identify the resources the organisation needs to meet its statutory requirements and to be proactive in safety risk management in the future. This information together with environmental, financial and organisational analysis will form a draft funding report for consultation with interested parties in late 2003.

### ***State Services Commission Review***

The State Services Commissioner was asked by the Chairperson of the Civil Aviation Authority to undertake a review of the circumstances surrounding a particular conflict of interest issue, and the associated CAA practices, policies and procedures and subsequent actions, to determine whether these were appropriate. The report of the Commissioner is due in October 2003.

### ***Conflict of Interest Protocol***

The CAA implemented an enhanced conflict of interest protocol to give certainty to CAA staff and to ensure proper management and traceability on any material conflicts of interest.

### ***Management controls***

As a result of revenue reductions during the previous year from domestic and international market changes and the influences of the combined impact of the Iraq conflict, anti-terrorism campaigns and concerns over the severe acute respiratory syndrome (SARS) abroad, CAA management maintained firm controls on discretionary expenditure while ensuring that 'Safety' was not compromised. The effectiveness of this is apparent in the positive year-end result.

### ***Medical System Transition***

The CAA has continued to improve the processes for the issue of pilot medical certificates as it implements the new medicals certification system. In the client survey held mid year 72 percent of respondents viewed the systems as satisfactory or better, with 26 percent rating it as excellent.

The time taken to review CAA medical decisions by the Convener has been lengthy, resulting in frustrating delays for licence holders. The CAA has worked closely with the Ministry of Transport to improve the process and remove such delays.

### ***ISO Certification***

CAA successfully renewed its ISO Certification. There is a requirement to re-certify the CAA to ISO 9000/2000 standards by December 2003 and a project remains in place to manage the process.

### **Strategic Management**

#### ***Safety Planning Forum***

The second CAA/Industry Safety Forum was successfully held in Wellington over two days in October 2002 with 119 attendees participating in the workshops and plenary sessions. The objective of the 2002 forum was to identify solutions to the problems delineated in the previous forum and the practical steps to implement those solutions. The corrective and pre-emptive remedial work identified is currently planned or under way in a number of areas.

#### ***Joint Project to Improve Risk Management in General Aviation***

A Memorandum of Understanding between the Aviation Industry Association, the Accident Compensation Corporation and the CAA was drafted to facilitate a joint objective of bringing about by 2005 a significant reduction in general aviation accidents. The MoU is intended to provide a visible commitment to a common purpose, alignment of activities to be undertaken by the parties and use of a common language in relation to the objective.

#### ***Generic Transport strategies***

CAA participated in a Ministry of Transport "Transport Safety Strategies" workshop with a consultant from the University of London Centre for Transport Studies. The focus was on means to improve safety targets, reporting against such targets, and developing linkages between outputs and outcomes. This work is expected to operationally support the high level New Zealand Transport Strategy of Government.

#### ***Data-Matching with ACC***

In order to improve the estimation of human injury costs in aircraft accidents, the CAA initiated discussions with the Accident Compensation Corporation to match their relevant data. Initial trials on ten years of data indicated that although the match rate was in excess of 50 percent it could be greatly enhanced if the CAA had the ability to capture the names of all persons injured.

#### ***Client Survey***

The CAA Client Survey report was received in April 2003 showing good improvement in satisfaction levels.

In terms of overall satisfaction, 31 percent of those surveyed rated the CAA's performance as excellent, and a further 56 percent rated the performance above average. Thirteen percent rated the performance as poor. In some areas, such as the usefulness of CAA publications, forums, workshops and seminars, a large majority of clients rated the CAA as excellent. The report is posted on the CAA web site.

#### ***New Health and Safety in Employment Responsibilities***

On 5 May 2003 the CAA became a Designated Agency under the Health and Safety in Employment Act 1992. Implementation was undertaken with close liaison and discussions with the Department of Labour and various industry groups. A Memorandum of Understanding covering the work and relationships was signed early in the 2003/2004 year between the Secretary for Labour and the Director of Civil Aviation.

### ***Rules System Review***

The Independent Review of Participation by Interested Persons in the Development of Civil Aviation Rules was completed during the middle of the year. A comprehensive report was provided covering the rule-making process, the Civil Aviation / Industry Rules Advisory Group (CIRAG) process, statutory requirements for rule making, models for consultation, and issues relating to historical arrangements. Implementation of the recommendations was initiated during the later part of the year and it is expected that trial of the new system as recommended in the Report will be undertaken in late 2003.

### ***Examination Services provider***

A review of the CAA's examination services policy was completed during the year. Tender documents for the supply of examinations services were then issued, and a number of responses were received. An independent panel assessed the proposals and as a result, Aviation Services Limited was reappointed to provide aviation examination services on behalf of the CAA.

### ***Industry Sector Memoranda***

Memoranda of Understanding, to enhance relationships and discussion on significant issues of mutual concern, were signed during the year with a number of representative industry organisations. Programmed meetings with other representative organisations with a current Memorandum of Understanding were successfully held. Such organisations include the Aviation Industry Association of New Zealand, Gliding New Zealand, the Aircraft Owners and Pilots Association, the New Zealand Airline Pilots Association, and the New Zealand Agricultural Aviation Association.

### ***CAA Premises***

The CAA, in conjunction with its contracted advisers, completed a project to identify the future premises needs of the CAA with the lease on the Lower Hutt Aviation House building terminating in late 2003. Suitable premises in Petone were secured and a shift of staff and equipment planned for early September 2003.

## **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.

### **Staff Numbers**

	<b>2001/2002</b>	<b>2002/2003</b>	<b>Variance</b>
<b>Women</b>	48	49	+1
<b>Men</b>	121	116	- 5
<b>TOTAL</b>	<b>169</b>	<b>165</b>	<b>- 4</b>

### **Employment Agreements**

The CAA continues to maintain and update documented employment agreements for all staff. These agreements define the terms and conditions of employment with the CAA. In addition to Individual Employment Agreements CAA also has a Collective Agreement with the Public Service Association. The renewed Collective Agreement was negotiated during the period.

### **Equal Employment Opportunities**

Existing Equal Employment Opportunities (EEO) were maintained during the period.

### **Employee Assistance Programme**

Thirty four staff members obtained assistance through the Employee Assistance Programme (EAP) during the year (compared to 29 staff members last year). The majority of staff members approached the two in-house EAP officers for assistance, while others sought assistance via the workplace support counsellor.

### **Corporate Wellness Programme**

The CAA introduced a Corporate Wellness Programme in June 2003. This programme is aimed at proactively identifying and addressing potential issues facing the CAA in terms of employee health and wellness. The CAA developed a set of health-related activities and initiatives that together make up a workplace health 'package' which focuses on achieving an improvement in employee health & fitness, and reducing the level of workplace stress through an improvement in the coping capabilities of staff. As the first initiative of the programme, in June 2003 the CAA provided health assessments for staff.

### **Maori Perspective**

An annual resource allocation is available to CAA staff requesting assistance to increase their 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.

### **Training**

Within the CAA managers are responsible for the planning and allocation of technical training for staff, with the human resources function co-ordinating non-technical training and the Study Assistance Programme. Since the introduction of a new performance management system in February 2003, managers and staff have worked together to establish development plans in accordance with a set of revised core competencies.

### **Women in Transport Network**

During the period CAA continued to support attendance at Women in Transport networking functions, which are held five times a year to encourage networking between women employed in the various transport agencies. These meetings continued to be well attended by CAA staff who value the opportunity to network with other women in the transport sector, and to listen to speakers present on a wide range of topics.

## Statement of Impacts and Consequences

The aviation safety outcome measures, which relate to the Government's desired outcomes to which the Civil Aviation Authority must contribute, were first 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 have subsequently been established for specific categories of operations and aircraft for achievement by the year 2005.

Improvements continue 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.

## Outcome Measures

The Authority recognizes the Government's vision for transport that by 2010 New Zealand will have an affordable, integrated, safe, responsive, and sustainable transport system. Within the constraints of existing legislation, the Authority will have regard to the Government's objectives of the New Zealand Transport Strategy, which are:

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

The overall aviation safety measures relating directly to the outcomes above, are the rates of the following compared to established targets:

- (a) Aircraft accidents
- (b) Aircraft incidents
- (c) Airspace incidents
- (d) Aircraft defects
- (e) Level of industry safety performance

*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).

## Outcome Results

The significance of reporting trends cannot be determined using current systems, as there is currently no means of determining if a changing trend represents a change in actual safety performance or a change in reporting patterns by industry.

A project continues to develop a defined level of confidence in the level of industry reporting. This will allow the significance of reporting trends to be determined, allowing appropriate action to be initiated when required.

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

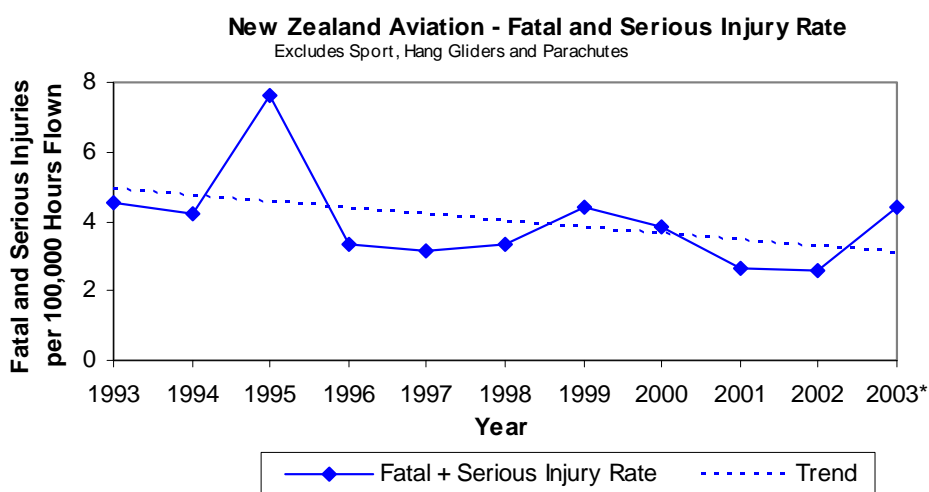
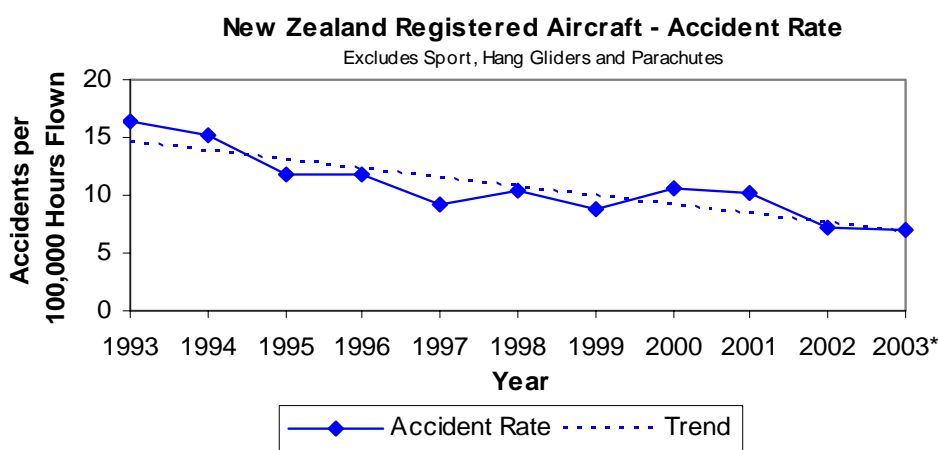
- (a) the CAA is only one contributor to the achievement of these targets, with the aviation industry the major contributor;*
- (b) while consultation with the aviation industry has taken place on the setting of the aviation accident targets, full agreement has not been possible as some sectors of the 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;*
- (e) in future safety target setting will take place in a multi-model framework intended to reflect the Government's transport goals.*

### Aircraft Accidents

#### Overall Accidents and Injuries

AIRCRAFT WEIGHT BREAK	ALL ACCIDENTS		FATAL ACCIDENTS	
	2002/2003	2001/2002	2002/2003	2001/2002
13,608 kg and above revenue passenger and freight	1	0	0	0
5,670 to 13,608 kg revenue passenger and freight	0	0	0	0
2,721 to 5,670 kg revenue passenger and freight	2	2	1	0
Below 2,721 kg revenue passenger and freight	2	4	0	1
Below 2,721 kg revenue other	15	26	2	2
Below 2,721 kg non-revenue	5	17	1	2
Helicopters revenue passenger and freight	2	4	0	1
Helicopters revenue other	15	12	2	1
Helicopters non-revenue	6	3	1	0

Note: Excludes 'revenue other' and 'non-revenue' accidents in the 13,608 kg and above, 5,670 to 13,608 kg, and 2,721 to 5,670 kg groups



\*Data to June 2003 (other years represent full calendar years)



### Fixed Wing Aircraft Sector Targets

- Target:*
1. A downward trend in the rate of aircraft accidents involving fixed wing aircraft.
  2. By the year 2005, to reduce the rate of aircraft accidents involving fixed wing aircraft as shown in the table below.

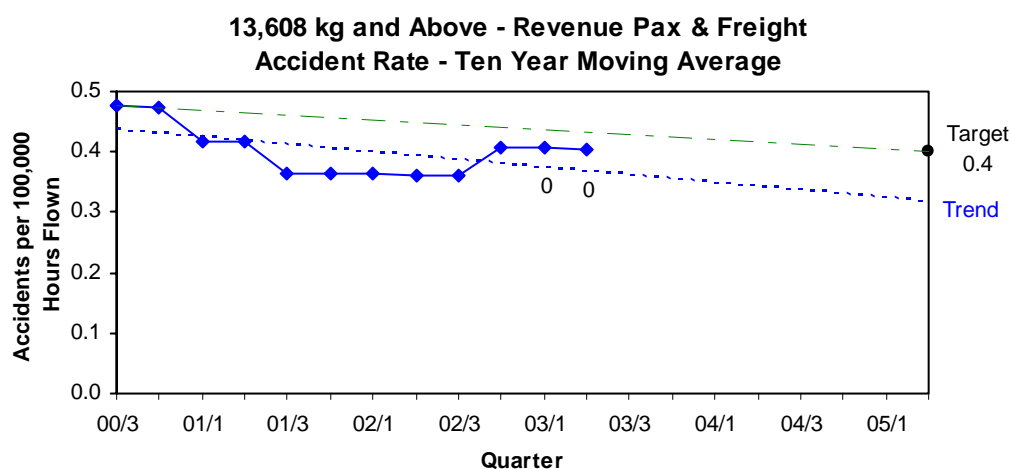
*Measure:* The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

### Fixed Wing Aircraft Sector Tabulated Results

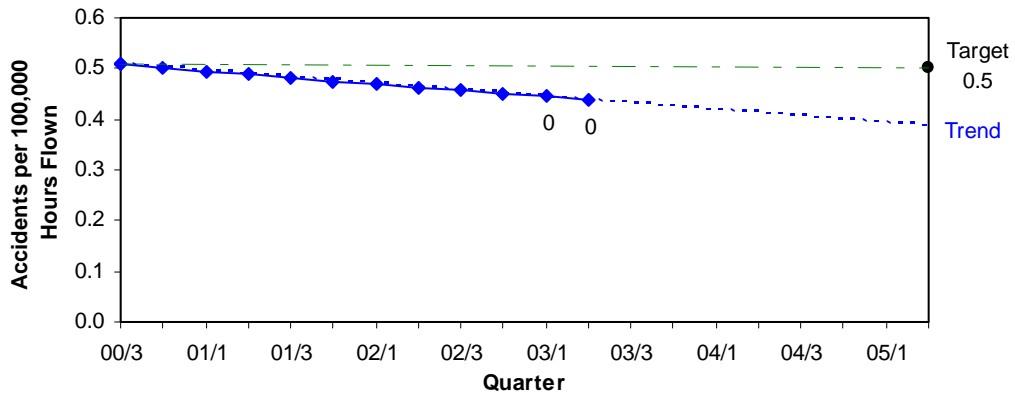
TYPE OF OPERATION	AIRCRAFT WEIGHT BREAK	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
			Target	Achieved 02/03	Target	Achieved 02/03
Commercial passenger and freight air transport operations	13,608kg and above	10 years	0.4	<b>0.41</b>	Trending down	<b>Trending down</b>
	5,760 to 13608kg	10 years	0.5	<b>0.44</b>	Trending down	<b>Trending down</b>
	2,721 to 5670kg	5 years	5	<b>7.9</b>	Trending down	<b>Trending up</b>
	Below 2,721kg	12 months	7	<b>5.4</b>	Trending down	<b>Trending down</b>
Commercial other than passenger and freight air transport operations	Below 2,721kg	12 months	7	<b>7.6</b>	Trending down	<b>Trending down</b>
Private non-revenue	Below 2,721kg	12 months	21	<b>8.4</b>	Trending down	<b>Trending down</b>

### Fixed Wing Aircraft Sector Charted Results 2000 – 2003

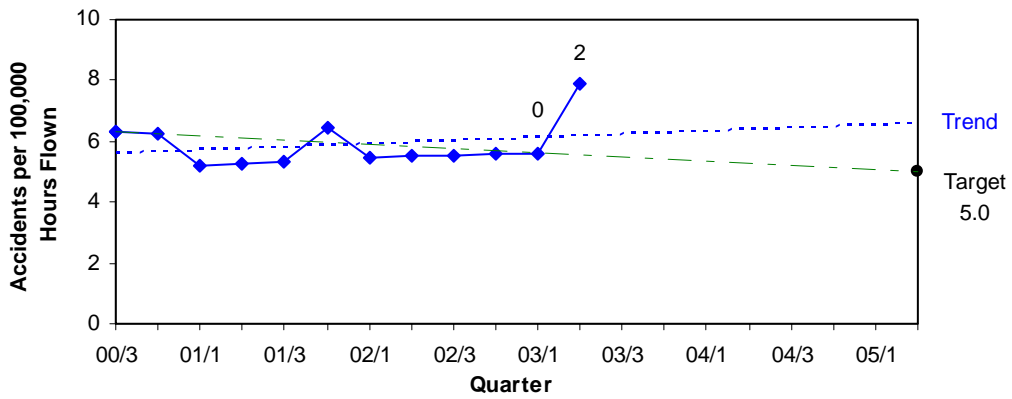
- Notes;
1. The time scale in calendar years followed by the quarter.
  2. The actual accident numbers for the last 2 quarters is shown in each chart.



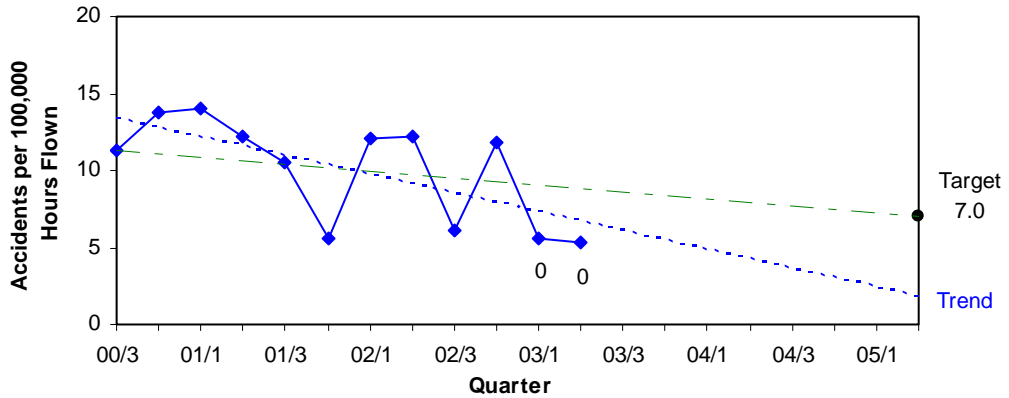
**5,670 to 13,608 kg - Revenue Pax & Freight  
Accident Rate - Ten Year Moving Average**

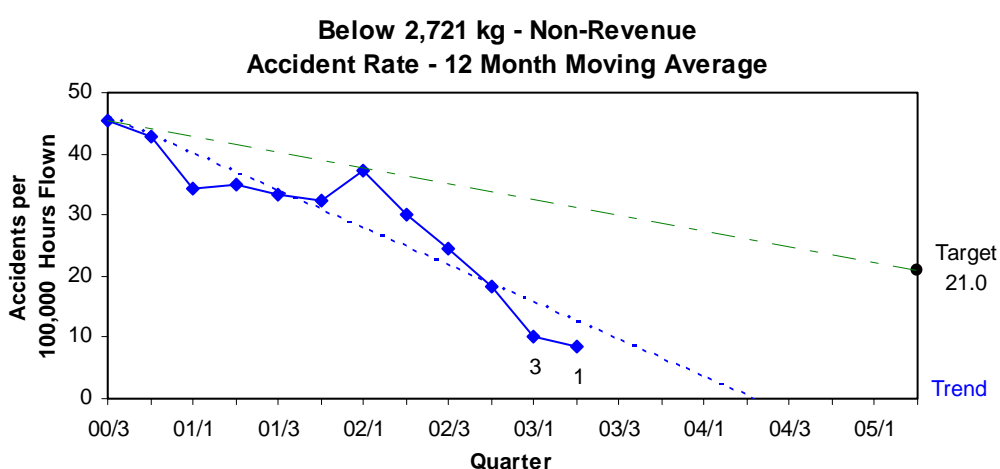
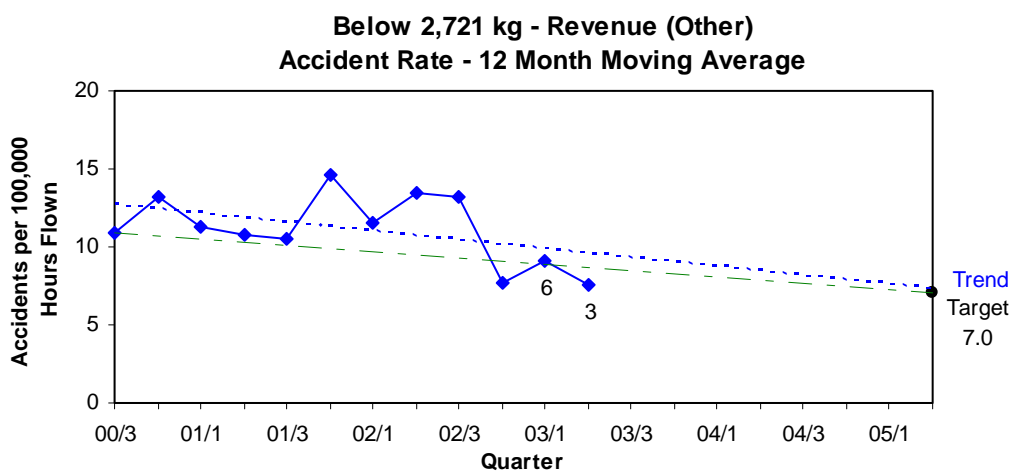


**2,721 to 5,670 kg - Revenue Pax & Freight  
Accident Rate - Five Year Moving Average**



**Below 2,721 kg - Revenue Pax & Freight  
Accident Rate - 12 Month Moving Average**





**Helicopter Sector Targets**

- Target:*
1. A downward trend in the rate of aircraft accidents involving helicopters.
  2. By the year 2005, to reduce the rate of aircraft accidents involving helicopters as shown in the table below.

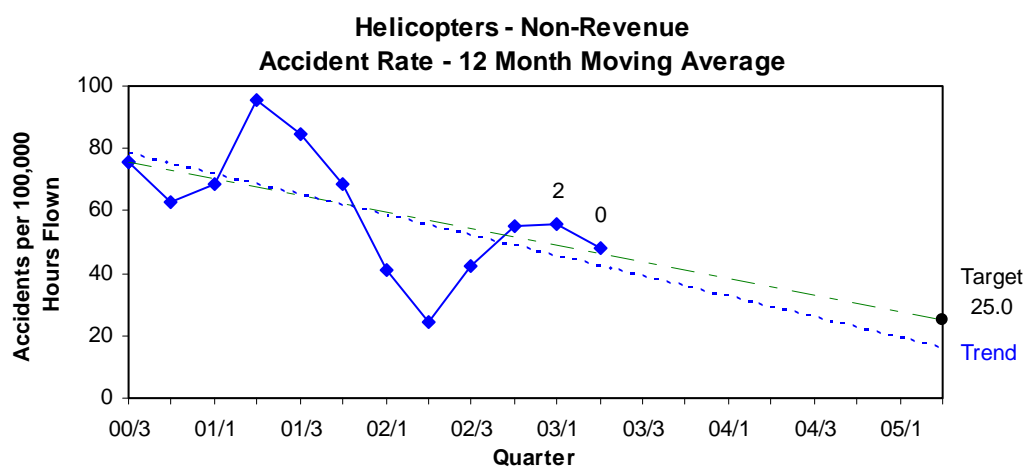
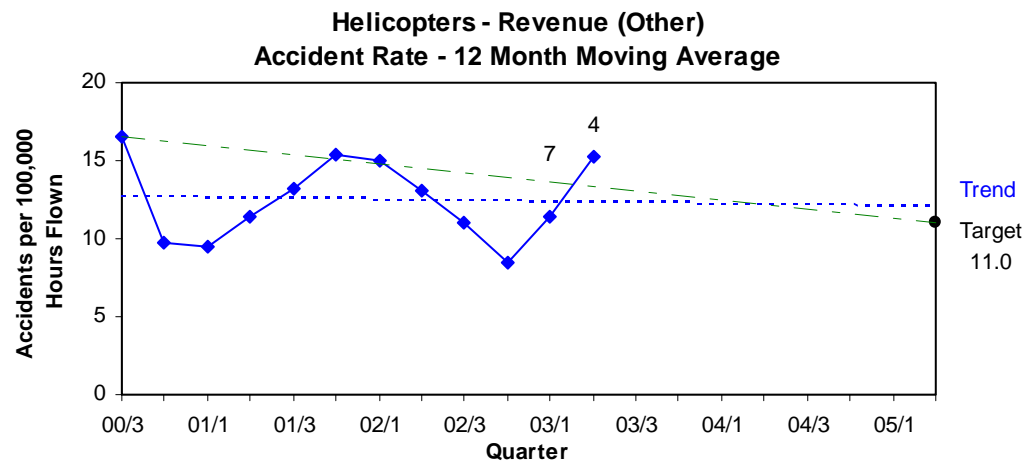
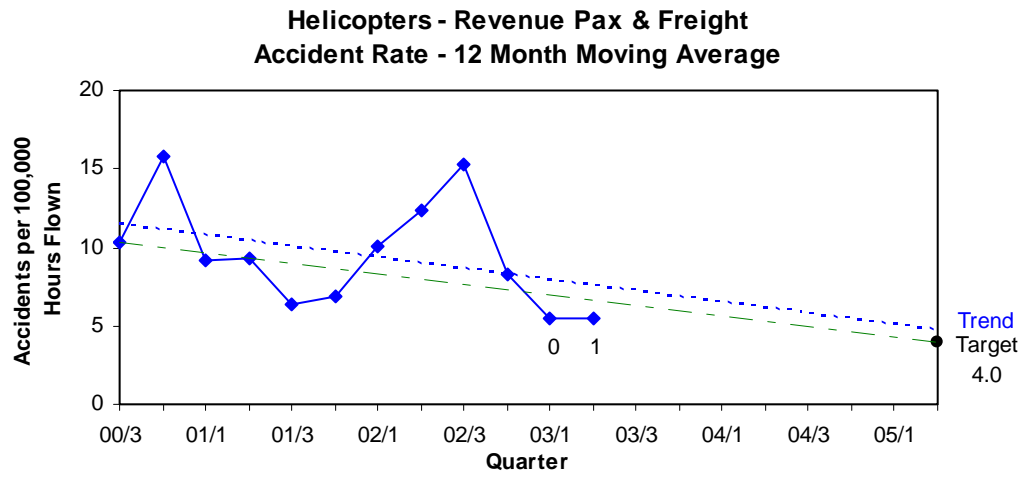
*Measure:* The number of accidents per 100,000 flight hours with reports based on the types of operation and aircraft weight breaks.

**Helicopter Sector Tabulated Results**

TYPE OF OPERATION	MOVING AVERAGE	ACCIDENTS PER 100,000 FLIGHT HOURS BY YEAR 2005		LONG-TERM ACCIDENTS PER 100,000 FLIGHT HOURS	
		Target	Achieved 02/03	Target	Achieved 02/03
Commercial passenger and freight air transport operations	12 months	4	5.5	Trending down	Trending down
Commercial other than passenger and freight air transport operations	12 months	11	15.3	Trending down	Trending up
Private non-revenue	12 months	25	47.9	Trending down	Trending down

**Helicopter Sector Charted Results 2000 -2003**

- Notes;
1. The time scale in calendar years followed by the quarter.
  2. The actual accident numbers for the last 2 quarters is shown in each chart.



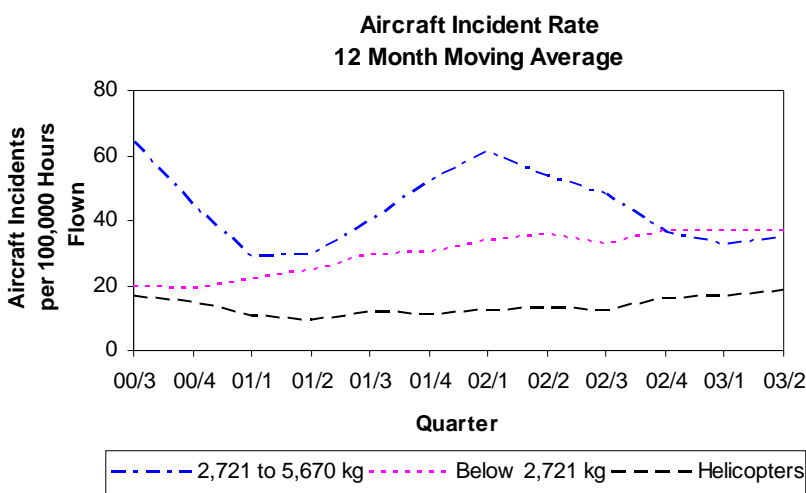
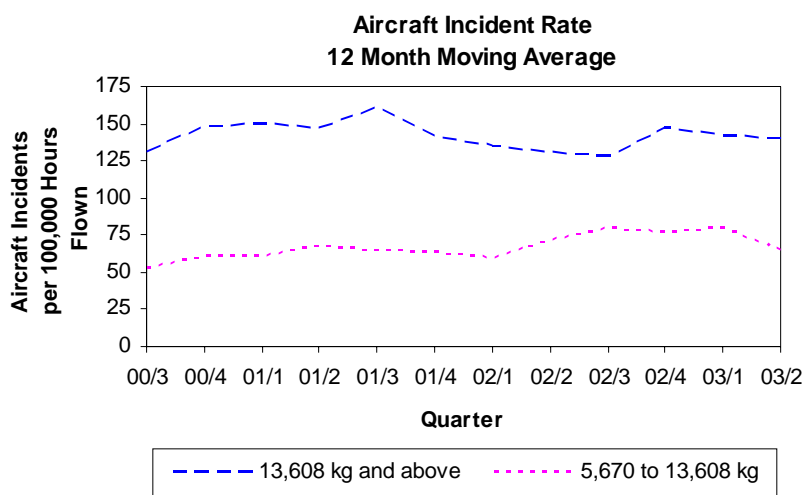
**Aircraft Incidents Targets**

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

*Measure:* The number of incidents per 100,000 flight hours with reports based on aircraft weight breaks (as set out above).

**2002/2003 Result**

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



The number of reported aircraft incidents for the below 2,721 kg and helicopter groups continue to be low in comparison to the respective number of reported accidents.

Safety outcomes are best expressed in terms of accident rates or other relevant measures of “social cost”. The term accident is a descriptive term used to represent the serious end of a

safety occurrence scale that has Incident at its other (low-level) extreme. In risk management terms, the concept of identifying and dealing with low-level failure (incidents) is receiving wide acceptance, and accordingly, the CAA promotes the detection and reporting of such events. This initiative, which is expected to have a long-term beneficial effect on aviation safety, may give the reader the impression that the actual number of safety events has increased. The CAA believes that the current upward trend in aircraft incident rates reflects an increase in reported events rather than an identifiable increase in actual safety events.

### Airspace Incidents

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

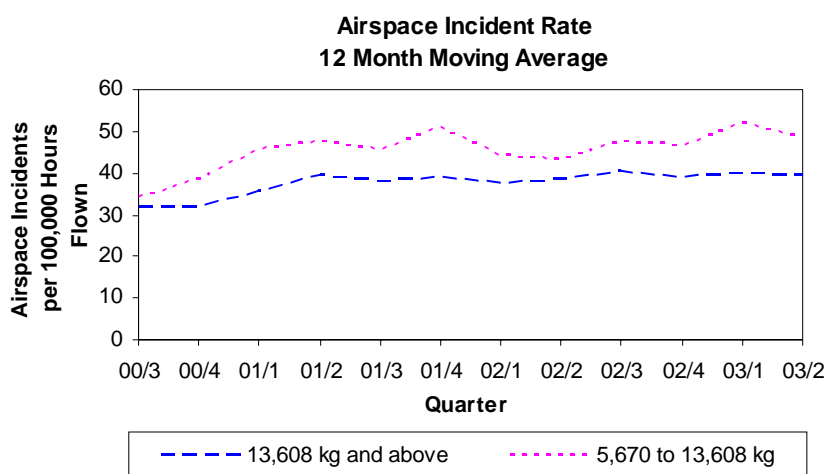
*Measure:* Airspace incidents will be recorded by the number of incidents:

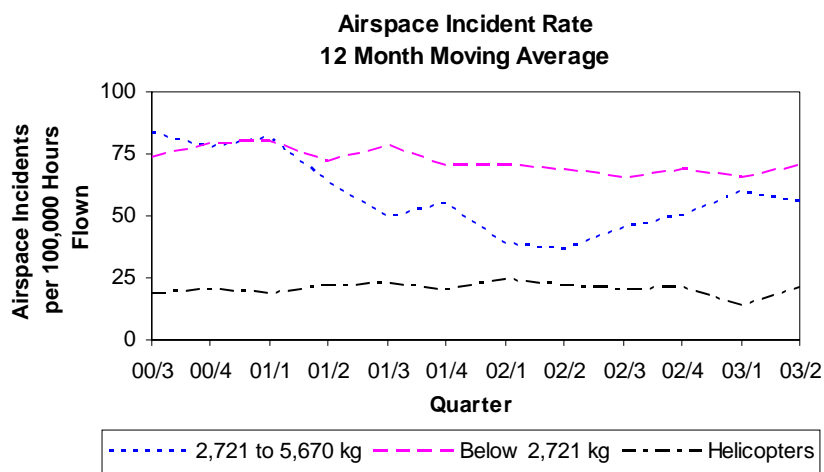
- (a) per 100,000 flight hours to allow comparison with accident and other incident rates, and overseas trends; and
- (b) in the case of ATS attributable incidents, per 100,000 movements in view of the relevance of movements to ATS operations.

Pilot-attributable airspace incidents will be categorised by weight breaks (as set out above).

### 2002/2003 Result

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





Unlike Aircraft Incidents (which are identified and reported by aircraft operators), airspace incidents are, for the most part, identified and reported by the New Zealand air traffic service provider. For this reason, it is believed that changes in reporting levels are an indication of changing levels of safety within the aviation system. It is therefore disappointing to see that airspace events for the 13,608 kg and above and the 5,670 to 13,608 kg groups increased in 2000/2001 causing an overall upward trend for these groups.

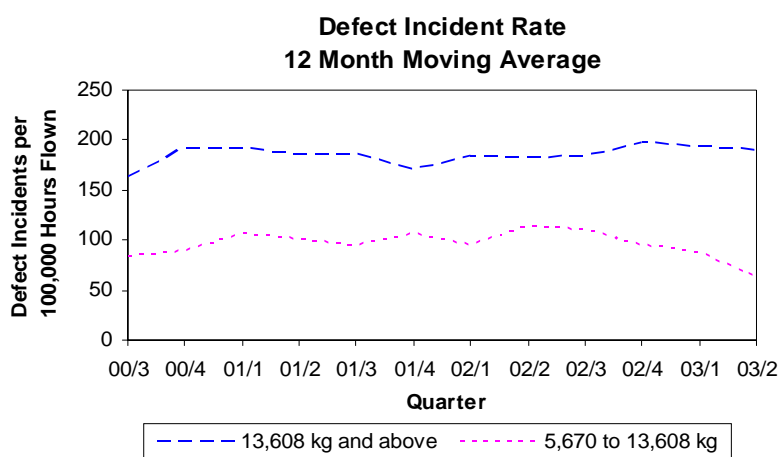
**Reportable Aircraft Defects**

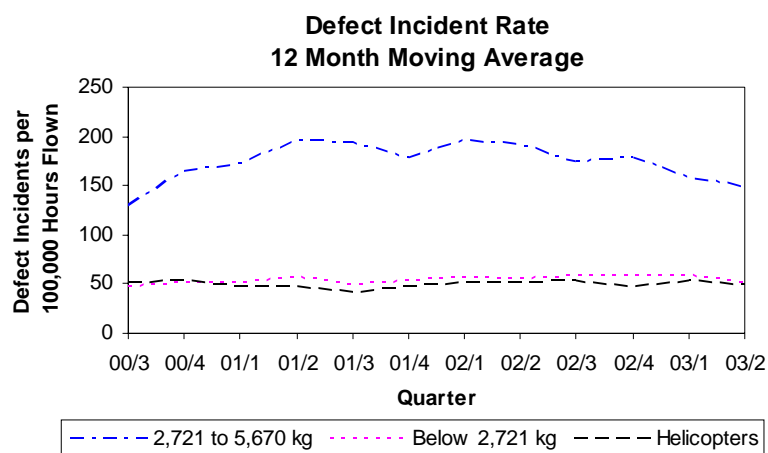
*Target:* A downward trend in the rate of reportable aircraft defects for fixed wing aircraft and helicopters.

*Measure:* The number of defects per 100,000 flight hours with reports based on aircraft weight breaks (as set out above).

**2002/2003 Result**

Aircraft Group	Trend
13,608 kg and above	No trend evident
5,670 to 13,608 kg	No trend evident
2,721 to 5,670 kg	No trend evident
Below 2,721 kg	No trend evident
Helicopters	No trend evident





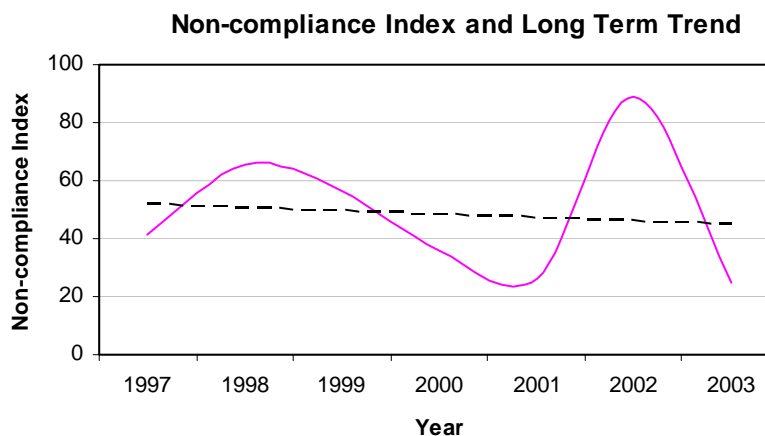
**Industry Non-compliance with Aviation Legislative Requirements**

*Target:* A downward trend in the weighted level of detected non-compliance with aviation legislative requirements.

*Measure:* For the organisational document holder group, the median level of non-compliances detected during entry, audit, and safety investigation weighted for severity and divided by routine CAA audit hours as a measure of “organisational size”.

**2002/2003 Result**

Year	Non-compliance Index	Trend
1997	41.27	-
1998	65.57	Trending up
1999	56.75	Trending up
2000	35.66	Trending down
2001	26.02	Trending down
2002	89.02	Trending up
2003	25.0	Trending down





## **Other Information - CAA**

### **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 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, under that section, 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.

### ***Aviation Services Limited***

With the consent of the Minister of Transport, the Director has delegated to Mr Brian Caruthers, 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. The current delegation expired on 30 June 2003 and has been extended under the same conditions until 31 August 2003 to enable MOT, CAA and ASL to agree to a 5 year delegation. 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.

### ***Airways Corporation of New Zealand***

In June 2000, 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 15 September 2004, provided that Mr Hoskin continues to be employed as Navigation Services Manager for the Airways Corporation.

### ***Microlight Organisations***

Currently, the Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Microlight Pilot Certificates and Microlight Pilot Instructor Certificates prescribed by Civil Aviation Rule Part 103 to two individuals holding senior positions in the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated. The Sport Aviation Corporation Ltd delegation expired on 30 June 2003 and is currently with the MOT awaiting renewal. The Director 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 CAA conducts an annual audit of the Sport Aviation Corporation Limited and the Recreational Aircraft Association of New Zealand Incorporated.

### ***Gliders***

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act 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 four senior persons nominated by Gliding New Zealand formally the New Zealand Gliding Association. One delegation is due to expire in September 2003 and is being replaced. The Director 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.

### ***Hang Gliding and Paragliding***

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Hang Gliding and Paragliding Certificates prescribed by Part 106 of the Civil Aviation Rules to one senior person 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.

### ***Parachuting***

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing, granting and renewing Parachutist Certificates prescribed by Part 105 of the Civil Aviation Rules to Mr Keith Graham Gallaher, Chief Executive of the New Zealand Parachute Federation Incorporated. He has also delegated 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. Mr Gallaher now also has powers under Section 17, subject to conditions.

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.

### ***New Zealand Warbirds Association***

The Director has delegated his powers under sections 7(3) and 9 of the Civil Aviation Act in relation to issuing aviation event authorisations prescribed by Rule 91.703 of the Civil Aviation Rules to the Chief Flying Instructor and the Manager Flight Operations of the New Zealand Warbirds Association Incorporated.

### ***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 eight Search and Rescue Administration Officers and 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. These delegations are valid for a period of three years, unless revoked by the Director.

### ***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. 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.

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

Air New Zealand  
Pacific Aerospace Corporation  
NTech Limited  
Safe Air  
Aviation Design Solutions Limited  
Analysis and Design Associates Ltd  
Aircraft and Helicopter Certification Consultants

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

A handwritten signature in black ink, appearing to read 'John Jones', with a long, sweeping flourish extending to the right.

**John Jones**  
**Director of Civil Aviation**



# SEARCH AND RESCUE SERVICES

## SEARCH AND RESCUE SERVICES

### Vision, Mission and Strategic Goals

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#### Vision

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To deliver superior Class III search and rescue services.

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#### Mission

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To provide a high quality, responsive and cost efficient search and rescue co-ordination service focused on saving life.

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#### Strategic Goals

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1. To deliver prompt, efficient and effective Class III search and rescue services with maximum economy.
  2. To maintain our status as a Quality Assured Supplier of Class III search and rescue services.
  3. To maintain international recognition of the National Rescue Co-ordination Centre as a model for other states in the region.
  4. To promote co-operation among providers of search and rescue services in New Zealand.
  5. To maintain public confidence in the operation of the National Rescue Co-ordination Centre.
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### Significant Search and Rescue Activities

#### Significant Search and Rescue Activities

The New Zealand Rescue Coordination Centre (NRCC) managed 872 Class III SAR incidents during 2002/2003. There were 215 aviation incidents, 127 were marine incidents and 15 involved land search and rescue operations. These SAR incidents resulted in the rescue of 135 people but also resulted in 34 people losing their lives. The NRCC was fully activated to coordinate major SAR operations on 16 occasions during the year. Significant Class III SAR operations included the following:

- (a) **Overdue Aircraft in South Island.** An Auster aircraft, ZK-APO, with a crew of two had departed Takaka for Alexandra on Sunday 30 June 2002 but had failed to arrive. During the next four days extensive air searches were coordinated by the NRCC and concluded with the discovery of aircraft wreckage and the two deceased in the Lindis Pass area on Saturday 6 July 2002.
- (b) **Sinking Yacht near East Cape.** On Thursday 4 July 2002 an RNZAF Orion was tasked and a merchant vessel was diverted to assist a yacht, MAHALA, 200 kilometres northeast of East Cape. The yacht with a crew of five was taking on water and had activated a distress beacon. The yacht was abandoned and the crew transferred to the merchant vessel.

- (c) **Fishing Vessel Capsize.** On Sunday 18 August 2002 an RNZAF Orion tasked by the NRCC homed onto a distress beacon signal and located a small liferaft carrying the three crewmembers from a fishing vessel that had capsized and quickly foundered during the night. Another fishing vessel in the vicinity was diverted to recover the survivors.
- (d) **Fishing Vessel Adrift near Samoa.** On Friday 30 August 2002 the COSPAS-SARSAT system detected a distress beacon about 20 kilometres north of Savaii, the westernmost island of Samoa. The NRCC engaged a Polynesian Airlines aircraft, which located the beacon and a fishing vessel that was 'dead in the water'. After liaising with the Samoa Police, the NRCC arranged for the Samoan government's Pacific-class Patrol Boat to be despatched from Apia to rescue three fishermen and tow them to safety.
- (e) **Vessel with Five Crew Missing in Tonga.** On Monday 9 September 2002 the Tongan authorities contacted the NRCC and reported that a boat with five people had been missing for six days after departing Tofua Island to visit a nearby island. After two days of searching by an RNZAF Orion and a Beechcraft aircraft belonging to the Tongan Defence Services, the missing boat and crew were located on one of the outlying islands of Fiji, 350 miles from their intended destination.
- (f) **Overdue Helicopter.** The NRCC was fully activated on Sunday morning 6 October 2002 to coordinate the search for a helicopter that had failed to return to its base at Haast the previous evening. A SAR helicopter tasked by the NRCC located the wreckage of the missing helicopter and recovered the two crewmembers, who were uninjured.
- (g) **Vessel Adrift near American Samoa.** In the early hours of Friday 25 October 2002 the COSPAS-SARSAT system detected and reported a distress beacon operating in the vicinity of American Samoa. An RNZAF Orion was despatched and located a vessel adrift with four people on board. A nearby vessel was diverted to tow the disabled vessel to Pago Pago.
- (h) **Activated Beacon from Unknown Vessel.** On Monday 4 November 2002 the COSPAS-SARSAT system detected and reported a distress beacon operating 1100 kilometres east of New Zealand. During the following two days RNZAF Orion aircraft searched the area. Although the distress beacon was visually located, there were no signs of persons in distress, wreckage or debris, and the search was suspended. It is not known who the beacon belonged to or why it suddenly started transmitting.
- (i) **Rescue of Mountaineering Group.** On Tuesday 10 December 2002 the NRCC tasked a helicopter from Queenstown to investigate a distress beacon that was operating in the upper reaches of the Dart River Valley, near Mount Aspiring. The helicopter crew located a group of seven people who had become stranded due to bad weather and high river levels. After spending a night in the open and finding they were unable to advance or retreat, the group activated their distress beacon and were airlifted back to their base camp near Glenorchy.
- (j) **Disabled Catamaran near American Samoa.** On Thursday 19 December 2002 the COSPAS-SARSAT System reported a distress beacon operating about 50 nautical miles southwest of Pago Pago, American Samoa. Polynesian Airlines in Apia agreed to send an aircraft to investigate and they discovered a disabled catamaran with three people on board. The US Coast Guard in Pago Pago then

arranged a fishing vessel to rendezvous with the distressed vessel and tow it to safety.

- (k) **Fishing Vessel Sinking near Auckland.** In the early hours of Thursday 26 December 2002, a fishing vessel reported that it was sinking about 50 nautical miles west of Auckland. The NRCC tasked a helicopter from Auckland to winch the two crewmembers to safety at first light and deliver them to Auckland Hospital.
- (l) **Medical evacuation en route to Chile.** On Wednesday 5 February 2003 a crewmember on a vessel 2,000 nautical miles east of New Zealand and en route to Chile suffered a compound fracture of his leg and required medical assistance. For the next eight days the NRCC, in conjunction with the Maritime Operations Centre, Wellington Life Flight Trust and Wellington Hospital, monitored the condition of the patient and supervised the provision of medical advice and treatment as the vessel reversed course and headed for the Chatham Islands where the patient was transferred to an air ambulance and flown to Wellington. The patient was admitted to Wellington Hospital for surgery on Thursday 13 February 2003.
- (m) **Rescue of Fishing Vessel Crew in Foveaux Strait.** On Monday 24 February 2003 a local fishing vessel with a crew of three started sinking near Codfish Island in Foveaux Strait. The crew broadcast a distress call and activated their distress beacon, which resulted in a helicopter and a local Coastguard unit being tasked and deployed to rescue them.
- (n) **Rescue of Yacht Crew in Tasman Sea.** On Sunday 2 March 2003, a yacht with a crew of four, started taking on water, declared an emergency and activated a distress beacon 260 nautical miles west of Cape Farewell while sailing from Picton to New South Wales. NRCC New Zealand arranged for a fishing vessel to divert to provide assistance. 17 hours after requesting assistance the yacht was abandoned and the crew boarded the fishing vessel, which delivered them to Nelson on Wednesday 5 March 2003.
- (o) **Rescue of Crew of Sinking Vessel.** On Friday 21 March 2003 the COSPAS-SARSAT system detected a distress beacon 600 nautical miles north-west of Auckland. An RNZAF Orion and a fishing vessel in the area were tasked to investigate and located a life raft with three survivors from a motor vessel that had been on a delivery voyage from Queensland to Auckland when it started taking on water and eventually sank. The rescued crew joined the fishing vessel and were eventually returned to Brisbane.
- (p) **Search for Topdressing aircraft ZK-LTF.** During the evening of Friday 4 April 2003, concern was raised that the Fletcher topdressing aircraft ZK-LTF, owned by Wanganui Aero Work Ltd, was overdue with two people on board after operating in the Stratford area. Police and Land SAR New Zealand representative joined the SAR Mission Coordinator to initiate search planning at the NRCC. A short time later aircraft wreckage and the pilot and loader driver, who had both suffered fatal injuries, were located.
- (q) **Search for Missing Fishing Vessel mid-Tasman.** During the early hours of Thursday 17 April 2003, a Taiwanese fishing vessel with 17 crew encountered difficulties in heavy sea conditions 800 kilometres west of Auckland. The skipper of the “Lih Fa” contacted nearby fishing vessels by radio and requested assistance. Up to nine other fishing vessels proceeded to the location of the stricken vessel and searched all day without locating the “Lih Fa”, survivors or life rafts, although they



did discover an oil slick, debris and various items of equipment confirmed as being from the missing vessel. These fishing vessels stopped searching when darkness and the continuing extreme weather conditions forced them to vacate the area as they were concerned for their own safety. At about this stage the NRCC was informed of the situation and arranged for an RNZAF P3K Orion aircraft to search the probable area for life rafts and survivors on Friday 18 April 2003. After an air search by the Orion aircraft failed to locate anything of significance, the search was suspended, pending further information that would justify the resumption of active SAR operations.

- (r) **Search for Recreational Craft “Time Out” off North Otago Coast.** On Sunday 11 May 2003 the COSPAS-SARSAT reported a distress beacon operating about 10 nautical miles off the coast near Oamaru. A helicopter with direction-finding equipment and a water rescue/winch capability was despatched from Dunedin. A beacon and members of a fishing group from the vessel “Time Out” that had earlier sunk were found in the water. Two men were rescued and one body was recovered. Two other males remain missing, presumed drowned. A Coroner’s Inquest and a separate independent review by the NZ SAR Council are to investigate and report on the circumstances of this tragedy and the conduct of this SAR operation.
- (s) **Search for Missing Fishermen in Tokelau Islands Group.** On Friday 16 May 2003 the NRCC received reports of two fishermen from Atafu Atoll in Tokelau failing to return from fishing when expected the previous day. An RNZAF Orion was despatched to the area and, after locating the missing craft that had experienced technical difficulties, diverted a commercial vessel to rescue the two men.
- (t) **Search for Aircraft Lost between Samoa and New Zealand.** On Wednesday 18 June 2003 Air Traffic Services declared an emergency because there was concern about the location and safety of a Canadian-registered Convair 580 aircraft with a crew of three flying from Pago Pago to Palmerston North. A Class III SAR operation was initiated and a USAF aircraft that was flying from American Samoa to Christchurch agreed to divert from a point near Napier and proceed to the east of New Zealand where it eventually established VHF communications with the missing aircraft, located it over 250 miles east of New Zealand with limited fuel remaining and escorted it to a safe landing at Gisborne, more than two hours after its planned arrival time at Palmerston North. Transport Canada, with assistance from the Transport Accident Investigation Commission of New Zealand is investigating this incident.
- (u) **Investigation of Distress Beacon operating near Tonga.** During the night of Friday 27 June 2003, the COSPAS-SARSAT satellite system reported a distress beacon operating 170 nautical miles southwest of Nuku’alofa. After a number of checks proved fruitless in identifying the source of the beacon or the nature of the emergency, an RNZAF P3K Orion was despatched and located a fishing vessel adrift with nine people on board. The vessel had experienced engine failure and had a flat battery. The Tongan authorities arranged appropriate assistance for this vessel.

### **Other Significant SAR Events or Activities**

- (a) The inter-departmental group chaired by the Ministry of Transport completed its report on the governance arrangements for search and rescue in New Zealand and presented its findings to the National SAR Committee on Friday 26 July 2002.

- (b) An internal CAA review of the NRCC staffing and accountability arrangements was concluded in September 2002.
- (c) The Manager NRCC organised and conducted SAR Workshops in Tonga and Samoa during the period 29 July – 2 August 2002 inclusive to address the implications of the changes to New Zealand's area of SAR responsibility, which came into effect on 8 August 2002 and now includes the additional Pacific States or Territories of Tonga, Samoa, American Samoa, Niue and Tokelau.
- (d) The NRCC conducted a workshop in September 2002 to examine the desirability of adopting the New Zealand Coordinated Incident Management System (CIMS) protocols and procedures during Class III SAR operations.
- (e) The annual external audit of the NRCC was conducted by Bureau Veritas Quality International (BVQI) on 8 October 2002. There were no Non-Conformity Reports (NCR's) raised.
- (f) The Manager NRCC attended the Annual COSPAS-SARSAT Council Meeting in Washington DC during the period 14-17 October 2002.
- (g) The NRCC SAR Operations Officer attended a Pacific Island Region Aviation Accident Preparedness Workshop in Fiji during the period 21-25 October 2002.
- (h) The Manager NRCC attended the national conference of New Zealand Police SAR Coordinators and the inaugural national conference of the New Zealand Land SAR Inc, which were held in Christchurch during the period 8 - 10 November 2002.
- (i) The Manager NRCC concluded the renegotiation of the ten-year old contracts for the operational and technical support of the COSPAS-SARSAT Local User Terminals (LUTs) with EMS Technologies Pty Ltd, Australia and EMS Technologies, Canada in November 2002.
- (j) In December 2002 the Manager NRCC negotiated a renewal of the contract with the Maritime Safety Authority of Australia for the supply of COSPAS-SARSAT LUT monitoring services.
- (k) Efforts have been continuing since December 2002 to identify a suitable site for the COSPAS-SARSAT aerials presently mounted on top of Aviation House, Market Grove, Lower Hutt in anticipation of the NRCC being relocated when the CAA moves from Lower Hutt. Unfortunately the new CAA building in Petone cannot physically support the aerial installations.
- (l) In February 2003 the National SAR Committee (NSRC) considered a report from the Ministry of Transport (MoT) on the status and progress of a new governance structure for search and rescue in New Zealand. The report proposed the establishment of a SAR governance structure comprising a New Zealand SAR Council, supported by a permanent SAR Secretariat, to replace the existing NSRC.
- (m) The inaugural meeting of the 406 MHz Interagency Transition Task Group that has been formed by the National SAR Committee to produce, monitor and report on a New Zealand national plan for the phase-out of 121.4 MHz satellite alerting services by February 2009 was held in February 2003 under the Chairmanship of the Manager NRCC.
- (n) The Director of Civil Aviation formalised in March 2003 an Agreement with The Life Flight Trust, Wellington, for the provision of medical advice or assistance for

the diagnosis or treatment of illness being experienced by Class III SAR victims at sea beyond New Zealand's territorial waters.

- (o) The NRCC concluded an Agreement on SAR cooperation with the United States Coastguard in April 2003. The US Coastguard is responsible for providing SAR services within NRCC Honolulu which is adjacent to and has a shared boundary with RCC New Zealand.
- (p) A two-day training programme, including theory and practical airborne experience, was held during May 2003 for SAR personnel likely to be engaged as airborne observers during a SAR incident.
- (q) The Manager NRCC participated in a Police SAR Coordination symposium at Christchurch on Monday and Tuesday 30 June - 1 July 2003. Outcome Performance.



**John Jones**  
**Director of Civil Aviation**





# AVIATION SECURITY SERVICE

## AVIATION SECURITY SERVICE

### Mission and Strategic Goals

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#### Mission

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

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#### Strategic Goals

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- Goal 1 Enhance the operational capability of the Service:
- through the improvement of approaches to the management of intelligence, aviation security personnel, procedures, equipment and resources.
- Goal 2 Reinforce and enhance relationships between the Aviation Security Service and stakeholders and customers of its services to achieve enhanced aviation security outcomes:
- through the adoption of collaborative initiatives for improved security and improved approaches to relationship management and service delivery.
- Goal 3 Provide a world-class aviation security service efficiently and effectively:
- through the maintenance of quality systems and the application of best practice across the Service.
- Goal 4 Enhance the strategic capability of the Service:
- through enhancements to strategic management processes, Service infrastructure and risk management.
- Goal 5 Provide an extended range of quality aviation security related services to clients in New Zealand and the Asia-Pacific/South Pacific Region:
- through offering services to a range of clients which build on the organisational and operational capability and strengths of the Aviation Security Service.
- Goal 6 Reinforce the national and international reputation of the Aviation Security Service as a recognised leader in the provision of quality security services:
- through active marketing and promotion.
- Goal 7 Ensure that the Aviation Security Service makes a positive contribution to the Government's aims and objectives for New Zealand:
- through contributing as required to Government initiatives and aligning Service strategy with Government priorities.

- Goal 8 Ensure a funding regime that supports the future development requirements of the Service:
- through developing funding plans consistent with long term objectives; and
  - progressing initiatives aimed at developing additional sources of funding.
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## **Outcomes and Outputs**

### **Outcomes**

The Aviation Security Service recognizes the Government's vision for transport that by 2010 New Zealand will have an affordable, integrated, safe, responsive, and sustainable transport system. Within the constraints of existing legislation, the Authority will have regard to the Governments objectives of the New Zealand Transport Strategy, which are:

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

### **Outputs**

The Output for which the Aviation Security Service was responsible during the 2002/2003 financial year was *Aviation Security Service*.

## **General Manager's Report – AVSEC**

The following is an overview of significant aviation security activities undertaken by the Aviation Security Service 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.

### **General Overview**

#### *Enhanced Security Measures*

The additional measures introduced for all US bound services and most Asian bound services in the aftermath of 11 September continued throughout the year, having a significant impact on the Auckland operation in particular. The attack on Iraq by US and UK forces in late March 2003 resulted in an increase in security measures for US bound and QANTAS services. Those measures remained in place for the remainder of the year even though President Bush announced the end of formal hostilities on 1 May.

#### *Avsec Strategic Plan 2002-5*

During the year Avsec commenced implementation of its 2002-05 Strategic Plan. The Plan consists of eight goals, listed at the forefront of this section. A key focus in 2002/03 was Goals One and Two, reflecting the significance of the Review of Aviation Security Matters, and planning for the introduction of hold stow screening in particular.

#### *Review of Aviation Security Matters*

The Review of Aviation Matters initiated by Government in the aftermath of 11 September remained a key project for the Aviation Security Service throughout 2002/3. Avsec contributed resources to an implementation working group consisting of Ministry of Transport, Civil Aviation Authority and Avsec officials.

The most significant project related to preparation for the introduction of hold stow screening, for which the target implementation date for New Zealand is 1 October 2005. This project involved the deployment of two Avsec managers on an almost full time basis, working in conjunction with the Civil Aviation Authority and Ministry of Transport. This exercise involves widespread consultation with industry.

Avsec funded the employment of contracting firm, Airplan, to investigate the options for hold stow screening at each of NZ's seven international airports. This exercise cost Avsec \$0.113m (GST exclusive). The Airplan report was submitted to industry and Government on 1 August 2003.

#### *Avsec Change Management Plan*

A further important focus during the year was the Avsec Change Management Plan, split into three phases as follows:

- a) phase one involving a review of regional structures. This phase involved the creation of eight new administrative positions in the three regions, reflecting the 100% growth in Avsec staffing and budget post 11 September. The new structure was intended to better position Avsec to manage its operational requirements post 11 September and the demands likely to be placed on it by the 2002-05 Strategic Plan. This phase was completed by March 2003.



- b) phase two involving a review of National Office structure. This phase involves the creation of seven additional National Office positions. Implementation is to commence in October 2003 with a target completion date of 31 March 2004.
- c) phase three involving a review of Avsec's culture including its accountability framework. This phase continued into 2003/04.

### ***Review of Avsec Funding Regime***

Late in the year saw the commencement of the review of the level and operation of the domestic passenger charge, introduced on 1 April 2002 to fund domestic security measures. At the time of its introduction Government had undertaken to industry that a review would be carried out after the passenger charge had been in place for twelve months.

Former Director of Civil Aviation, Kevin Ward, was commissioned by Government to undertake the review. Avsec's involvement in the review included a presentation to Mr Ward and industry representatives on its cost and revenue structure for the 2002/03 year. Mr Ward's recommendations are shortly to be submitted to Cabinet. Key recommendations include that:

- a) the domestic passenger charge remain at the level of \$2.80 (GST inclusive) for the 2003/04 year;
- b) the level of both the domestic and international passenger charges be reviewed as at 1 July 2004; and
- c) Avsec review its mechanisms for the allocation of international and domestic passenger costs.

### ***SARS***

The onset of SARS impacted on the Avsec operation over the last three months of the year, from a staffing and financial perspective. Avsec participated in cross agency discussions on managing this issue through membership of the Border Agency SARS Group and the Officials Domestic and External Services Committee (ODESC). Extensive briefings were provided to staff and the three unions on the potential medical impact of SARS. Masks were also issued to staff deployed on aircraft guard duties.

SARS also impacted on Avsec's finances with a decline in international passenger numbers. Asian bound services were particularly hurt.

### ***Insurance***

Placement and renewal of aviation liability insurance was a further focus for the year. Prior to 25 September 2001 insurance cover for war and terrorism risk was US\$750m. This was withdrawn in response to the events of 11 September.

In April 2003 an Avsec representative visited London to make presentations to the nine key insurance underwriters. Following that visit Avsec was successful in obtaining aviation liability cover for 2003/2004 at a 14% increase on 2002/03 premiums. The level of increase was mitigated by the appreciation in the NZ dollar experienced during the 2002/2003 year.

### ***Audits***

During the year under review, Bureau Veritas Quality International carried out audits at all airports. Following these audits, Avsec was awarded certification against ISO 9001:2000, the international standard for management systems.

Audits were also undertaken by the Civil Aviation Authority, which monitors compliance with Civil Aviation Rule: Part 140 under which Avsec is required to hold a certificate. These audits were performed at all stations. In addition, the Civil Aviation Authority audited Avsec's training organisation against the requirements of Civil Aviation Rule: Part 141, Aviation Training Organisations. This audit resulted in the issue of an interim certificate of compliance with the Rule. A full certification audit is scheduled for 2003/04.

In addition to these audits by external authorities, Avsec carried out internal audits of Christchurch, Dunedin, Palmerston North, Queenstown and Wellington.

Monthly checklists were sent to all stations during the year. These cover a different aspect of the quality system each month and are completed by the station. The checklists give a snapshot of the system and are used together with the audit reports and results of recurrent testing, in the preparation of a monthly management review report to the General Manager. The report is circulated to the three regional managers to facilitate the transfer of best practice across regions.

### ***Explosive Detector Dog Unit***

The Avsec explosive detector dog teams were in heavy demand throughout 2002/03 and were called out on 539 occasions, including 23 occasions on behalf of Police. Most of these callouts were to unattended bags or parcels, while others were to check items of cargo too large to be x-rayed.

### ***South Pacific Training and infrastructure/ICAO support***

Throughout the year Avsec continued to contribute to the development of aviation security infrastructure in the South West Pacific region. In September Avsec hosted a meeting of the Association of South Pacific Airlines in Auckland to discuss its proposed three year structured training and development plan for the region.

Avsec also continued with plans for the establishment of an ICAO regional training centre at Auckland. A lease was obtained for new accommodation at the industrial park adjacent to Auckland Airport to house the Avsec northern regional operation and provide a new training facility for northern region staff. This accommodation will house the ICAO regional training centre if approval is obtained. The new accommodation will be opened in October 2003.

A business plan for the establishment of a regional training centre was submitted to ICAO in early 2003. Avsec is now awaiting the outcome of its submission.

In January Avsec's Manager Quality Systems and Co-ordinator Training Services attended and passed an ICAO audit course, conducted in Hong Kong. Both are now certificated to perform ICAO audits under the ICAO Universal Audit Security Programme. Late in the year the Manager Quality Systems participated in an audit in Cambodia. He has been invited to participate in additional audits in 2003/04.

The second half of the year saw Avsec involvement in a Ministry of Foreign Affairs and Trade initiative, aimed at enhancing broader security in the South West Pacific, and

protecting New Zealand's interests. In March Cabinet approved the proposed framework for this initiative and the establishment of a Pacific Security Fund for 2003/04, with initial funding in 2003/04 of \$2m. Avsec is seeking \$0.604m (GST inclusive.) from the fund in 2003/04 to cover three key initiatives:

- a) Provision of security support for the South Pacific Games, held in Fiji in June/July;
- b) Deployment of surplus Avsec x-ray machines to Fiji and five other regional countries following completion of the South Pacific Games; and
- c) Provision of advice to the Pacific region on the introduction of hold stow screening.

### ***Rotorua***

In September 2002 Avsec closed its Rotorua operation following the withdrawal of the CAA's security designation for that airport. Air New Zealand's jet services out of Rotorua ceased in June 2002 but Avsec continued to provide a presence at the airport for several months after that. Of the six Avsec Rotorua staff, one transferred to Auckland and five staff accepted redundancy payments.

### ***Maritime security***

In early 2003 Avsec was invited by Government to provide advice on the establishment of a new maritime security infrastructure to apply from 1 July 2004, following changes agreed by the International Maritime Organisation. Avsec participated in an officials working group chaired by the Maritime Safety Authority."

## **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.

### **Staff Numbers**

	<b>2001/02</b>	<b>2002/03</b>	<b>Variance</b>
<b>Women</b>	141	157	+16
<b>Men</b>	223	248	+25
<b>TOTAL</b>	364	405	+41

### **Training**

Training continued as key priority for the Aviation Security Service during 2002/03 with the development of a comprehensive training plan for the year. Training initiatives included one day workshops for all Avsec sergeants (frontline supervisors) on Avsec's new performance management system, kiwi host training for all new officers and harassment prevention training for those officers who have not yet received that training.

In February 2003 Avsec commenced its new frontline management programme that it is operating in conjunction with the NZ Institute of Management. This programme targets

newly appointed sergeants and those who aspire to this position in each of the three regions. Twenty nine candidates are attending the inaugural programme, which is scheduled to finish in December.

Another focus for the training section was recruitment training courses as Avsec continued with its recruitment programme to raise staff levels to meet operational demands.

In early 2003 Avsec obtained CAA certification to act as an authorised Aviation Training Organisation under Rule Part 141.

### **Occupational Health and Safety**

During the year Avsec commenced a review of its health and safety initiatives to ensure that it is in compliance with Health and Safety in Employment Amendment Act 2002 that came into effect on 5 May 2003. This legislation has significant implications for Avsec.

In August 2002 Avsec reached agreement with the Occupational Safety and Health Section of the Department of Labour on the wearing of safety shoes by staff. The agreement required all new staff to be in safety shoes from the time of each course graduation, with remaining staff to be in them by 30 June 2003.

The agreement has been adhered to and all officers are now wearing safety shoes.

### **Avsec Collective Agreement**

The 2001- 03 Avsec Collective Agreement expired on 30 June 2003 and planning began in May 2003 for a replacement document. The previous Collective Agreement had been negotiated in 2001 with the Public Service Association, the then sole staff union. Since then two other unions have also commenced representation of Avsec staff, the National Union of Public Employees (NUPE) in Christchurch and the Engineers Union in Wellington. In May 2003 the three union parties agreed to a combined set of negotiations for one Collective Agreement.

### **Dispute concerning starting rate for Aviation Security Officers**

The first half of the year was marked by a dispute with the three staff unions on the starting rates for security officers. Two mediation hearings failed to resolve the dispute and it was agreed to refer the matter to the Employment Relations Authority (ERA). The ERA hearing was held on 29 January 2003 in Wellington and the ruling received in late February 2003.

The ERA ruling was not favourable to Avsec's position.

## Statement of Impacts and Consequences

### Outcome Measures

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

- (a) Inflight security incidents
- (b) Airside security incidents
- (c) Dangerous goods introduced into aircraft

### Outcome Results

#### *Inflight Security Incidents*

---

<b>Target:</b>	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.
<b>Measure:</b>	<i>Number of inflight security incidents.</i>
<b>Result:</b>	There were no inflight security incidents reported on aircraft screened by the Aviation Security Service.

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#### *Airside Security Incidents*

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<b>Target:</b>	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.
<b>Measure:</b>	<i>Number of airside security incidents.</i>
<b>Result:</b>	There were no airside security incidents reported in areas covered by the Aviation Security Service.

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#### *Dangerous Goods Introduced Into Aircraft*

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<b>Target:</b>	To achieve a nil rate of incidents involving the introduction of dangerous goods into aircraft that have been screened by the Aviation Security Service.
<b>Measure:</b>	<i>Number of incidents involving dangerous goods</i>
<b>Result:</b>	There were no dangerous goods incidents reported regarding aircraft screened by the Aviation Security Service.

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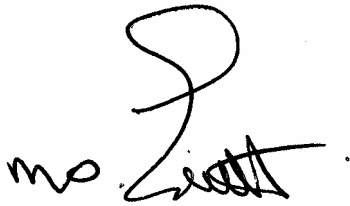
## Value for Money Targets and Measures

### *Cost Effectiveness*

Performance Measures 2002 - 2003	Performance Result	
The ratio of output expenditure to the number of access and security breach incidents.	Average cost	\$2,459,962
	Average number of incidents	2,262
	<b>Ratio</b>	<b>\$1,087.52</b>
	<i>Ratio (2002)</i>	<i>\$1,099.70</i>
<i>Trends from year to year and three year rolling average</i>	Yearly trend	-\$12.18
	Three year rolling average	\$1,044.62

**Cost Efficiency**

<b>Performance Measures 2002 - 2003</b>	<b>Performance Result</b>	
The ratio of output expenditure to the number of passengers screened.	Average cost of screening	6,876,457
	Average number of passengers	5,670,218
	<b>Ratio</b>	<b>\$1.21</b>
	<i>Ratio (2002)</i>	<i>\$1.09</i>
<i>Trends from year to year and three-year rolling average.</i>	Yearly trend	+\$0.12
	Three year rolling average	\$1.11
The large increase in cost is due to the measures put in place following September and the costs of overtime work while new staff was under training.		
The ratio of output expenditure to the number of aircraft searched.	Average cost of search	\$148,789
	Average number of aircraft	4924
	<b>Ratio</b>	<b>\$30.22</b>
	<i>Ratio (2002)</i>	<i>\$75.62</i>
<i>Trends from year to year and three-year rolling average.</i>	Yearly trend	-\$45.40
	Three year rolling average	\$56.10
The increased demand for aircraft search arising from the September 2001 attacks has continued.		



**General Manager  
Aviation Security Service**



# GROUPED FINANCIAL STATEMENTS





## **GROUPED FINANCIAL STATEMENTS**

**for the Year Ended 30 June 2003**

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 Service 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 2003 are our responsibility; and
- c) In our opinion the grouped financial statements for the year ended 30 June 2003 fairly reflect the service performance, financial performance, position and cash flows of the Authority.



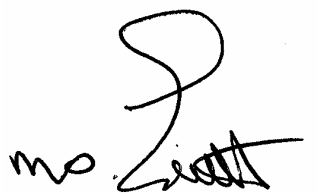
**R H Fisher**  
Chairperson  
Civil Aviation Authority  
of New Zealand

14 October 2003



**J J Jones**  
Director  
Civil Aviation Authority

14 October 2003



**M T Everitt**  
General Manager  
Aviation Security Service

14 October 2003

## **CIVIL AVIATION AUTHORITY OF NEW ZEALAND**

### **Grouped Statement of Accounting Policies**

#### **Reporting Entity**

The grouped financial statements for the year ended 30 June 2003 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.

#### **Measurement Base**

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

#### **Basis of Grouping**

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

#### **Budget Figures**

The budget figures are those approved by the Authority at the beginning of the financial year and disclosed in the Statement of Intent 2002/2003 – 2004/2005. 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.

### **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 earned 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 83% (2002 85%) 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 the 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 lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

### **Receivables**

Receivables are stated at their estimated realisable value after providing for doubtful and un-collectable debts.

### **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 un-collectable work in progress.

### **Fixed Assets**

Buildings are stated at net current value as determined by an independent registered valuer as at 30 June 2003. 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 fixed 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 years	33%

### **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 the previous year.

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Grouped Statement Specifying Financial Performance**  
**for the Year Ended 30 June 2003**

<b>Specified financial performance</b>	<b>Achievement</b>	<b>Target</b>
Expenditure to be within budget (\$000)	\$46,112	\$46,432
To achieve the budgeted deficit (\$000)	\$2,930	(\$102)
To maintain net current assets at budgeted levels (\$000)	\$7,443	\$4,720
To achieve the budgeted current ratio	2.09 : 1	1.94 : 1
To achieve the budgeted average debtors ratio	27 days	25 days
To achieve the budgeted average creditors ratio	47 days	40 days
To maintain physical assets at budgeted levels (\$000)	\$6,220	\$6,396
Capital expenditure to be within budget (\$000)	\$3,034	\$2,533
To achieve the budgeted ratio of capital additions to physical assets	49%	40%
To achieve the budgeted ratio of physical assets to total assets	30%	40%
To maintain Equity at budgeted levels (\$000)	\$11,944	\$9,716
To achieve the budgeted ratio of public equity to total assets	58%	60%

**Explanation of significant variances**

The operating surplus was the result of underestimating the size of the domestic travel market and the demand from operators for our services.

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Financial Performance for the Year Ended 30 June 2003

2002 Actual \$000		Notes	2003 Actual \$000	2003 Budget \$000
27,867	Levy Revenue		38,585	37,426
6,632	Crown Revenue		2,965	2,964
6,294	Other Revenue	1	6,873	5,637
425	Interest Income		619	303
<b>41,218</b>	<b>Total operating revenue</b>		<b>49,042</b>	<b>46,330</b>
40,853	Cost of services	2	46,112	46,432
<b>365</b>	<b>NET OPERATING SURPLUS / (DEFICIT)</b>		<b>2,930</b>	<b>(102)</b>

### Grouped Statement of Movements in Equity for the Year Ended 30 June 2003

2002 Actual \$000			2003 Actual \$000	2003 Budget \$000
365	Net surplus / (deficit)		2,930	(102)
<b>365</b>	<b>Total recognised revenues and expenses</b>		<b>2,930</b>	<b>(102)</b>
3,222	Capital Injection/(Repayment)		(1,103)	(1,400)
521	Retention of previous years surpluses		114	-
(316)	Provision for repayment of surplus to the Crown		(1,892)	-
-	Increase in asset revaluation reserve		93	-
<b>3,792</b>	<b>Movements in Equity for the year</b>		<b>142</b>	<b>(1,502)</b>
<b>8,010</b>	<b>Taxpayers' Equity as at 1 July 2002</b>		<b>11,802</b>	<b>11,218</b>
<b>11,802</b>	<b>Taxpayers' Equity as at 30 June 2003</b>	3	<b>11,944</b>	<b>9,716</b>

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Financial Position As at 30 June 2003

2002 Actual \$000		Notes	2003 Actual \$000	2003 Budget \$000
<b>Public Equity</b>				
11,588	General Funds	3	11,637	9,502
214	Asset Revaluation Reserve	3	307	214
<b>11,802</b>	<b>TOTAL PUBLIC EQUITY</b>		<b>11,944</b>	<b>9,716</b>
Represented by:				
<b>CURRENT ASSETS</b>				
9,045	Cash		9,656	5,308
4,817	Receivables and prepayments	4	4,602	4,444
<b>13,862</b>	<b>TOTAL CURRENT ASSETS</b>		<b>14,258</b>	<b>9,752</b>
<b>NON-CURRENT ASSETS</b>				
5,164	Fixed Assets	5	6,220	6,396
<b>19,026</b>	<b>TOTAL ASSETS</b>		<b>20,478</b>	<b>16,148</b>
<b>CURRENT LIABILITIES</b>				
2,123	Payables		2,550	1,989
3,230	Employee entitlements	6	2,170	3,043
316	Provision for payment of surplus		2,095	-
<b>5,669</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>6,815</b>	<b>5,032</b>
<b>NON-CURRENT LIABILITIES</b>				
1,555	Employee entitlements	6	1,719	1,400
<b>7,224</b>	<b>TOTAL LIABILITIES</b>		<b>8,534</b>	<b>6,432</b>
<b>11,802</b>	<b>NET ASSETS</b>		<b>11,944</b>	<b>9,716</b>



## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Cash Flows for the Year Ended 30 June 2003

2002 Actual \$000	Notes	2003 Actual \$000	2003 Budget \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
26,184	Levies	38,558	43,283
6,632	Crown	2,965	2,964
6,361	Fees, Charges & Other	7,062	-
434	Interest	643	127
39,611		49,228	46,374
<b>Cash was applied to:</b>			
(23,302)	Payments to employees	(30,453)	(36,076)
(10,404)	Payments to suppliers	(13,106)	(6,921)
(3,165)	Net Goods and Services Tax	(39)	-
(798)	Payments of Capital Charge to the Crown	(999)	(840)
(37,669)		(44,597)	(43,837)
<b>1,942</b>	<b>Net Cash Flow from Operating Activities</b>	<b>4,631</b>	<b>2,537</b>
	7		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
71	Sale of Assets	117	-
<b>Cash was applied to:</b>			
(2,335)	Purchase of Assets	(3,034)	(2,533)
<b>(2,264)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(2,917)</b>	<b>(2,533)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was applied to:</b>			
3,222	Capital Injection/(Repayment)	(1,103)	(1,400)
(154)	Repayment of Surplus to Crown	-	(283)
<b>3,068</b>	<b>Net Cash Flow from Financing Activities</b>	<b>(1,103)</b>	<b>(1,683)</b>
2,746	Net Increase/(Decrease) in Cash held	611	(1,679)
6,299	Plus opening cash	9,045	6,987
<b>9,045</b>	<b>Closing Cash balance</b>	<b>9,656</b>	<b>5,308</b>
795	Cheque	176	188
8,250	Short term deposits	9,480	5,120
<b>9,045</b>	<b>Closing Cash balance</b>	<b>9,656</b>	<b>5,308</b>

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Grouped Statement of Commitments

As at 30 June 2003

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.

<b>2002</b>		<b>2003</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
	<b>Capital commitments</b>	
935	Purchase of additional x-ray machines	-
64	Other	-
<b>999</b>	<b>Total Capital commitments</b>	<b>-</b>
	<b>Non-cancellable operating lease commitments</b>	
1,009	- Less than one year	929
504	- One year but less than two years	885
952	- Two years but less than five years	2,358
890	- Longer than five years	1,072
<b>3,355</b>		<b>5,244</b>
	<b>Other non-cancellable contracts</b>	
1,003	- Less than one year	1,091
805	- One year but less than two years	474
213	- Two years but less than five years	628
-	- Longer than five years	84
<b>2,021</b>		<b>2,277</b>
<b>6,375</b>	<b>Total Commitments</b>	<b>7,521</b>

### Grouped Statement of Contingent Liabilities

As at 30 June 2003

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. These relate to legal claims against the Authority where the court decisions are uncertain.

65	Judicial Review	75
1,017	Legal Claims	-
100	Statutory Review	50
<b>1,182</b>	<b>Total Contingent liabilities</b>	<b>125</b>

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Statement of Operations of Industry Segments**  
**for the Year Ended 30 June 2003**

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	
	2002 Actual \$000	2003 Actual \$000	2002 Actual \$000	2003 Actual \$000	2002 Actual \$000	2003 Actual \$000	2002 Actual \$000	2003 Actual \$000	2002 Actual \$000	2003 Actual \$000
<b>Operating Revenue</b>										
Revenue Outside the Group Inter-Segment Revenue	19,977 109	22,830 72	1,338 -	1,332 -	19,903	24,880	(109)	(72)	41,218	49,042
<b>Total Revenue</b>	<b>20,086</b>	<b>22,902</b>	<b>1,338</b>	<b>1,332</b>	<b>19,903</b>	<b>24,880</b>	<b>(109)</b>	<b>(72)</b>	<b>41,218</b>	<b>49,042</b>
<b>Segment result</b>	<b>49</b>	<b>1,173</b>	<b>113</b>	<b>(135)</b>	<b>203</b>	<b>1,892</b>	<b>-</b>	<b>-</b>	<b>365</b>	<b>2,930</b>
Segment Non-Current Assets	1,275	1,098	222	49	3,667	5,073	-	-	5,164	6,220

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 of the development of, and monitoring of compliance, with Aviation Rules. Class III Search and Rescue Co-ordination comprises of the provision of a co-ordination search and rescue service for persons in distress. Aviation Security Service comprises of the screening of international departing passengers and cabin baggage.

## CIVIL AVIATION AUTHORITY OF NEW ZEALAND

### Notes to the Grouped Financial Statements for the Year Ended 30 June 2003

#### Note 1 Other Revenue

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
6,202	Fees and Charges	6,809	5,637
58	Miscellaneous Income	-	-
34	Gain on disposal of Assets	64	-
<b>6,294</b>		<b>6,873</b>	<b>5,637</b>

#### Note 2 Cost of Services

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
26,191	Employee remuneration	28,827	28,618
461	Training	276	109
396	Recruitment	762	1,037
1,162	Rental expenses on operating leases	938	1,101
798	Capital Charge	1,009	840
121	Authority Members Fees	121	117
10	Bad debts written off	4	2
-	Provision for doubtful debts	(17)	-
30	Fees paid to Auditors	28	35
2	Fees paid to Auditors other services	6	-
9,894	Other Operating	12,098	12,543
	Depreciation:		
396	Plant & Equipment	692	713
991	Computer Equipment	971	880
328	Motor Vehicles	323	354
29	Buildings	29	29
33	Furniture & Fittings	34	43
11	Office Equipment	11	11
1,788	Total depreciation for the year	2,060	2,030
<b>40,853</b>		<b>46,112</b>	<b>46,432</b>

**Note 3 Taxpayers' Equity**

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
	Net surplus / (deficit)		
49	Aviation Safety	1,173	55
113	Search & Rescue	(135)	-
203	Security Service	1,892	(157)
	Other recognised revenues and expenses	-	-
<u>365</u>	<b>Total recognised revenues and expenses</b>	<u>2,930</u>	<u>(102)</u>
3,222	Capital Injection/(Repayment) - Security Service	(1,103)	(1,400)
521	Retention of previous years surpluses - Security Service / Search & Rescue	114	-
	Provision for repayment of surplus to the Crown		
(203)	Security Service	(1,892)	-
(113)	Search & Rescue	-	-
<u>3,792</u>	<b>Movements in Equity for the year</b>	<u>49</u>	<u>(1,502)</u>
<u>7,796</u>	<b>Taxpayers' Equity as at 1 July 2002</b>	<u>11,588</u>	<u>11,004</u>
<u>11,588</u>	<b>Taxpayers' Equity as at 30 June 2003</b>	<u>11,637</u>	<u>9,502</u>

**Asset Revaluation Reserve****Building**

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
214	Opening balance	214	214
-	Revaluation	93	-
<u>214</u>	<b>Closing balance</b>	<u>307</u>	<u>214</u>

**Note 4 Receivables and prepayments**

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
4,209	Trade debtors	4,083	3,678
(18)	Less provision for doubtful debts	(2)	(10)
197	Prepayments	306	516
429	Work in Progress	215	260
<u>4,817</u>	<b>Total</b>	<u>4,602</u>	<u>4,444</u>

**Note 5 Fixed Assets**

<b>2002 Cost or Valuation \$000</b>	<b>2002 Accumulated Depreciation \$000</b>	<b>2002 Carrying Value \$000</b>	<b>Grouped</b>	<b>2003 Cost or Valuation \$000</b>	<b>2003 Accumulated Depreciation \$000</b>	<b>2003 Carrying Value \$000</b>	<b>2003 Budget Value \$000</b>
5,315	3,380	1,935	Plant and Equipment	7,384	4,072	3,312	2,102
6,593	5,149	1,444	Computer Equipment	7,178	5,986	1,192	2,608
1,709	885	824	Motor Vehicles	1,580	893	687	676
720	74	646	Auckland Building <sup>1</sup>	710	-	710	285
1,650	1,358	292	Furniture and Fittings	1,685	1,393	292	653
182	159	23	Office Equipment	196	169	27	72
<b>16,169</b>	<b>11,005</b>	<b>5,164</b>	<b>TOTAL ASSETS</b>	<b>18,733</b>	<b>12,513</b>	<b>6,220</b>	<b>6,396</b>

<sup>1</sup> The Auckland Building was revalued to net current value as determined by Seagar & Partners (Registered Valuers) as at 30 June 2003.

**Note 6 Employee Entitlements**

<b>2002 Actual \$000</b>		<b>2003 Actual \$000</b>	<b>2003 Budget \$000</b>
1,466	Annual Leave	1,658	1,604
905	Performance Based pay	171	230
859	Salaries and Wages	341	1,209
714	Long Service Leave	821	600
841	Retirement Leave	898	800
<b>4,785</b>	<b>Total</b>	<b>3,889</b>	<b>4,443</b>
3,230	Current	2,170	3,043
1,555	Non-current	1,719	1,400
<b>4,785</b>	<b>Total</b>	<b>3,889</b>	<b>4,443</b>

**Note 7 Reconciliation of net surplus from operations with the net cash flow from operations**

<b>2002 Actual \$000</b>		<b>2003 Actual \$000</b>	<b>2003 Budget \$000</b>
<b>365</b>	<b>Net Operating Surplus / (Deficit)</b>	<b>2,930</b>	<b>(102)</b>
	Add non-cash items		
10	Bad and Doubtful Debts	(13)	2
1,788	Depreciation	2,060	2,030
<b>1,798</b>	<b>Total Non-Cash Items</b>	<b>2,047</b>	<b>2,032</b>
	<b>Movements in Working Capital</b>		
(1,889)	Decrease/(Increase) in Receivables	295	(118)
(62)	Decrease/(Increase) in Work in Progress	24	70
(6)	Decrease/(Increase) in Prepayments	(109)	(35)
585	(Decrease)/Increase in Payables	444	267
1,259	(Decrease)/Increase in Employee Entitlements	(895)	423
<b>(113)</b>	<b>Movements in Net Working Capital</b>	<b>(241)</b>	<b>607</b>
	<b>Movements in Investing Activities</b>		
(74)	(Decrease)/Increase in Payables - Assets	(42)	-
(34)	Gain on sale of Assets	(63)	-
<b>(108)</b>	<b>Total Movements in Investing Activities</b>	<b>(105)</b>	<b>-</b>
<b>1,942</b>	<b>Net Cash Flow from Operating Activities</b>	<b>4,631</b>	<b>2,537</b>

**Note 8 Employee remuneration**

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:

<b>2002</b>	<b>Total remuneration and other benefits</b>	<b>2003</b>
7	\$100,000 to \$109,999	4
2	\$110,000 to \$119,999	1
1	\$120,000 to \$129,999	1
2	\$130,000 to \$139,999	4
3	\$140,000 to \$149,999	1
2	\$150,000 to \$159,999	2
-	\$160,000 to \$169,999	1
1	\$170,000 to \$179,999	1
2	\$180,000 to \$189,999	-
-	\$200,000 to \$209,999	1

The Director of Civil Aviation (started November 2001) remuneration lies in the \$200,000 to \$209,999 band (2002: \$150,000 to \$159,999 band) and the General Manager of Aviation Security Service remuneration lies in the \$170,000 to \$179,999 band (2002: \$170,000 to \$179,999 band).

### Note 9 Authority Fees

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
48	R Fisher (Chair)	49	47
19	H Armstrong (Deputy Chair)	18	18
24	T Ryan (resigned December 2002)	13	-
-	R Tannock (started January 2003)	8	15
15	G Vette	15	15
15	J Gabriel	18	22
<b>121</b>	<b>Honoraria</b>	<b>121</b>	<b>117</b>

The Authority pays honoraria and actual or reasonable expenses to members in accordance with Cabinet Office Circular CO (01) 8. No member received any payment for severance, ex-gratis or consultancy work. R H Fisher, J Gabriel and T Ryan jointly received an extra honorarium for their work on the sub-authority relating to the Aviation Security Service.

### Note 10 Capital Charge and Related Party Disclosures

The Civil Aviation Authority of New Zealand is a Crown Entity. The Government significantly influences the role of the Authority as well as being a major source of revenue.

The Authority pays a capital charge to the Crown based on its public equity at 30 June and 31 December each year. The capital charge for 2002/2003 was 8.5% (2001/2002:9%).

The Authority has entered into a number of transactions with government departments, crown entities and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with Civil Aviation Authority of New Zealand, related party disclosures have not been made for transactions of this nature.

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

### Note 11 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.

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 no significant exposure to currency risk. Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of settlement.

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 2003 (2002: nil). The interest rates on the Authority's investments ranged from 3.0% to 5.9% pa (2002 : 4.1% to 5.8% pa).





## ADDITIONAL FINANCIAL INFORMATION



**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Grouped Financial Statements for the year ended 30 June 2003**

**Financial Performance**

Grouped	Statement of Financial Performance		Aviation Safety		Search & Rescue		Security Service		Elimination		Grouped	
	2002 Actual \$000		2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000
		<b>Revenue</b>										
27,867		Levies	16,955	16,169	-	-	21,630	21,257	-	-	38,585	37,426
6,632		Crown Funding	1,320	1,320	1,289	1,288	356	356	-	-	2,965	2,964
6,202		Fees / Charges	4,321	3,737	-	-	2,488	1,900	-	-	6,809	5,637
425		Interest	224	102	43	21	352	180	-	-	619	303
58		Other Revenue	-	-	-	-	-	-	-	-	-	-
34		Gain on Disposals	10	-	-	-	54	-	-	-	64	-
-		Inter-Group Income	72	69	-	-	-	-	(72)	(69)	-	-
<b>41,218</b>		<b>Total Revenue</b>	<b>22,902</b>	<b>21,397</b>	<b>1,332</b>	<b>1,309</b>	<b>24,880</b>	<b>23,693</b>	<b>(72)</b>	<b>(69)</b>	<b>49,042</b>	<b>46,330</b>
		<b>Expenditure</b>										
27,048		Personnel Costs	13,243	13,419	226	345	16,396	16,000	-	-	29,865	29,764
9,888		Other Operating Costs	6,876	6,334	893	736	4,335	5,473	-	-	12,104	12,543
1,788		Depreciation	754	750	199	80	1,107	1,200	-	-	2,060	2,030
798		Capital Charge	242	171	80	64	687	605	-	-	1,009	840
1,162		Rental Property and Equipment	504	552	-	15	434	534	-	-	938	1,101
129		Authority Members' Costs	105	101	-	-	16	16	-	-	121	117
4		Bad debts	4	-	-	-	-	2	-	-	4	2
6		Provision for doubtful debt	(17)	-	-	-	-	-	-	-	(17)	-
30		Audit Fee	18	15	-	-	10	20	-	-	28	35
-		Inter-Group Expense	-	-	69	69	3	-	(72)	(69)	-	-
<b>40,853</b>		<b>Total Expenditure</b>	<b>21,729</b>	<b>21,342</b>	<b>1,467</b>	<b>1,309</b>	<b>22,988</b>	<b>23,850</b>	<b>(72)</b>	<b>(69)</b>	<b>46,112</b>	<b>46,432</b>
<b>365</b>		<b>Net Operating Surplus/(Deficit)</b>	<b>1,173</b>	<b>55</b>	<b>(135)</b>	<b>-</b>	<b>1,892</b>	<b>(157)</b>	<b>-</b>	<b>-</b>	<b>2,930</b>	<b>(102)</b>

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Grouped Financial Statements for the year ended 30 June 2003**

**Movement in Taxpayers' Equity Reporting**

Grouped	Statement of Movement in Taxpayers' Equity	Aviation Safety		Search & Rescue		Security Service		Grouped	
		2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000
365	Net Operating Surplus/(Deficit)	1,173	55	(135)	-	1,892	(157)	2,930	(102)
-	Revaluation Reserve	-	-	-	-	93	-	93	-
<b>365</b>	<b>Total recognised revenues and expenses for the year</b>	<b>1,173</b>	<b>55</b>	<b>(135)</b>	<b>-</b>	<b>1,985</b>	<b>(157)</b>	<b>3,023</b>	<b>(102)</b>
(316)	Provision for repayment of surplus to the Crown	-	-	-	-	(1,892)	-	(1,892)	-
3,743	Capital injection/(repayment)	-	-	-	(500)	(1,103)	(900)	(1,103)	(1,400)
-	Retention of previous years surpluses	-	-	114	-	-	-	114	-
<b>3,792</b>	<b>Movements in Equity for the year</b>	<b>1,173</b>	<b>55</b>	<b>(21)</b>	<b>(500)</b>	<b>(1,010)</b>	<b>(1,057)</b>	<b>142</b>	<b>(1,502)</b>
<b>8,010</b>	<b>Taxpayers' Equity at start of year</b>	<b>2,591</b>	<b>2,007</b>	<b>1,128</b>	<b>1,128</b>	<b>8,083</b>	<b>8,083</b>	<b>11,802</b>	<b>11,218</b>
<b>11,802</b>	<b>Taxpayers' Equity at end of year</b>	<b>3,764</b>	<b>2,062</b>	<b>1,107</b>	<b>628</b>	<b>7,073</b>	<b>7,026</b>	<b>11,944</b>	<b>9,716</b>

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Grouped Financial Statements for the year ended 30 June 2003**

**Financial Position**

Grouped	Statement of Financial Position		Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
	2002 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000
<b>11,802</b>	<b>3,764</b>	<b>2,062</b>	<b>1,107</b>	<b>628</b>	<b>7,073</b>	<b>7,026</b>	-	-	<b>11,944</b>	<b>9,716</b>		
	<b>TAXPAYERS' EQUITY</b>											
	Represented by:											
	<b>CURRENT ASSETS</b>											
9,045	3,678	2,101	1,077	277	4,901	2,930	-	-	9,656	5,308		
4,191	1,876	1,638	-	-	2,231	2,030	(26)	-	4,081	3,668		
429	215	260	-	-	-	-	-	-	215	260		
197	75	31	115	60	116	425	-	-	306	516		
<b>13,862</b>	<b>5,844</b>	<b>4,030</b>	<b>1,192</b>	<b>337</b>	<b>7,248</b>	<b>5,385</b>	<b>(26)</b>	-	<b>14,258</b>	<b>9,752</b>		
5,164	1,098	1,170	49	435	5,073	4,791	-	-	6,220	6,396		
<b>19,026</b>	<b>6,942</b>	<b>5,200</b>	<b>1,241</b>	<b>772</b>	<b>12,321</b>	<b>10,176</b>	<b>(26)</b>	-	<b>20,478</b>	<b>16,148</b>		
	<b>CURRENT LIABILITIES</b>											
2,123	1,467	1,215	120	124	989	650	-	-	2,550	1,989		
	<b>Provisions</b>											
3,230	1,094	1,423	14	20	1,062	1,600	-	-	2,170	3,043		
316	-	-	-	-	2,095	-	-	-	2,095	-		
	Repayment of Surplus to the Crown											
<b>5,669</b>	<b>2,561</b>	<b>2,638</b>	<b>134</b>	<b>144</b>	<b>4,146</b>	<b>2,250</b>	<b>(26)</b>	-	<b>6,815</b>	<b>5,032</b>		
	<b>NON-CURRENT LIABILITIES</b>											
1,555	617	500	-	-	1,102	900	-	-	1,719	1,400		
<b>7,224</b>	<b>3,178</b>	<b>3,138</b>	<b>134</b>	<b>144</b>	<b>5,248</b>	<b>3,150</b>	<b>(26)</b>	-	<b>8,534</b>	<b>6,432</b>		
<b>11,802</b>	<b>3,764</b>	<b>2,062</b>	<b>1,107</b>	<b>628</b>	<b>7,073</b>	<b>7,026</b>	-	-	<b>11,944</b>	<b>9,716</b>		
	<b>NET ASSETS</b>											

**CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**Grouped Financial Statements for the year ended 30 June 2003**

**Cash Flows**

Grouped	Statement of Cash Flows		Aviation Safety		Search & Rescue		Security Service		Eliminations		Grouped	
	2002 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000	2003 Actual \$000	2003 Budget \$000
	<b>Cash from Operating Activities</b>											
	<b>Cash was provided from:</b>											
26,184	17,267	20,002	-	-	21,291	23,281	-	-	-	-	38,558	43,283
6,632	1,320	1,320	1,289	1,288	356	356	-	-	-	-	2,965	2,964
6,361	4,395	-	-	-	2,760	-	(93)	-	-	-	7,062	-
434	223	102	43	25	377	-	-	-	-	-	643	127
39,611	23,205	21,424	1,332	1,313	24,784	23,637	(93)	-	(93)	-	49,228	46,374
	<b>Cash was applied to</b>											
(23,302)	(12,667)	(20,581)	(959)	(345)	(16,827)	(15,150)	-	-	-	-	(30,453)	(36,076)
(10,404)	(8,427)	-	(196)	(857)	(4,576)	(6,064)	93	-	93	-	(13,106)	(6,921)
(3,165)	(37)	-	(1)	-	(1)	-	-	-	-	-	(39)	-
(798)	(242)	(171)	(70)	(64)	(687)	(605)	-	-	-	-	(999)	(840)
(37,669)	(21,373)	(20,752)	(1,226)	(1,266)	(22,091)	(21,819)	93	-	93	-	(44,597)	(43,837)
<b>1,942</b>	<b>1,832</b>	<b>672</b>	<b>106</b>	<b>47</b>	<b>2,693</b>	<b>1,818</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,631</b>	<b>2,537</b>
	<b>Cash from Investing Activities</b>											
	<b>Cash was provided from:</b>											
71	33	-	-	-	84	-	-	-	-	-	117	-
(2,335)	(534)	(800)	(50)	(133)	(2,450)	(1,600)	-	-	-	-	(3,034)	(2,533)
<b>(2,264)</b>	<b>(501)</b>	<b>(800)</b>	<b>(50)</b>	<b>(133)</b>	<b>(2,366)</b>	<b>(1,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,917)</b>	<b>(2,533)</b>
	<b>Cash from Financing Activities</b>											
3,068	-	-	-	(500)	(1,103)	(900)	-	-	-	-	(1,103)	(1,400)
<b>3,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>(1,103)</b>	<b>(183)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(283)</b>
2,746	1,331	(128)	56	(686)	(776)	(865)	-	-	-	-	611	(1,679)
6,299	2,347	2,229	1,021	963	5,677	3,795	-	-	-	-	9,045	6,987
<b>9,045</b>	<b>3,678</b>	<b>2,101</b>	<b>1,077</b>	<b>277</b>	<b>4,901</b>	<b>2,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,656</b>	<b>5,308</b>





# STATEMENTS OF SERVICE PERFORMANCE

## STATEMENTS OF SERVICE PERFORMANCE

### Civil Aviation Authority

#### Output Class: Policy Advice

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

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

- The administration of New Zealand's participation in the International Civil Aviation Organisation (ICAO) and of New Zealand's compliance with the Chicago Convention and related Protocols, Annexes and Standards relating to aviation safety and security which have been ratified by New Zealand.
- The development and administration of bilateral aviation safety and security related agreements with the civil aviation safety regulatory authorities of other countries.
- The provision of advice to Government on all aspects of civil aviation safety and security.
- The development and review of civil aviation safety and security legislation.
- Ministerial servicing, including ministerial correspondence, Parliamentary Questions, and reports to the Minister.
- Supervising and acknowledging correspondence to and from the Chairperson and Members of the Authority.

**Exemption Process Management**, Pursuant to the Act and rule making procedures, the assessment of petitions for and the granting of exemptions from requirements prescribed in the Civil Aviation Rules.

**Rules Development**, Note that the Authority undertakes Rules Development services under contract to the Ministry of Transport.

#### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of:

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

## Output Performance

Output Class 1: POLICY ADVICE			
Output	Performance Measures 2002 - 2003	Performance Standards	Performance Result
<b>Ministerial Servicing</b>	1. Draft responses to Ministerial correspondence.	70 – 90*	20
	2. Provide reports and briefings to the Minister.	70 – 90*	65
	3. Provide responses to Parliamentary Questions.	30 – 100*	136
	4. Provide reports and responses to Select Committees.	2 - 4*	6
	5. Percentage of draft replies to Ministerial correspondence forwarded to the MOT within 10 and 20 working days of receipt by CAA.	10 days 90% 20 days 100%	100% n/a
	6. Draft responses to Ministerial correspondence and to Parliamentary questions accepted by the Minister's advisers.	Min of 95%	100%
	7. Percentage of draft replies to Parliamentary questions supplied within the required time frame.	100%	100%
<b>Safety Policy Advice</b>	8. Completion of agreed programme:		%
	- <b>Air Traffic Services:</b> Regulatory framework issues, consultation on CAA position, and preparation of report.	December 2002	75% complete- Ongoing
	- <b>Examination Policy:</b> Summarise position and provide report.	September 2002	Completed
	- <b>Mutual Acceptance: Policy issues.</b> Airline AOCs (Australia) - Part 145 MOCs (Canada) -.	June 2003	80% complete 50% complete
	- <b>Health and Safety in Employment:</b> Study and report on issues for designated authorities.	October 2002	Completed
	- <b>CAA Funding Review:</b> Examination and development of policy in support.	March 2003	In process
<b>Safety and Security Policy Advice</b>	9. Promulgation of security advice to industry and government agencies based on changes to ICAO Standards and Practices and government policy.	10 -15*	18
	10. Provision of advice and comment on government policy initiatives and consular initiatives that impact on aviation activity.	5 - 15*	18
<b>Legislation Development</b>	11. Provide amendments to Civil Aviation Charges Regulations 1991 and to the Civil Aviation Safety Levies Order in respect to any changes to the funding regime.	As required	0
	12. Provide support for Civil Aviation Act amendments.	As required	0
<b>International Aviation &amp; Safety Related Agreements</b>	13. Provide responses on behalf of New Zealand to ICAO State letters on aviation safety and security matters.	30 - 50*	55
	14. Petition for rule changes to implement ICAO Standards and Recommended Practices adopted by New Zealand.	5 - 15*	0
	15. Review ICAO decisions notified to New Zealand, including amendments to Annexes, and file acceptances or differences.	10-15*	0
	16. Provide aviation safety and security advice and assistance to Samoa, Niue, and the Cook Islands.	20 - 30*	42 documented actions
	17. Provide advice and representation in support of international agreements, projects, and other forums.	5 - 10*	7

<b>Rules Development Services</b>	<p><i>The Authority undertakes Rules Development services under separate contract to the Ministry of Transport. This includes:</i></p> <p>(a) <i>Reviewing international standards, industry petitions for rule amendment, and all existing legislation and rules relating to the regulation of New Zealand civil aviation safety and security including the evaluation of effectiveness and need.</i></p> <p>(b) <i>Research and development of appropriate safety standards.</i></p> <p>(c) <i>Publishing notices of intention to make or amend ordinary rules.</i></p> <p>(d) <i>Giving interested parties a reasonable time to make submissions on the proposed rules or amendments.</i></p> <p>(e) <i>Consulting with such persons as in each case are considered appropriate on the proposed rules or amendments.</i></p> <p>(f) <i>Drafting and publishing rules and rule amendments required by the Minister.</i></p>	<p><i>Refer to Ministry of Transport Annual Report</i></p>
	18. Petitions for rule exemptions processed.	50 – 70*      79

\*Demand driven or reactive

### Output Cost

<b>Output Class 1: POLICY ADVICE</b>			
2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
1,320	Crown Revenue	2,738	2,738
1,677	Other revenue	110	115
2,997	Total revenue	2,848	2,853
2,401	Total expenses	2,550	2,853
596	Net surplus / (deficit)	298	-

### Output Class: Safety Assessment and Certification

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

- Entry control - The exercise of control over entry into the New Zealand civil aviation system through the issue or amendment of aviation documents and approvals to organisations, individuals and products (see Section 7, Civil Aviation Act 1990 for a listing of these).
- Exit control - The exercise of control over exit from the civil aviation system through the amendment of aviation documents including the suspension, revocation or imposition of conditions on documents where such action is necessary in the interests of safety.
- The monitoring of adherence to safety and security standards by participants in the civil aviation system including the carrying out or requiring of inspections and audits.
- The identification and follow-up of corrective actions that need to be taken by participants and holders of aviation documents to ensure adherence to safety and security standards and compliance with the conditions of their documents.
- The updating of entry, exit and monitoring information in the CAA database, including maintenance of the New Zealand Register of Aircraft.

- The provision of information and advice to applicants for aviation documents and approvals, plus support and advice to participants to assist them achieve compliance with the Civil Aviation Rules.
- The maintenance of an effective Field Safety Advisor presence.
- The assessment of overseas information such as airworthiness directives and manufacturer's service information, and the taking of appropriate action.
- The development and review of New Zealand airworthiness directives.
- The assessment and approval of alternative means of compliance with airworthiness directives.

### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of.

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

### Output Performance

Output Class 2: SAFETY ASSESSMENT AND CERTIFICATION			
Output	Performance Measures 2002 - 2003	Performance Standards	Performance Result
<b>Airline Sector Safety Risk Management</b>	19. Routine audits and inspections.	240 modules 4,600 hours	188 4,647
	20. Spot checks.	600 hours	104
	21. Special purpose audit.	200 hours	0
	22. Percentage and number of scheduled audit and inspection modules completed by the due date set in the audit programme. (see note)	Percentage completed by due date	92% (145)
	23. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	100%	74% (578)
	24. Airworthiness directives to be developed and published	120 - 150*	120
	25. Operator Certification work requests.	200 - 500*	498
	26. Aircraft Certification work requests.	800 - 1,000*	1,055
	27. Aircraft Registration work requests.	1,200 - 1,250*	1,608
<b>General Aviation Sector Safety Risk Management</b>	28. Routine audits and inspections.	632 modules 2,917 hours	566 2,859
	29. Spot checks.	1,000 hours	1,597
	30. Special purpose audit.	100 hours*	0
	31. Percentage and number of scheduled audit and inspection modules completed by the due date set in the audit programme. (see note)	Percentage completed by due date	90% (463)
	32. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	100%	87% (608)
	33. Operator Certification work requests.	1,100 - 1,300*	851

<b>Personnel Licensing &amp; Aviation Services Sector Safety Risk Management</b>	34. Routine audits and inspections.	230 modules 1,500 hours	156 1,198
	35. Spot checks.	600	233
	36. Special purpose audit.	30	0
	37. Percentage and number of scheduled audit and inspection modules completed by the due date set in the audit programme. (see note)	Percentage completed by due date	90% (135)
	38. Percentage of corrective actions identified in audit reports that are implemented within agreed date for compliance.	100%	87% (251)
	39. Personnel licensing work requests.	2,500 – 3,000	3,336
	40. Medical Assessments.	Measuring system to be developed	Developed for 2003 - 2004

\*Demand driven or reactive

Note: All aviation document (certificate/licence holders) are scheduled to be audited at least once annually.

### Output Cost

<b>Output Class 2: SAFETY ASSESSMENT AND CERTIFICATION</b>			
<b>2002 Actual</b>		<b>2003 Actual</b>	<b>2003 Budget</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
12,837	Other revenue	14,793	13,766
12,837	Total revenue	14,793	13,766
13,413	Total expenses	14,367	13,813
(576)	Net surplus / (deficit)	426	(47)

### Output Class: Safety Analysis and Information

This Output Class covers the following outputs and activities:

- The investigation of civil aviation safety occurrences, received by way of safety occurrence information and safety complaints, and to identify causal factors.
- The investigation and review of civil aviation accidents and incidents in accordance with the Authority's capacity as the responsible aviation safety authority (subject to the limitations set out in section 14(3) of the Transport Accident Investigation Commission Act 1990).
- 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.
- Advice on the safety performance of the civil aviation system.
- Responses to safety recommendations made by the Transport Accident Investigation Commission and Coroner's inquests, and taking appropriate actions, tracking and reporting progress on a quarterly basis.
- The assessment of overseas information, aircraft reliability data and flight operations information, and taking appropriate action.
- The preparation of an annual Safety Plan summarising the Authority's safety actions and priorities affecting each industry sector.

- The provision of support and advice to civil aviation participants to assist them to achieve compliance with the Civil Aviation Rules.
- The promotion of safety by providing safety education information and advice, and fostering safety programmes, including public awareness concerning the transport of dangerous goods by air.
- The provision and maintenance of an internet web site.
- The provision of information for the New Zealand Aeronautical Information Service.
- The publishing of feedback information to industry in the form of accident briefs, defect summaries, and accident and incident trends.

### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of.

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

### Output Performance

Output Class 3: SAFETY ANALYSIS and INFORMATION			
Output	Performance Measures 2002 - 2003	Performance Standards	Performance Result
<b>Safety Investigation</b>	41. Number of investigations initiated into aviation safety occurrences.	1,700 – 2,200*	1,712
	42. Number of investigations closed that meet the specified accuracy and completeness requirements in CAA procedures. Percentage of investigations of critical or major occurrences completed:	90%	96%
	43. within 6 months of registration,	70%	71%
	44. within 12 months of registration, and	90%	92%
	45. within 2 years of registration.	100%	100%
<b>Safety Analysis</b>	46. Number of Aviation Safety summary reports.	4 quarterly reports	4
<b>Safety</b>	47. Number of Vector Periodicals.	Minimum of 6	7
<b>Education &amp;</b>	48. Number of CAA Safety Videos.	2	2
<b>Information</b>	49. Number of Kiwi Safety Seminars.	Minimum of 6	6

\*Demand driven or reactive

### Output Cost

Output Class 3: SAFETY ANALYSIS and INFORMATION			
2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
3,653	Other revenue	4,220	3,873
3,515	Total expenses	3,970	3,873
138	Net surplus / (deficit)	250	-

### Output Class: Enforcement

This Output Class covers the taking of appropriate follow-up action in the public interest, including:

- the recording of public complaints of alleged or suspected offences,
- the investigation of all such allegations and any others as may be referred from other CAA Units, and
- the taking of appropriate action; such as the issue of a warning letter, the issue of an infringement offence notice, or the laying of information for a summary offence.

### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of.

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

### Output Performance

Output Class 4: ENFORCEMENT			
Output	Performance Measures 2002 - 2003	Performance Standards	Performance Result
Enforcement	50. Number of alleged offences reported/recorded.	200 – 240*	173
	51. Number of detailed investigations undertaken.	130 - 160*	102
	52. Percentage of alleged offences reported/recorded in the period initially assessed.	100%	100%
	Percentage of detailed investigations completed in the period:		
	53. within 6 months of commencement, and	90%	96%
	54. within 12 months of commencement.	100%	100%
	55. A high proportion of enforcement actions taken are resolved in favour of the CAA.	% and number of successes	92%
			50

\*Demand driven or reactive

### Output Cost

Output Class 4: ENFORCEMENT		
2002 Actual \$000	2003 Actual \$000	2003 Budget \$000
599 Other revenue	738	734
708 Total expenses	771	734
(109) Net surplus / (deficit)	(33)	-



## Search and Rescue Services

### Output Class: Class III Search and Rescue

The following Class III Search and Rescue services were provided by the Authority:

- Provision in the New Zealand SAR Region of 24-hour co-ordination services to adequately cover Class III search and rescue requirements for persons in distress or in need of assistance, such services to meet or exceed New Zealand's obligations under any applicable international agreements.
- Co-ordination of all persons, organisations, and government departments as are necessary to assist with the search and rescue services identified in Item 6(a).
- Operation of the Local User Terminal at Lower Hutt.
- Communication with and education of persons, organisations and government departments to minimise the need for and to improve and facilitate Class III search and rescue services.
- Provision of a sufficient number of adequately skilled staff to ensure the Co-ordination Services are available 24 hours per day.
- Provision of a sufficient number of adequately skilled staff to administer the provision of the services specified in this Schedule.
- Establishment and adoption of procedures to adequately cover co-ordination of Class III search and rescue requirements.
- Logging and recording of all Class III search and rescue activities.
- Completion of a report for each suspended Class III search and rescue operation and such other reports as are requested.
- Provision of a person or persons to attend and represent New Zealand's interests at international fora on search and rescue.
- Provision of training for personnel involved in Class III search and rescue services.
- Maintenance of the national 406MHz distress beacon registers.
- Arranging the provision of medical advice, initial medical assistance, or medical evacuation if required, as part of the SAR service for persons in distress within the New Zealand SAR Region.

### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of.

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health

## - Ensuring environmental sustainability

**Output Performance**

<b>Output Class : SEARCH and RESCUE</b>			
<b>Output</b>	<b>Performance Measures 2002 - 2003</b>	<b>Performance Standards</b>	<b>Performance Result</b>
<b>Search &amp; Rescue</b>	1. Number of SAR incidents responded to	600-900*	872
	2. Number of SAR missions undertaken	10-15*	16
	3. Percentage of SAR operations that are successfully concluded (refer to note)	100%	99.67% of SAR incidents were successfully concluded. Search for the "Lih Fa" fishing vessel and crew was suspended.
	4. ISO Certification of National Rescue Co-ordination Centre	Maintain	Maintained
	5. Percentage of SAR incidents responded to within ten minutes of notification	100%	100%

\*Demand driven or reactive

*Notes: A search and rescue operation is successful when:*

*i) information is obtained that the ship, aircraft, other craft or persons who are the subject of the SAR incident are no longer in distress; or*

*ii) the ship, aircraft, other craft or persons for whom SAR unit are searching have been located and the survivors rescued.*

**Output Cost**

<b>Output Class 5: SEARCH and RESCUE</b>			
<b>2002 Actual \$000</b>		<b>2003 Actual \$000</b>	<b>2003 Budget \$000</b>
1,289	Crown Revenue	1,289	1,288
49	Other revenue	43	21
1,338	Total revenue	1,332	1,309
1,225	Total expenses	1,467	1,309
113	Net surplus / (deficit)	(135)	-

## Aviation Security Service

### Output Class: Aviation Security Service

This Output Class covers the following aviation security services provided by the Aviation Security Service:

- The screening of all departing international passengers and baggage at all international airports in New Zealand to standards laid down in relevant legislation, regulations and rules as may be determined from time to time;
- The screening of all departing domestic passengers and baggage travelling on aircraft with a capacity for 90 or more regular air passengers;
- Such other aviation security services and screening, such as screening of hold baggage, as is judged advisable by the Director of Civil Aviation from time to time;
- Searches, where necessary, of passengers, baggage, cargo, aircraft, aerodromes, and navigation installations;
- Patrols at security designated aerodromes and navigation installations
- Reviews, inquiries into, and maintaining current knowledge of security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it;
- Such experimental or research work in respect of any aspect of aviation security as the Director of Civil Aviation may specify;
- Co-operation with the Police, Government departments, airport authorities, operators, and authorities administering the airport security services of other countries, and with any appropriate international organisation for the purpose of better carrying out the Service's functions;
- Such other functions and duties as may be conferred on it by any enactment.
- Aviation security services as required by the aviation industry including aircraft guards, aircraft searches and passenger protection;
- Operation, on behalf of the Director of Civil Aviation, of the official Airport Identity Card system utilising the National Airport Identity Card database;
- Provision of advice on aviation security activities to the Government and the aviation industry, including draft replies to Ministerial correspondence related to the Service.

### Outcomes

This Output Class contributes to the Government's outcomes set out in the NZ Transport Strategy of:

- Assisting economic development
- Ensuring safety and personnel security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

## Service Performance

### Passenger Screening

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

<b>Output Class : Aviation Security</b>		
<b>Performance Measures 2002 - 2003</b>	<b>Performance Result</b>	
<b>Quantity</b>		
Number of international passengers screened.	Actual screened passengers	3,360,996
	Estimate	3,439,388
	Variance	-78,392
	% Variance	-2.27%
Number of domestic passengers screened	Actual screened passengers	4,009,236
	Estimate	3,777,108
	Variance	+232,128
	% Variance	+6.15%
<b>Quality</b>		
Number of Corrective Action Requests issued by Civil Aviation Authority auditors	No Corrective action requests were issued during the year.	
97% detection rate in the Recurrent Testing Programme.	Test objects	2,759
	Objects detected	2,689
	% Detected	97.40%
During 2002/2003 year there will be no more than one formal complaint per 100,000 passengers.	Actual complaints per 100,000 passengers	0.28
<b>Timeliness</b>		
No flight delays due to screening activities.	There were no flight delays due to screening activities during the period.	

### Aircraft Search

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

<b>Output Class : Aviation Security</b>		
<b>Performance Measures 2002 - 2003</b>	<b>Performance Result</b>	
<b>Quantity</b>		
Number of aircraft searched	Actual searched aircraft	2,135
	Estimate	2,200
	Variance	-65
	% Variance	-2.95%
<b>Quality</b>		
Compliance with the National Aviation Security programme.	There were no non-conformance reports raised by Civil Aviation Authority auditors of aircraft search activities during the year.	
97% detection rate in recurrent testing programme as measured by the percentage of test objects detected.	Objects used	470
	Objects detected	454
	% detected	96.60%
No more than 5 customer complaints.	Nil	
<b>Timeliness</b>		
Number of flight delays due to search activities.	Nil	

## Patrols

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

Output Class : Aviation Security		
Performance Measures 2002 - 2003	Performance Result	
<b>Quantity</b>		
Number of patrol hours	Actual patrol hours	78,142
Note: the number of patrols hours was increased because of doubling up as new staff were trained in the function.	Estimate	64,500
	Variance	+13,642
	% Variance	+21.15%
	<hr/>	
Number of incidents attended	Number of attended incidents	2,474
	Estimate	3,000
	Variance	-526
	% Variance	-17.53%
	<hr/>	
<b>Quality</b>		
Persons unlawfully within a security area will be detected within five minutes of entry.	There were no reports of a person remaining undetected for over five minutes within a security area during the period.	
<hr/>		
<b>Timeliness</b>		
Incidents attended within three minutes of coming to notice.	There were no reports of incidents not attended within three minutes.	

## Access Control

Control of unauthorised access through controlled access points and issue Airport Identity Cards to all authorised persons requiring them.

Output Class : Aviation Security		
Performance Measures 2002 - 2003	Performance Result	
<b>Quantity</b>		
No incidents of unauthorised access.	Nil	
<hr/>		
Number of Airport Identity Cards issued:		
• 6,500 Permanent	Permanent Cards Issued	5,898
• 22,250 Temporary	Temporary Cards Issued	23,106
<hr/>		
<b>Quality</b>		
97% compliance by Airport Identity Cardholders with the requirement for use.	Number of checks	9,750
	Number of breaches	203
	Percentage compliance	97.92%
<hr/>		
<b>Timeliness</b>		
95% of Airport Identity Cards replaced by expiry date.	Number of checks	9,750
	Number of breaches	203
	Percentage compliance	99.82%

## Promote Security Awareness and Airline Co-operation

Supply of security awareness training as required.

Output Class : Aviation Security		
Performance Measures 2002 - 2003	Performance Result	
<b>Quantity</b>		
Number of courses held.	Actual courses held	43
	Estimate	75

**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%

**Maintain Cost Effective Operations**

Output Class : Aviation Security

Performance Measures 2002 - 2003

*Performance Result*

**Quantity**

The cost of operations will be within budget. Cost of operations was within budget.

**Quality**

Financial reporting will be in compliance with the Public Finance Act. There were no non-compliances reported.

**Output Cost**

Output Class : Aviation Security Service

2002 Actual \$000		2003 Actual \$000	2003 Budget \$000
19,648	Crown Revenue	356	356
255	Other revenue	24,524	23,337
19,903	Total revenue	24,880	23,693
19,700	Total expenses	22,988	23,850
203	Net surplus / (deficit)	1,892	(157)

# **REPORT OF THE AUDITOR GENERAL**







**REPORT OF THE AUDITOR-GENERAL**  
**TO THE READERS OF THE FINANCIAL STATEMENTS OF**  
**THE CIVIL AVIATION AUTHORITY OF NEW ZEALAND**  
**FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements of on pages 67 to 102. The financial statements provide information about the past financial and service performance of the Civil Aviation Authority of New Zealand and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 67 to 69.

**Responsibilities of the Authority**

The Public Finance Act 1989 and the Civil Aviation Act 1990 require the Authority to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Civil Aviation Authority of New Zealand as at 30 June 2003, the results of its operations, cash flows and service performance achievements for the year ended on that date.

**Auditor's responsibilities**

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Authority. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

**Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the Authority in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to the Civil Aviation Authority of New Zealand's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from

material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

During the year we provided the Civil Aviation Authority of New Zealand with a tax compliance review. Other than this assignment, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Civil Aviation Authority of New Zealand.

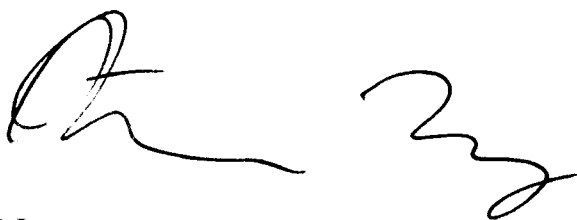
### **Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Civil Aviation Authority of New Zealand on pages 67 to 102:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
  - the Civil Aviation Authority of New Zealand's financial position as at 30 June 2003;
  - the results of its operations and cash flows for the year ended on that date; and
  - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 14 October 2003 and our unqualified opinion is expressed as at that date.



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

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

This audit report relates to the financial statements of the Civil Aviation Authority of New Zealand for the year ended 30 June 2003 included on its website. The Authority is responsible for the maintenance and integrity of the Civil Aviation Authority of New Zealand's website. We have not been engaged to report on the integrity of the Civil Aviation Authority of New Zealand's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

We have not been engaged to report on any other electronic versions of the Civil Aviation Authority of New Zealand's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 14 October 2003 to confirm the information included in the audited financial statements presented on this web site.

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